

ACTION: Consider Application for Suspension of Operations

AUTHORITY: W.S. § 36-6-101(b);
 Board of Land Commissioners’ Rules and Regulations, Chapter 18, §§ 8(c) and 12(b);
 State of Wyoming Oil and Gas Lease §§ 2(p) (Prior to 1982), 1(k) (1982-2012) and 1(l) (After 2012)

ALTERNATIVES:

- Approve Application for Suspension of Operations
- Reject Application for Suspension of Operations
- Approve Application for Suspension of Operations with Conditions or Limitations

ANALYSIS:

State of Wyoming Oil and Gas Lease 99-00707 is currently shut-in due to final dewatering operations and adverse economic conditions. With continued efforts, Carbon Creek, LLC expects to bring the wells into a productive status in late 2018.

<u>Lease</u>	<u>Description</u>	<u>County</u>	<u>Request</u>	<u>Stips</u>
99-00707	T44N R75W, Sec. 16 S2SW	Campbell	7th Request	1, 136, 145

In accordance with the Office of State Lands and Investments’ (OSLI) existing coordination process with the Wyoming Game and Fish Department and the Wyoming State Historic Preservation Office, it is recommended that the following Standard Stipulations be applied to the described lease.

Wyoming State Historic Preservation Office

#1: Standard Stipulation relating to discovery of historical, archeological, or paleontological deposits within the leased area.

Wyoming Game and Fish Department

#136: Standard Stipulation relating to development and production within an area of concern for the spread of aquatic invasive species.

#145: Standard Stipulation relating to the adherence to regulatory requirements found in Executive Order 2015-4, "Greater Sage-Grouse Core Area Protection".

The specific language of all Standard Stipulations can be found at:

<http://slf-web.state.wy.us/MLease/auctions/stipulations.pdf>

Rental Payment Schedule:

All leases issued after March 1, 1982 provide for a five year primary term and allow for a suspension of operations where a well capable of producing in paying quantities exists on the lease but a satisfactory market is not yet developed, as long as lease rentals are paid yearly by the lease anniversary date. Lease terms provide that rentals for any year after discovery is made will be at \$2.00/acre unless changed by agreement. In granting this suspension of operations, the Board of Land Commissioners and the applicant for same are agreeing on the rental schedule shown below (changing by agreement) as a condition of the grant of suspension.

SUSPENDED DURING PRIMARY TERM	\$ 2.00 PER ACRE
UNDER 1 st SUSPENSION OF OPERATIONS	\$ 2.00 PER ACRE
UNDER 2 nd SUSPENSION OF OPERATIONS	\$ 5.00 PER ACRE
UNDER 3 rd SUSPENSION OF OPERATIONS	\$10.00 PER ACRE

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UNDER 4th & 5th SUSPENSION OF OPERATIONS \$20.00 PER ACRE

UNDER 6TH OR GREATER SUSPENSION OF OPERATIONS \$50.00 PER ACRE

Additional Recommended Conditions of Approval:

- 1) Operating rentals, which may exceed the amount noted on the lease document, must be submitted in accordance with the lease terms and Board of Land Commissioners' Rules and Regulations, and as described in the Rental Payment Schedule above.
- 2) Provide bonding on a per well basis at a rate of \$10/ft of open well bore for all wells on the lease within sixty days of Board Approval.
- 3) The granted suspension for the lease will expire with the establishment of any adverse drainage.
- 4) Monthly production and royalty reports (MR10, MR20, MR40, & MR50) must be submitted during the period of suspension of operations whether the lease is producing or not.
- 5) The lessee must be compliant with all the Board of Land Commissioners' Rules and Regulations, and any terms and conditions of any lease or other agreements with the Board within sixty days of Board approval.
- 6) The lessee/operator must acknowledge acceptance of these conditions in writing within ten business days of receipt of approval via electronic or written correspondence.

DIRECTOR'S RECOMMENDATIONS:

The Director recommends approval of the above described application for suspension of operations for not more than a one year period, or to expire upon the lease's anniversary date, whichever comes first. The Director further recommends approval conditioned upon the provisions as also described above and with the described Standard Stipulations.

BOARD ACTION: Board Approved