

## MEMORANDUM

DATE: August 24, 2010

TO: All Operators

FROM: Thomas E. Doll, PE, State Oil & Gas Supervisor

RE: Adoption of WOGCC Rules & Regulations; Clarifications

On August 16, 2010, by his signature, Governor Dave Freudenthal approved the Wyoming Oil and Gas Conservation Commission (WOGCC) Rules & Regulations (“Rules”), as adopted on June 8, 2010. The approved Rules were filed on August 17, 2010, with the Secretary of State and have been posted on their web page.

Until the final version of the Rules is posted on the WOGCC website, and printed and available on disk, please use the Rules as adopted on June 8, 2010, as currently found on the website at <http://wogcc.state.wy.us>. We will have the Rules and forms updated and on the website soon.

With the Rules approved and filed, compliance with these Rules is expected to be effective on September 15, 2010. The Commission staff will assist with the new Rules and the changes to our forms and additional data submittal requirements to ensure compliance. We will continue with little, if any, change to our historic oversight and must stress that communication with staff remains the key to work through potential issues that interpretation of this new language brings.

### Clarifications

From the industry meeting on July 27 & 28, 2010, the following clarifications are provided:

Chapter 3, Section 8, Application for Permit to Drill or Deepen a Well, Subsection (c)(iii): Identification of all water supply wells permitted by the Wyoming Office of the State Engineer located within one-quarter mile of the drilling and spacing unit or the Commission approved drilling unit, whichever is less, and the depth from which water is being appropriated;... Clarification: Use one-quarter mile radius from the drill site if there is no Federal drilling

or spacing unit, or other similar instances. Plugged and abandoned water supply wells do not need to be included.

Chapter 3, Section 8, Application for Permit to Drill or Deepen a Well, Subsection (e). Clarification as to voltage: Low voltage is less than or equal to 90 volts; high voltage is greater than 90 volts.

Chapter 3, Section 10, Notice of Intent to Change Plans (Form 4). Clarification as to intent: The intent is to convey to the Supervisor that material changes have occurred. Approval of the material changes is required prior to commencing the changed well stimulation work.

Chapter 3, Section 12, Well Completions or Recompletion Report and Log (Form 3). To be in compliance with this section, the Owner or Operator must provide the appropriate Form 3, Completion Report, for each well and/or for each well on a pad individually and by API number within the thirty (30) days of ceasing drilling or completion or recompletion activity. If the producing interval is not perforated or fully perforated within the above thirty (30) day period, the appropriate Form 4, Sundry Notice, must be filed for each well and/or for each well on a pad individually and by API number providing the estimated date of completion.

Chapter 3, Section 21, Filing of Well Logs, Subsection (d). Clarification as to the administration of confidential status: Commission staff has been instructed by the Supervisor that this subsection will be administered with confidential status approved only for exploratory or wildcat wells marked “Confidential” on the Form 1, Application for Permit to Drill, for a period of six (6) months after filing as required by subsection (a) of this section. The Commission Form 1 or Bureau of Land Management Form 3160-3 and the Surveyor’s Plat will be released to the public and news media. The Owner or Operator shall submit written justification for confidential status for subsequent wells, so just marking “Confidential” on the Form 1 will not ensure its confidential status unless the Supervisor approves the request. If the exploratory or wildcat well or subsequent wells have been completed and/or production is being reported, the confidential status will be rescinded even if the six (6) month period has not been reached. Further, any request for approval for an additional six (6) month extension of the confidential status of an exploratory well or wildcat or subsequent wells shall be denied without compelling evidence and proof of damage to the Owner or Operator of the well. Should the Owner or Operator not agree with the Supervisor’s evaluation and decision, they may file an Application for Hearing with the Commission as per Chapter 5, Section 2 of the Commission Rules.

Chapter 3, Section 34, Surface Commingling of Production or Multiple Zone Completion or Commingling in One Wellbore, Subsection (c). Clarification for Powder River Basin: Fort Union Formation multiple zone completions and recompletions shall be permitted by the Supervisor without order of the Commission, upon the filing and approval of Form 4, after the well has been drilled, completed, or recompleted.

Chapter 3, Section 39, Authorization for Flaring and Venting of Gas, Subsection (a) through (f). All flaring or venting approval requests must come directly to the Supervisor via a formal letter on the Owner or Operator's stationery with logo. No emails or Sundry Notices, Form 4, will be accepted.

- The Operator must provide the API number, well name, legal location, and requested venting or flaring volume, etc. as per Chapter 3, Section 39 (a) through (f), as adopted 8 June 2010.
- The Operator must state whether or not the vented or flared gas contains H<sub>2</sub>S. The Operator is encouraged to provide a representative gas analysis from the well or adjacent well or wells from the same formation. A gas analysis is required if the gas contains H<sub>2</sub>S or has a low BTU content. Venting of gas containing hydrogen sulfide content in excess of fifty parts per million (50 ppm) is not allowed.
- The Supervisor will prepare a letter of approval, denial or a request for additional information.
- Upon approval, the Supervisor's letter will state the total volume approved to be vented or flared as a "not to exceed amount MCF per day per well" and/or as a "not to exceed days of venting or flaring" and/or as a "not to exceed total MCF" and/or a venting or flaring termination date, whichever comes first.
- As stipulations for the approval the Supervisor's letter will require the Operator to report the monthly vented or flared volume, MCF per month, on Operator's Monthly Report on Wells, Form 2, and at the end of the venting or flaring activity the Operator will be required to provide the Supervisor in writing the actual total volume flared or vented, MCF, and the number of venting or flaring days.

Chapter 3, Section 45, Well Stimulation, Subsection (d)(iv). Clarification that the well stimulation service company's proposed well stimulation program, also known as the pump schedule, is acceptable as long as the detail requested in (d)(i) through (iii) is provided.

Chapter 3, Section 45, Well Stimulation, Subsection (d)(vi). The specific incident or accident will dictate when the Supervisor will use his discretion to ask for formulary disclosure.

Chapter 3, Section 45, Well Stimulation, Subsection (f). The Wyoming Public Records Act does not provide protection for confidentiality for the Owner or Operator's "process" for drilling, completing or stimulation of the well. Requests for confidential status for such "processes" shall be denied without compelling evidence and proof of damage to the Owner or Operator of the well. Should the Owner or Operator not agree with the Supervisor's evaluation and decision, they may file an Application for Hearing with the Commission as per Chapter 5, Section 2 of the Commission's Rules.

Chapter 3, Section 45, Well Stimulation, Subsection (g). Clarification regarding the term, "volatile organic compounds" which is a descriptor of a multitude of compounds. At the Supervisor's discretion, the volatile organic compounds of concern will be focused not on the entire class but on those specifically related to diesel and BTEX and as used in oil and gas well stimulation, taking into account the specific geology and hydrology of the formation receiving such compounds.

Chapter 4, Section 1, Pollution and Surface Damage (Forms 14A and 14B), Subsection (qq), Reclamation. Clarification as to Commission staff inspection for production pit areas and reserve pits: Production pit areas and reserve pits will be reclaimed no later one (1) year after the date of last use. For just cause and after Commission staff inspection of the production or reserve pit, the Supervisor may grant an administrative variance for closure extension. Commission staff inspections prior to reclamation are not required in general, but inspections are required prior to approval of closure extension.

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