

Oil and Gas Commission

Wyoming Quality of Life Result:

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

Department/Division/Program: Agency-wide

Contribution to Wyoming Quality of Life:

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 of the rules 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.

Basic Facts:

The WOGCC had 37 employees, an Assistant Attorney General and a contracted hydrogeologist in FY 06.

Our total budget for the 2005-2006 biennium was \$6,962,608 which is earmarked funds from the conservation tax mil levy. No general funds were used.

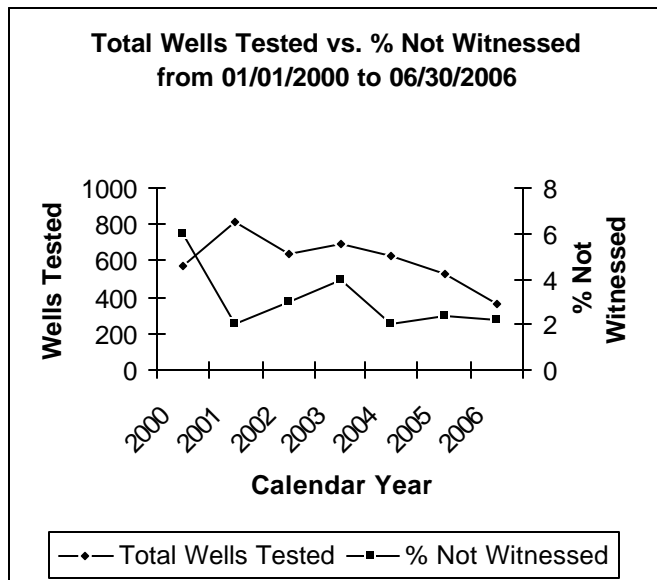
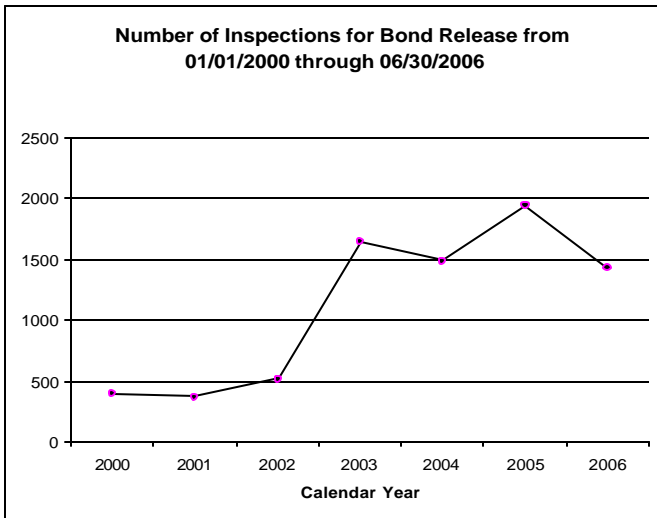
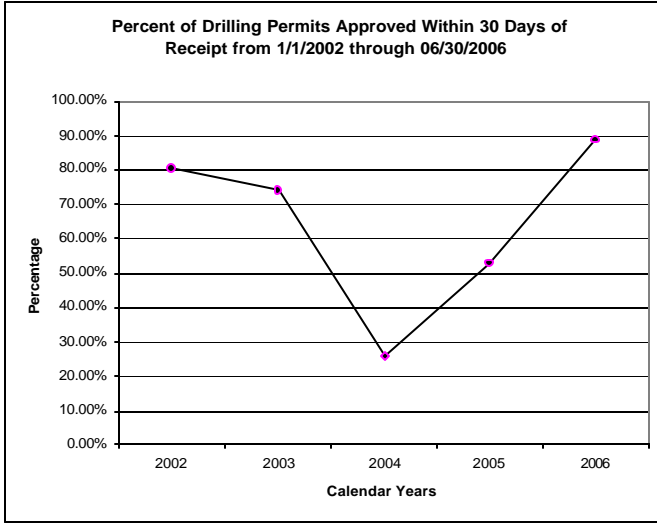
The entire state's population of over 400,000 is affected by this agency's programs and/or functions. Other entities such as oil and gas industry representatives, other state agencies, the Bureau of Land Management and other federal and county officials are interested parties as well. The five most important are:

1. Permitting
2. Field Inspections
3. Underground Injection Control Program
4. Surface remediation and restoration
5. Website (<http://wogcc.state.wy.us>)

Performance:

We will be addressing the top three programs and/or functions in this report.

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Story Behind the Last Year of Performance:

1. With the number of permits submitted, especially coalbed methane, our agency set a goal of processing the permits within thirty (30) days of receipt. In calendar year 2005, 9,361 permits were received but only 4,952 were approved within thirty days or 53%. From January 1, 2006, through June 30, 2006, we have received 5,000 permits and approved 4,881 or 89%.

The statute regarding split estates and the bonding thereof, took effect in July 2005. This not only required the changing of the permit form, but adding a new page to the permit, checking out bonding for split estates and writing letters. Even with this additional work only 119 permits were not approved within our desired time frame so far in 2006. Some of the reasons for the delay were pre-site inspections due to the well location, well locations requiring exceptions, and hearings before the Commission.

2. In 2005, two drilling inspectors handled 1,941 well sites scheduled for release from oil and gas operator's bonds. The agency goal for the year was to process 1,615 sites. Before well locations are released from bonds, pits must be closed and surface reclamation must be accomplished in accordance with reasonable landowner wishes. Sites of all plugged and abandoned wells as well as those for which the drilling permit have expired are checked. The majority of the locations are accessed by one of two drilling inspectors.

Pictures of the visited sites and the inspector's comments about the condition of locations are posted on the web site where they are available to operators as well as landowners. The goal of this work is to insure that after production ceases, the land can be put to another beneficial use, or be safely accessed by wildlife.

3. The WOGCC set a goal of witnessing at least 95% of the of the 516 mechanical integrity tests which we estimated would have to be run on casing of injection and disposal wells in 2005. Those tests were run to insure that fluids injected for enhanced recovery or disposal enter only intervals which are hydrocarbon productive or which contain water which is not fresh or potable. At year's end, 530 Class II injection and disposal wells underwent testing. Our agency witnessed 517 of the tests, leaving only 2.4% unwitnessed.

What has been accomplished:

1. The percentage of permits approved within thirty (30) days, has increased from 53% in calendar year 2005 to 89% during the first six months of this year. We have held industry training sessions on permitting which has benefited all concerned and changed our permitting procedure to allow for greater amounts of permits to be approved in less time.

2. When agency records clearly indicate a well was never drilled, the drilling inspector may accept an affidavit of non-drilling from a landowner who does not wish agency and

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company personnel to access his property. This happened with several Powder River Basin coalbed methane projects which were not started and for which roads were not developed. Those are counted in our records because the inspector has to check the forms for completeness and speak with both the landowner and company. A technician then reviews the file and writes a letter releasing the well from bonding.

In 2005 an inspector spent nearly one month supervising final cleanup of a 1940's oil field, its support facilities and roads. This supervisory work curtailed the total number of sites he visited that year, but it was the agency's final chance to insure rehabilitation of an area which may someday be developed for residential use. Considering the fact that oil and gas production in Wyoming is more than a century old, the agency is proud of its reclamation record.

This summer the WOGCC was able to contract with a retired former employee to inspect seismic lines for bond release. Similar to work with wells, we inspect the surface to insure holes are plugged and trash is cleaned from the area. Because of his inspection, the lines on one project will be revisited by the client company to insure holes are plugged in a manner which will protect shallow aquifers and prevent erosion and that wire and miscellaneous kinds of junk are removed from the area. Once this work has been completed, the agency will again inspect the lines.

3. The mechanical integrity testing program, designed to protect fresh and potable water supplies in the state, runs smoothly after 25 years. Oil and gas operators have become accustomed to the 5 year testing schedules and the requirement to test new wells before they are put on injection. The agency continues its efforts to provide operators with advanced notice of wells required to be tested in the coming year. In late 2005, a vacant field inspector position was filled. Although this person will primarily witness tests on idle production wells, she will also help the agency meet the demand for witnesses on injection and disposal wells.