
**INTERNAL GUIDANCE:
CONVERSION OF COALBED METHANE (CBM) WELLS TO WATER WELLS
APPLICATION PROCESSING**

TO: Ground Water Division
FROM: Lisa Lindemann, Administrator
SUBJECT: **CBM Conversions**
Date: Revised May 1, 2014

Applicable Documents

“Conversion of CBM Wells to Water Wells” letter, dated January 21, 2014, from Grant E. Black (State Oil and Gas Supervisor/Wyoming Oil and Gas Conservation Commission or WOGCC) and Patrick T. Tyrrell (State Engineer/Wyoming State Engineer’s Office or SEO) sent to coalbed methane well operators and landowners - available on WOGCC and SEO websites (copy attached).

“Process Required for the Conversion of a CBM Well to Other Uses”, dated March 20, 2014, developed by WOGCC and the SEO - available on WOGCC and SEO websites (copy attached).

Permit Applications Received

The State Engineer’s Office – Ground Water Division (GW) has two sets of permit applications for conversion of CBM wells to water wells that are currently “on hold” in e-Permit and have yet to be processed:

1. Those applications received by GW **prior to or on January 21, 2014** (the date the WOGCC/SEO letter was released to the public), and
2. Those applications received **after January 21, 2014**.

Permit Application Processing

Prior to processing an application for conversion of a CBM well to a water well, GW will require two documents (in addition to a complete U.W. 5 Form) - a **Sundry Notice Form 4** and the **Landowner Release Form**. The Sundry Notice serves as WOGCC’s notice that the CBM well is appropriate for conversion to a water well. Both documents can be obtained from the Wyoming Oil and Gas Conservation Commission’s (WOGCC) website (WOGCC.state.wy.us) under “Sundries”.

1. **Sundry Notice Form 4** (i.e., a Notice of Intent, Subsequent Report) – This document may describe how the operator intends on setting plugs inside the well casing, the depth to which cement will be emplaced, etc. In order for the Sundry Notice Form 4 to be an acceptable “conversion” document, it must state that the landowner has elected to retain the well, the wellbore will be utilized by the landowner as a water well, or similar language, and it must be approved and signed by Wyoming Oil and Gas Conservation Commission (WOGCC) staff (example attached).

2. A signed **Landowner Release Form**.

- a. For applications received **prior to or on January 21, 2014**, the Landowner Release Form will most likely be on the September 2010 form (copy attached).
- b. For applications **received after January 21, 2014, only** the **NEW** Landowner Release Form (dated January 21, 2014) will be accepted (copy attached).

You can access both forms by either entering the last seven digits of the associated API number, by the WOGCC well name, or by location. WOGCC assures us that if they received the Sundry Notice Form 4 and the Landowner Release Form, both documents will be available on their website. If not, please contact WOGCC* for assistance.

If the application is approved, GW's NEW endorsements and Additional Conditions and Limitations will be attached to all conversion permits. The endorsements document receipt of the Sundry Notice Form 4 and Landowner Release Form. The limitations require a Form U.W. 8 be submitted for all beneficial uses; provide time limits for beneficial use; and require plugging and abandonment activities if beneficial use is not made or is discontinued.

The January 21, 2014 WOGCC/SEO letter specifically addresses **CBM well conversions to domestic use**, i.e., "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." "Evidence" must be provided by the applicant, and can comprise an approved building permit and/or an approved subdivision plat, an affidavit, etc. You may have to contact the applicant and request this document if not provided with the application. Ultimately, the "evidence" must provide a plan for an immediate use, not an undefined future use. We anticipate this type of application (i.e., CBM well conversion to domestic use) will comprise a small percentage of applications.

To process conversion applications:

- Upon receipt of a conversion application, assign the application to yourself in e-Permit.
- If the Sundry Notice Form 4 and the Landowner Release Form are not received with the conversion application, they should be printed from the WOGCC website and placed in the application folder for review by the Administrator and/or Assistant Administrator. The Sundry Notice and the Landowner Release Form will be scanned and uploaded in e-Permit after the permit has been approved.
- Pull the original CBM permit and place it in the application folder. This will insure that the original permit is cancelled at the time the conversion application is approved. If the permit has already been pulled by another staff member, track it down and pull it from the batch and/or staff member to be put in the application folder (please make sure you update the batch sheet and pull slip in the permit book). Note: The CBM permit will be endorsed for cancellation at the time it is submitted for review.
- If the permit has already been cancelled or abandoned, place a copy of the permit in the folder for review.

- Compare the depth, location of the well, and well name (at a minimum) with the Sundry Notice and CBM permit with the information provided on the conversion application to insure it is the same well.
- Before submitting the application for approval, the following endorsements should be applied (also enter endorsements as “endorsements” in e-Permit):

Endorsements for applications received prior to, or on, January 21, 2014

Endorsements (for applications other than Domestic Use)

Month, Day, Year – Approved Sundry Notice Form 4 obtained from Wyoming Oil and Gas Conservation Commission (WOGCC) indicating the well is appropriate for conversion activities.

Month, Day, Year – Signed and notarized Landowner Release Form obtained from WOGCC indicating landowner's acceptance of the well in an agreed upon condition, and placement of a seal at the surface with an extended vent for gas.

Endorsements (for Domestic Use applications)

Add the same two endorsements provided above, PLUS the following:

Month, Day, Year – Received evidence showing the applicant's ability to complete beneficial, domestic use of the water (e.g.; existence or currently planned construction of one or more houses, or a fully platted subdivision of record in the county).

Endorsements for applications received after January 21, 2014

Endorsements (for applications other than Domestic Use)

Month, Day, Year – Approved Sundry Notice Form 4 obtained from Wyoming Oil and Gas Conservation Commission (WOGCC) indicating the well is appropriate for conversion activities.

Month, Day, Year – Signed and notarized Landowner Release Form obtained from WOGCC indicating landowner's acceptance of the well in an agreed upon condition, and placement of a seal at the surface with an extended vent for gas, and responsibility for ultimate plugging and abandonment of the wellbore.

Endorsements (for Domestic Use applications)

Add the same two endorsements provided above, PLUS the following:

Month, Day, Year – Received evidence showing the applicant's ability to complete beneficial, domestic use of the water (e.g.; existence or currently planned construction

of one or more houses, or a fully platted subdivision of record in the county).

- Before submitting the application for approval, the following limitations should be applied (also enter limitations as “limitations” in e-Permit):

Limitations for all applications other than Domestic and/or Stock Use

Additional Conditions and Limitations

1. This permit to appropriate ground water authorizes construction or work associated with converting an existing coal bed methane production well to a well through which the applicant intends to acquire the right to underground water for other, beneficial uses. This permit is accordingly subject to the following conditions:
 - a. Completion of construction and completion of the beneficial use of water for the purposes specified in Item 4 of the permit application must be made by the date specified by the approved permit. A Statement of Completion and Description of Well or Spring (Form U.W. 6), and a Proof of Appropriation and Beneficial Use of Ground Water (Form U.W. 8) shall also be filed by the completion date specified by the approved permit.
 - b. Failure to complete construction or complete the beneficial use of water by the date specified by the approved permit, unless the state engineer has extended that period for good cause shown, shall work a forfeiture of the water right. In such an event, the landowner/appropriator shall have no more than two (2) years to plug and abandon this well in accordance with the State Engineer’s Office, Part III Water Well Minimum Construction Standards, Chapter 4, Section 4 (b) (or future revisions thereof).
 - c. In the event this well is permanently abandoned or removed from service after completion of construction and beneficial use, the landowner/appropriator shall have no more than two (2) years to plug and abandon this well in accordance with the State Engineer’s Office, Part III Water Well Minimum Construction Standards, Chapter 4, Section 4 (b) (or future revisions thereof).
2. The appropriator is advised that any person who drills, digs or constructs any works for the securing of underground water without having obtained a permit, or failure to comply with any order of the State Engineer, may be subject to penalties described under Wyoming Statute § 41-3-616 including a fine not to exceed one thousand two hundred fifty dollars (\$1,250.00), imprisonment for not more than three (3) months, or both. Each day of noncompliance shall be deemed a separate violation.
3. This well may only be completed for production of water from a single geologic formation. Multiple completions, or wells completed into two or more vertically separate aquifers will not be allowed.
4. The State Engineer reserves the right, upon written request, to modify or waive all or any

portion of these conditions and limitations.

Limitations for Domestic and/or Stock Applications

Add the same limitations above and insert the following as Item No. 4:

4. Part I of the Proof of Appropriation is required under this permit. However, Parts II and III are waived.

- Update e-Permit.
- Submit the application for review.
- Appropriate endorsements are applied to the application and CBM permit.
- The date the application is submitted is entered into the Entry Record book.
- The Application is submitted for approval.

Permitting Scenarios You May Encounter

Scenario No. 1: An oil and gas company plugged and abandoned a traditional oil and/or gas well (including CBM) in 2011 – prior to development of the current SEO/WOGCC “conversion process”. Another entity now wants to use the well for a water supply well.

GW’s Water Well Minimum Construction Standards, Chapter 3, Section 2, (b)(vi), Type VI – Conversion of Existing Oil or Gas Wells, or Exploration Test Wells into Water Wells allows conversion of existing oil or gas wells, seismic test holes, or mineral exploration holes into water wells providing the wells can be completed to conform to the minimum construction standards.

Information on geologic conditions encountered in the well at the time of the original well drilling shall be used to determine what special construction standards shall be met in order to eliminate all movement of pollutants into the well or along the annular space. If no original geologic information is available, a specified borehole log suite may be required to supplement known information.

A permit to appropriate ground water must be obtained from the State Engineer prior to commencing construction of the well.

Before any oil or gas exploration hole or well is converted for use as a water well, the Wyoming Oil & Gas Conservation Commission (WOGCC) should be contacted in order to comply with the Commission’s regulations.

Please note: Any CBM well converted to another use subsequent to July 2013 (when we started placing CBM conversion applications on hold until SEO/WOGCC had a procedure in place by which to process the applications), will be subject to the current conversion process. The new Additional Conditions and Limitations will also be placed on approved permits.

Scenario No. 2: The CBM Developer is no longer producing coalbed methane from the well, but wishes to use the well as a water supply well.

If the CBM Developer has an active CBM permit and plans on continuing CBM production, GW will require an enlargement application for miscellaneous use (i.e., water supply) which will be time limited.

If the CBM Developer no longer intends on producing coalbed methane from the well and the well has either been plugged and abandoned, or the developer plans on converting the CBM well to a water supply well, the developer becomes the equivalent of the landowner. GW will require a Sundry Notice from the WOGCC identifying the well as appropriate for conversion, and a landowner release form from the developer. Most likely, the landowner release form from the developer will be modified since the developer is truly not the landowner (example of a modified "owner release form" attached).

Scenario No. 3: The CBM Developer is no longer producing coalbed methane from the well, but wishes to use the well as a water supply well. Additionally, the landowner wants to use the well for stockwatering.

If the CBM Developer has an active CBM permit and plans on continuing CBM production, GW will require an enlargement application for miscellaneous use (i.e., water supply) which will be time limited.

If the CBM Developer no longer intends on producing coalbed methane from the well and the well has either been plugged and abandoned, or the developer plans on converting the CBM well to a water supply well, the developer becomes the equivalent of the landowner. GW will require a Sundry Notice from the WOGCC identifying the well as appropriate for conversion, and a landowner release form from the developer. Most likely, the landowner release form from the developer will be modified since the developer is truly not the landowner.

If the landowner wishes to use the well for stock watering, GW will require the landowner to be a co-applicant on the application and will require a landowner release form from the landowner as well. Both CBM Developer "A" and the landowner are then responsible for beneficial use and the ultimate plugging and abandonment of the converted CBM well.

Scenario No. 4: If you receive a conversion application for a well on Bureau of Land Management (BLM) Mineral ownership, the WOGCC website will contain subsequent reports on "Form 3160-5" (which is almost identical to WOGCC's Sundry Notice Form 4 – copy attached) and a "Department of the Interior Bureau of Land Management Release Agreement" (copy attached) signed by the surface landowner. If the application was received prior to January 21, 2014, these two documents are acceptable substitutes for the Sundry Notice Form 4 and the September 2010 Landowner Release Form. However, after January 21, 2014, the new Landowner Release Form must be provided. You will have to modify the endorsement to acknowledge receipt of these documents instead of the WOGCC documents.

Reminder: All “CBM conversion applications” received after July 1, 2013 MUST have two supporting documents to successfully process the application:

1. A Landowner Release Form - either the 2010 version (to be used if the form was signed prior to or on January 21, 2014) or the new 2014 version (if the form was signed after January 21, 2014), as appropriate); and
2. A Sundry Notice Form 4 stating the well is appropriate for conversion as a water well.

These documents should be available on the WOGCC website. If they are not available, update the application status to staff hold and provide a comment in e-Permit that you are waiting for documentation from WOGCC.

Notes:

- **Primary WOGCC contacts are Gary Strong (gary.strong@wyo.gov), Mark Watson (mark.watson@wyo.gov), and Tom Kropatsch (tom.kropatsch@wyo.gov)*
- *Endorsements and Limitations can be found at [GW\(O:\)/Application Processing/Conditions and Limitations/CBM/CBM Conversions](#)*
- *A Sundry Notice Form 4 will be available even if a bond has been revoked on a well permitted by the WOGCC (including orphan wells).*
- *The time for “completion of construction and completion of beneficial use” for CBM conversion applications will be up to 3 years.*