

General information

Wyoming Oil & Gas Conservation Commission

Director's name and official title

Don J. Likwartz, State Oil & Gas Supervisor

Agency contact

Don J. Likwartz

(307) 234-7147

P. O. Box 2640, Casper, WY 82602-2640

dlikwa@state.wy.us

<http://wogcc.state.wy.us>

Other locations

Does not apply

Statutory references

Sections 30-5-101 through 30-5-126, W.S. 2007

Clients served

Oil and gas industry, other state and federal agencies, general public

Budget information

Expenditures for FY08 were \$4,291,163

Number of Members

5

Meeting Frequency

Once a month – usually the second Tuesday of the month

Wyoming Oil & Gas Conservation Commission

Calendar Year 2007 (January 1, 2007 through December 31, 2007)

Quality of Life Result: Wyoming's natural resources are managed to maximize the economic, environmental and social prosperity of current and future generations.

Contribution to Wyoming Quality of Life: (functions)

This agency contributes to Wyoming's quality of life by encouraging the beneficial and environmentally responsible development of the state's oil and gas resources to generate revenue for the general fund which supports other agencies and the benefits they provide. One goal is to protect human health and the environment by avoiding contamination of the soils and underground and surface water at drilling and producing locations. A second goal is to insure those locations are properly reclaimed at the end of production activities so that the land can be returned to beneficial use. The Commission is charged with preventing waste of hydrocarbons beneath our state's lands and protecting correlative rights as well as maximizing the state's resources.

Basic Facts:

The WOGCC has 41 employees, an Assistant Attorney General, and a contracted hydrogeologist.

Our total budget for the 2007-2008 biennium is \$8,722,202 none of which comes from the general fund. Our revenue is primarily derived from the conservation tax. This is a tax on oil and gas sales paid by oil and gas operators, not the public at large. We have been granted primacy by the Environmental Protection Agency for the regulation of underground injection class II wells. We will receive a grant reimbursement from the EPA for FY 2007 and 2008 of approximately \$380,000.

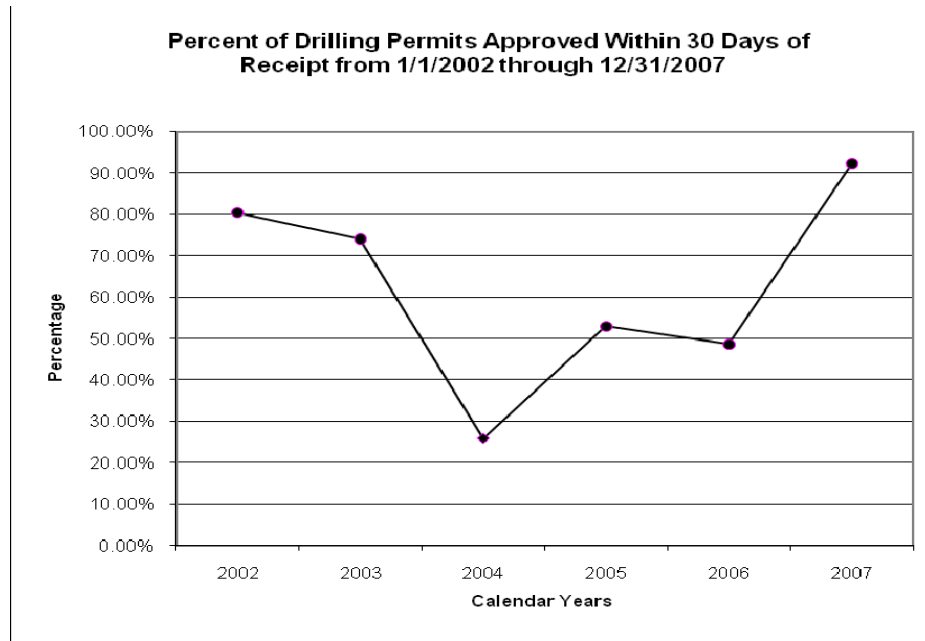
Our website is an extraordinary customer outreach tool. Historically, we received an average of four hits per minute, but this has now increased to 6 hits a minute or 2,880 hits each work day. The website is accessed by individuals and companies seeking information about wells, production, mapping, and a myriad of other types of information.

Six of our most important programs and/or functions are:

1. Permitting and maintaining records on these wells
2. Field Inspections
3. Underground Injection Control Program
4. Matters set for hearing
5. Orphan well plugging
6. Website

These programs and/or functions ultimately affect the entire state's population.

Performance #1:



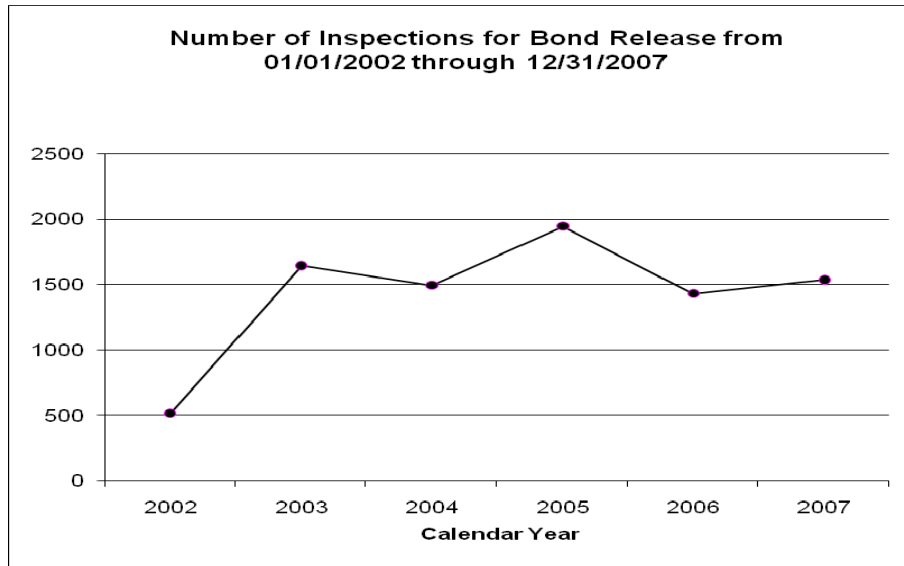
Story behind the last year of performance:

1. The increase in coalbed methane development, especially in the Powder River Basin, Northeastern Wyoming, in the past six years has increased the number of applications for permit to drill wells by the oil and gas industry. Approving a permit involves checking the location of the proposed well to guarantee it conforms to proper spacing to protect correlative rights; checking field conditions for the construction of different types of pits to protect groundwater and checking for bonding by the operator to guarantee coverage of operations. There are presently six people performing these tasks: an engineer, a geologist, an engineering technician and three permitting persons. From January 1, through December 31, 2007, we received 8,411 permits, approved 7,920, denied 115 and had 376 left to process. Our goal is a self-imposed target to approve a permit within 30 days of receiving it. The number of permits received has decreased slightly but percentage of approval within 30 days has increased to 92 percent indicating we are on track with our target.

What has been accomplished?

The staff has worked diligently to improve the number of permits approved within 30 days. This year, the average permit was approved within 15 days of receiving it.

Performance #2:



Story behind the last year of performance:

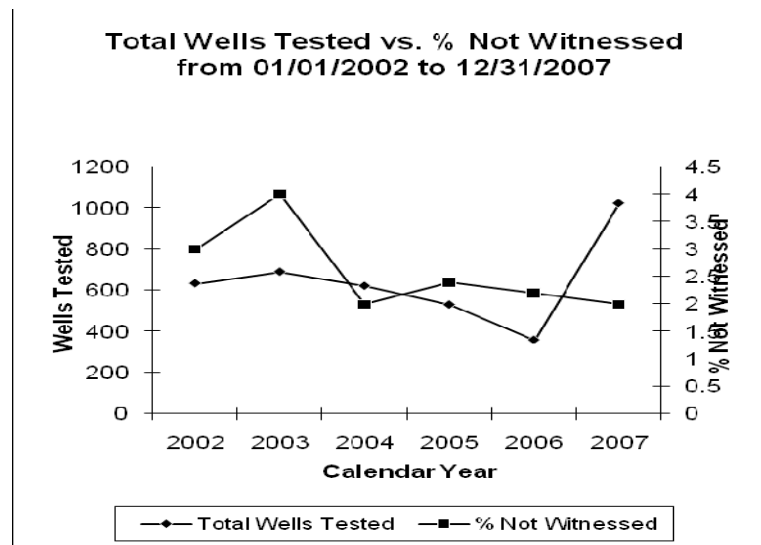
2. The agency requires a bond in satisfactory form which runs to the State of Wyoming conditioned that wells be operated and maintained in such a manner as not to cause waste or damage the environment and upon permanent abandonment be plugged in accordance with the regulations. Before a well site is released from the operator's bond, pits must be closed and reclamation of the surface must be completed in accordance with reasonable landowner's wishes, and/or to resemble the original vegetation and contour of the adjoining lands. Drilling inspectors check locations of all plugged and abandoned wells. Additionally, proposed wells for which the drilling permit has expired are checked to insure locations were not built and pits were not constructed. Historically, this was done by one inspector with part-time assistance of others. In May 2002, an additional drilling inspector was hired and given the primary assignment of conducting dry hole and never drilled well inspections. Coal bed methane operators have impacted this program by permitting a large number of wells which were not drilled. At this time, a large number of never drilled well locations remain to be inspected. Our field staff inspected 2,374 locations in 2006 and 1,534 in 2007, but because roads used to access the sites have been reclaimed, that number may be limited by weather conditions. These numbers include releases provided by landowners when they preferred inspectors not unnecessarily access the property. The company provides a sundry attesting that the well location was not disturbed and the landowner confirms this with his affidavit. These are handled by inspectors and a release letter is prepared by office staff. The inspection number in 2007 was reduced as inspectors worked with problem operations where no rehabilitation has taken place over many years. November and December of 2007 saw heavy snowfall in the southern half of the state. Higher precipitation limited surface activity as dirt roads in many areas were impassible. Inspectors do

not access private property when there is a good chance of causing surface damage due to wet soils.

What has been accomplished?

The agency planned to increase bond-release inspections by 3 percent each year by making it a priority activity. A contractor was hired for several months in the summer of 2007 to help with the release of seismic lines from their bonds. 1930's era wells were plugged and abandoned by the state on the Cowgirl lease and the inspector's efforts to get an operator to bring wells into compliance in the Osage and Hay Creek Fields finally forced transfer of the leases to another company.

Performance #3:



Story behind the last year of performance:

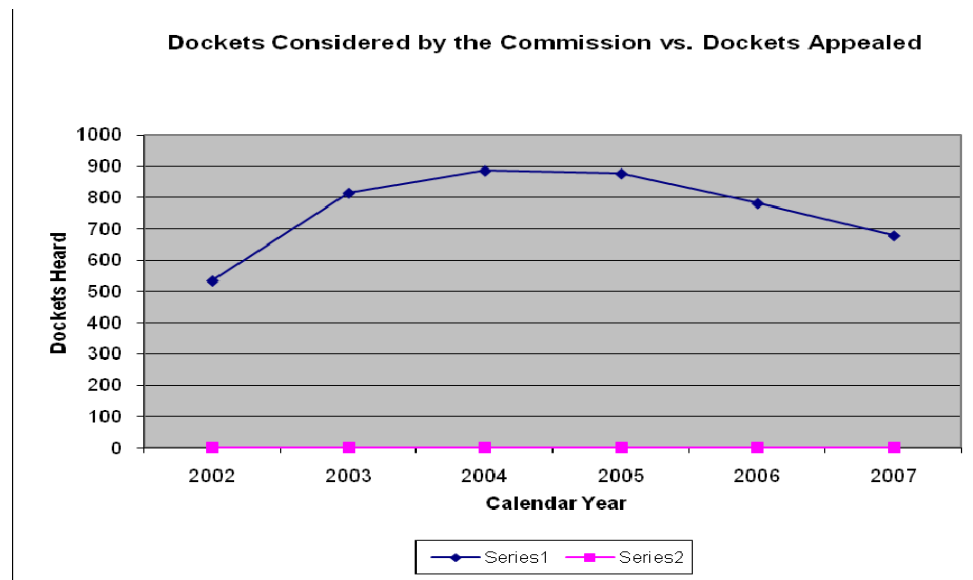
3. The purpose of Underground injection control regulations is to protect underground sources of drinking water. The Class II program was delegated to the Commission by the United States Environmental Protection Agency in 1981. Regulations provide that injection and disposal wells must be constructed and maintained in a manner that limits fluids from entering any interval other than one that is hydrocarbon bearing or contains water that is not fresh or potable. A new injection or disposal well must demonstrate that it does not have leaks in the casing, tubing or packer (demonstrate that it has mechanical integrity) prior to operation and at least once every five years thereafter. Currently two drilling inspectors witness pressure tests on 3,550 active and 248 temporarily abandoned enhanced recovery wells and 327 active and 11 temporarily abandoned water disposal wells; as well as production wells which have been idle more than five

years. The agency's commitment to EPA is that field personnel will witness in excess of 25 percent of all mechanical integrity tests run. Historically, in excess of 90 percent of the tests have been witnessed. The ultimate goal is to witness all of the tests, but that will prove difficult because these wells are scattered across the state and the staff is small. The majority of the tests are scheduled on existing wells which are being retested on five year cycles, but operators are required to call in for testing to be witnessed when new conversions are ready for testing. On occasion, staff cannot meet the demands for witnesses, so certified forms are accepted with staff consent. In 2007, 1,025 wells were tested of which 1,007 were witnessed, or 98 percent which leaves 2 percent unwitnessed.

What has been accomplished?

The target of less than 4 percent of the wells unwitnessed was met. All the idle production mechanical integrity tests that were possible to witness were witnessed.

Performance #4:



Story behind the last year of performance:

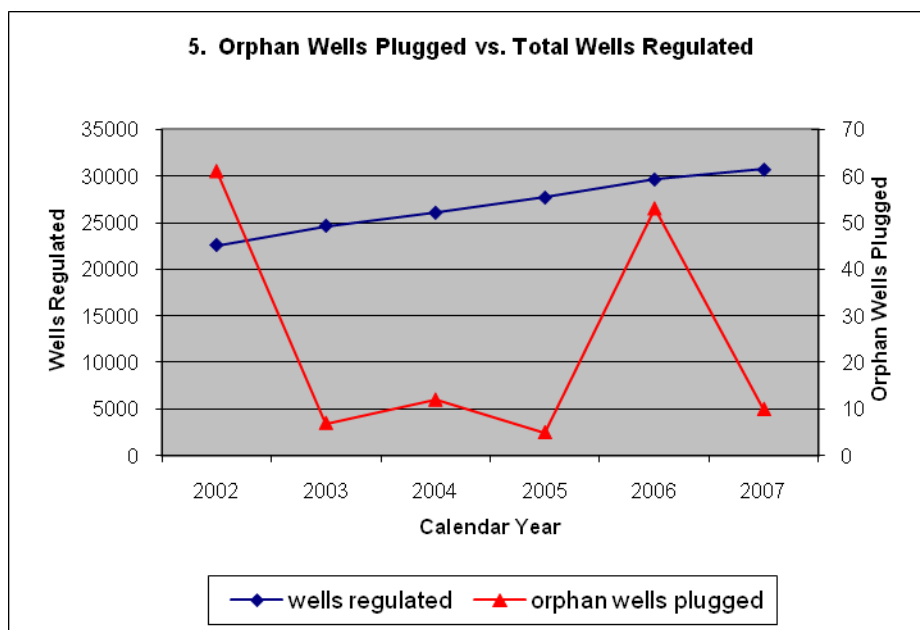
4. Coalbed methane development is also responsible for the increase in cases considered by the Commission during the past four years. The Commission holds monthly hearings to consider requests by operators for amendments or exceptions to existing rules, to create drilling and spacing units and enhanced recovery units; to approve injection and disposal wells; or to approve of pit or water treatment processes. The Commission also hears show-cause matters prepared by staff to address violations by the operators. All cases have to be noticed in relevant county and statewide newspapers prior to the hearings. A total of eight employees plus the assigned staff attorney general are involved in the hearings on a regular basis and 18 others have participated in the show-cause hearings. During the six-year period shown in Figure 4, only one split estate

bond case, out of 4,568 total cases has been appealed to District Court and it was subsequently settled out of court.

What has been accomplished?

Although the Commission had its first decision appealed in 2006, the Commission had no cases appealed in 2007.

Performance #5:



Story behind the last year of performance:

5. All wells that have reached the end of their productive life must be properly plugged and the surface restored to original condition. When operators go out of business or leave the state, the Commission plugs the under-bonded or orphan wells that remain which are located on fee or state school lands minerals. Three sources of funds are available to accomplish this – a portion of the Commission’s conservation tax, idle well bonds posted by the operators and a \$4 million orphan well fund created in 2006. During the six-year period shown on Figure 5, the number of orphan wells plugged has ranged between five and twelve except for 2002 and 2006 when 61 and 53 wells were plugged respectively as a result of two companies declaring bankruptcy. The

number dropped to 10 in 2007. Meanwhile, the number of wells regulated by the Commission increased 36 percent from 22,562 in 2002 to 30,701 in 2007.

What has been accomplished?

The agency's target is to keep the number of orphan wells at ten or below, which we did in 2007, recognizing that the agency has no control over bankruptcies. To put this into perspective, Wyoming is in very good shape compared to the other 35 oil and gas producing states that collectively have more than 154,000 orphan wells.

Performance #6 (no graph)

Story behind the performance:

6. The WOGCC and the Federal Government, specifically the Reservoir Management Group of the BLM, are continuing to foster and develop a solid working relationship and sharing of data. The Federal Lease information is vital to the industry as well as the entities that watch over those resources. Through this continued relationship, the WOGCC will continue to provide a useable, informative and vital link to that data to enable all the entities involved to make informative business, economic and environmental decisions.

Another area of the website that has developed a strong following and amount of usage is in the GIS section, specifically the GIS Map Server. Usage and interested has exploded in that area as more and more companies and individuals get up-to-speed in the GIS arena and are able to use the data the Commission provides.

What has been accomplished?

In 2007 the Internet link was upgraded to a fractional T1, with a capacity of up to 3 megabits per second (MBPS). This was again done to enable the WOGCC to provide the quantity of data being requested by outside entities in a more timely and consistent manner. After this latest upgrade, the number of system errors and the number of support/technical calls to the WOGCC IT staff has decreased.

Other areas, such as GIS, federal leases, water wells, pit locations, etc. continue to be work-in-process projects that are all in place, but are being upgraded and enhanced as we go forward.

WYOMING OIL & GAS CONSERVATION COMMISSION 055

