



Wyoming Oil & Gas Conservation Commission

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Commissioners

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Governor Matthew H. Mead, Chairman Grant E. Black, State Oil & Gas Supervisor

Date: January 21, 2014

To: Coalbed Methane (CBM) Well Operators & Landowners

Re: Conversion of CBM Wells to Water Wells

Dear Landowner/Operator:

As agency directors in charge of managing the State of Wyoming's non-federal mineral and water resources, the Wyoming Oil and Gas Conservation Commission (WOGCC) and the State Engineer's Office (SEO) are writing today to explain and ask your cooperation as coal bed methane (CBM) production diminishes and other uses are potentially sought for these wellbores. We want to outline the details of the proper conversion of these wells and the requirements to do so. Landowners may be approached by CBM well operators with an offer to transfer their wellbores to the landowner for use as a stock or domestic well, and at the same time allowing release of the WOGCC bond on the well(s) and possibly the operator of the responsibility of plugging and abandoning the well. There are other cases where a landowner is interested in taking responsibility for an orphaned CBM well and converting it for use as a stock or domestic well. These conversions, at their core, are something we support. It makes use of an existing asset, can provide water for people and animals, and can have positive benefits for wildlife, including sage grouse. The questions become those of scope, process, and information. Questions for consideration include: How many wells should be converted in a defined area? What do the landowner and operator have to do with both our agencies to make sure the conversion is acceptable? What happens to the wellbore, and any associated liability, if turned over to a landowner and never recompleted or fully plugged and abandoned? Converting wells without analysis and proper approval will lead to potential liabilities for landowners and the potential risk that may be imposed upon mineral and groundwater resources. What landowners should know:

1. The landowner should be informed by the operator as to whether the wellbore transfer request has been presented to the WOGCC and if it is in proper condition for transfer. In the case of a landowner wanting to assume responsibility for an orphaned CBM well they need to first contact the WOGCC to determine the status of the well and if it is suitable for conversion.
2. Landowners must file a new statement of completion (SEO Form U.W. 6) with the State Engineer after receiving a proper permit for the new use(s). Failure to do so will result in the cancellation of the permit even if re-perforating of the casing has taken place.
3. Landowners are responsible for proper plugging and abandonment of wells chosen for transfer, even those not fully recompleted.

To help both the industry and the landowner, a list of actions has been prepared to map out the steps required to transfer a CBM well to the landowner. That list is included as an attachment to this letter.

The forms referenced in the attachment can be accessed via the WOGCC (wogcc.state.wy.us) and SEO (wyo.gov/se0) websites.

The WOGCC and SEO also ask that landowners and operators keep in mind that:

1. Applications sent to the SEO shall indicate in the "Remarks" section that they have confirmed the proper condition for transfer as documented by WOGCC. Under W.S. 41-3-931 the SEO establishes that the means of diversion for such a transfer is adequate.
2. SEO will condition all permits so issued to landowners such that proper plugging and abandonment of the entire wellbore will be a requirement for 1) wells not ultimately converted to a new use, or 2) wells properly converted to a new use but reach the end of their useful life as water well.
3. Transfers to domestic use will not be allowed until evidence is shown that a house (or houses) exist or are planned, or a subdivision is fully platted and of record in the county.
4. The contents of this letter will be continuously reviewed by both agencies to ensure rule compliance and effective polices are in place.

Any questions regarding this important issue should be directed to the undersigned.

Regards,



Grant E. Black
State Oil and Gas Supervisor
WOGCC
(307) 234-7147



Patrick T. Tyrrell
State Engineer
SEO
(307) 777-6150

WOGCC/SEO

Process Required for the Conversion of a CBM Well to Other Uses:

- The operator of the well must file a Notice of Intent to abandon (as a gas well), whether plugged or not, using WOGCC Form 4. This will include:
 - A fluid level must be measured before any plugs are set.
 - A plugging plan based on the configuration of each well. The operator who owns the well or wells and may not want to leave the well completely unplugged. (Most operators do set plugs).
- Landowners interested in taking over an orphaned CBM well must first contact the WOGCC to determine the status and condition etc. of the well or wells and that they are compatible for transfer to the landowner.
- In the event a landowner wants to initiate a well transfer to another use, that landowner shall begin by contacting the CBM well operator and the WOGCC.
- Subject to Chapter 3 Section 18 (b) (iv) (C) of the WOGCC rules, a bentonite plug and/or mechanical bridge plug shall be topped with a cement plug at one hundred feet (100'). At the supervisor's discretion, approval of other material for the openhole portion in lieu of the bentonite hole plug may be exercised.
- The operator must submit a signed and notarized WOGCC Landowner Release Form indicating the landowner's acceptance of the well in an agreed upon condition and his acceptance of the placement of a seal at the surface with an extended vent for gas. The release must also show the landowner's acceptance of responsibility for ultimate plugging and abandonment of the wellbore.
- If the subject well is located on state trust land, the operator must contact the Office of State Lands and Investments (OSLI) for approval. A state grazing lessee may not approve the release. OSLI's transfer policy can be found at lands.state.wy.us.
- Landowner (or Owner/Operator on behalf of landowner) is then required to submit an application (SEO Form UW5) to the SEO.
- The operator/landowner notifies the SEO of the request to transfer by sending the following:
 1. Written statement from WOGCC the well is appropriate for conversion.
 2. Copy of landowner release, including the landowner's acceptance of responsibility for ultimate plugging and abandonment of the wellbore.
- The WOGCC will post on its website the approved notice of intent to abandon with conditions of approval with the landowner release. This is available for review under "Wells" by location, well name or API number.
- SEO matches the permit application with WOGCC package to review and process application.
- SEO sends an approved permit to applicant and copy to WOGCC.
- The operator files a Subsequent Report of Abandonment with the WOGCC Form 4. This signed and notarized original of Form 4 will include: a cementing report including the plugging procedure followed and an approved copy of the SEO permit in the landowner's name.
- The WOGCC will review the well files for all documents required through the life of the well. If the records are complete, the WOGCC will consider release of the well bond depending on the type of bond and bonding requirement status.

- The well will no longer be considered a gas or CBM well. It will be water well owned by the landowner and under the terms of the permit issued by the SEO's office.
- The SEO will require a Statement of Completion, Form UW6 from the landowner.

Any questions regarding the process should be directed to:

Lisa Lindemann, State Engineer's Office at (307) 777-5063 or lisa.lindemann@wyo.gov

Rick Marvel, Oil and Gas Conservation Commission at (307) 234-7147 or rick.marvel@wyo.gov