

State of Wyoming

2023-2024

Biennium Budget Request



Agency 055: Oil and Gas Commission

Prepared for the February 2022 Legislature.

The information in this budget request has been developed in accordance with the agency plan prepared according to W.S. 28-1-115 & 28-1-116 [W.S. 9-2-1011(b)(vi)].

Submitted by:

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State Budget Department

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DEPARTMENT OIL AND GAS COMMISSION							DEPT 055
1 Description	Code	2 Base Budget 2023-2024	3 Standard Budget	4 Total Dept Exception Request	5 Total Budget Request	6 Governor Exception Changes	7 Governor Recommendation
DIVISION							
ADMINISTRATION	0100	12,374,071	10,144,972	1,337,817	11,482,789	0	11,482,789
ORPHAN WELLS	0200	7,500,000	7,500,000	0	7,500,000	0	7,500,000
TOTAL BY DIVISION		19,874,071	17,644,972	1,337,817	18,982,789	0	18,982,789
OBJECT SERIES							
PERSONNEL	0100	7,606,013	7,581,186	(122,077)	7,459,109	0	7,459,109
SUPPORTIVE SERVICES	0200	1,404,381	1,558,299	66,800	1,625,099	0	1,625,099
RESTRICTIVE SERVICES	0300	596,973	552,161	122,077	674,238	0	674,238
CENT. SERV./DATA SERV.	0400	98,758	100,325	10,017	110,342	0	110,342
CONTRACTUAL SERVICES	0900	10,167,946	7,853,001	1,261,000	9,114,001	0	9,114,001
TOTAL BY OBJECT SERIES		19,874,071	17,644,972	1,337,817	18,982,789	0	18,982,789
SOURCES OF FUNDING							
FEDERAL FUNDS	X	250,415	250,584	0	250,584	0	250,584
OTHER FUNDS	Z	19,623,656	17,394,388	1,337,817	18,732,205	0	18,732,205
TOTAL BY FUNDS		19,874,071	17,644,972	1,337,817	18,982,789	0	18,982,789
AUTHORIZED EMPLOYEES							
FULL TIME EMPLOYEE COUNT		41.00	41.00	(1.00)	40.00	0.00	40.00
TOTAL AUTHORIZED EMPLOYEES		41.00	41.00	(1.00)	40.00	0.00	40.00

SECTION 1. STATE OF THE AGENCY**Agency Overview**

The Oil and Gas Conservation Commission was established by the Wyoming State Legislature in February 1951 under W.S. §30-5-101 through §30-5-128 (LexisNexis 2017). The authority of the Commission to appoint a State Oil and Gas Supervisor and other employees is defined in W.S. §30-5-108, (LexisNexis 2017).

Agency Background & Structure

The WOGCC has 41 authorized employees (35 positions currently filled) and also is assigned one part time Assistant Attorney General, one part time Sr. Assistant Attorney General and an ETS Employee. For the 2023-2024 biennium, our proposed budget is \$20,081,546. Our total budget for the 2021-2022 biennium is \$27,397,565 none of which comes from the general fund. The 21-22 biennium budget that was originally appropriated was \$19,897,565, but was significantly increased when \$7,500,000 was added through a B-11 process. This additional appropriation was added to the orphan well plugging program to accelerated the plugging with a goal of contracting for plugging of 1,500 orphan wells in 2020. The original appropriation for the orphan well program was \$7,500,000, so the B-11 process doubled the amount of appropriation. This was done to help support the industry during the downturn due to Covid. Our revenue is derived from the conservation tax and from fees on certain applications as allowed by statute. The conservation tax is a tax on oil and gas sales paid by oil and gas operators, not the public at large.

We have been granted primary by the Environmental Protection Agency for the regulation of underground injection class II wells. We estimate that we will receive a grant reimbursement from the EPA for FFY 2021 and 2022 of approximately \$324,000. We were just awarded \$162,000 for our federal fiscal year 2021.

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

1. Permitting and maintaining records on wells regulated by WOGCC – approve oil/gas permits in a timely manner;
2. Matters set for hearing by the Commission or Examiners – dealing with such matters as spacing, additional wells, disputes;
3. Field Inspections – inspect drilling locations, production, plugging operations, monitor environmental conditions;
4. Underground Injection Control Program – manage Class II UIV program in compliance with primacy program from EPA;
5. Orphan well plugging – plugging wells in which the bonds were forfeited or not covered under any bond;

6. Website - generates a wealth of information to oil/gas operators, other agencies and the public at-large.

Agency Challenges/Risks/Priorities

As with many other entities that rely on revenue from oil and gas related activity, recent events have increased uncertainty regarding the direction of the industry and related agency activities. At one point in 2020 there were no rigs operating in the state and oil prices dropped below \$0. In attempt to support the industry during those times, the Commission voted to reduce the Conservation Tax to 0 mills for a period of 6 months. By early 2021 oil and gas prices had somewhat recovered and industry activity in WY is slowly recovering. Although oil production is down from its recent high in 2019, it has shown monthly gains for much of 2021.

As of May 2021, Wyoming ranked 8th in oil production in the country, which is consistent for the last several years. Gas production continues to decline, in 2019 Wyoming ranked 9th in gas production in the country. This is a decline from 4th in 2009 and 8th in 2018. Gas production continues to decline as years of low prices created a subsequent decline in coalbed methane production. The same advancements in horizontal drilling and well completions that are leading to Wyoming's increase in the production of crude oil has led to significant volumes of natural gas production in other states, leading to low gas prices and the decline in production of WY gas. Industry interest in the oil rich Powder River Basin and the DJ Basin to a lesser extent continues to drive activity in the state and although there is still uncertainty related to federal minerals, the industry activity has been increasing steadily for most of 2021.

The WOGCC regulates the development of oil and gas resources to prevent any waste from occurring and to ensure that all mineral owners have the opportunity to receive their equitable share of the oil and gas that is produced. We are equally committed to protecting human health and the environment through effective enforcement of the Wyoming Conservation Act. The WOGCC strives to carry out its duties without imposing excessive regulatory burden on the oil and gas industry. We view our role as helping the people of Wyoming and industry to benefit fully from these resources, now and in the future.

The Commission and its staff make technical recommendations to the Office of State Lands and Investments, work with the Wyoming Geological Survey, the State Engineer's Office, the Department of Revenue, State Board of Equalization, Legislative Service Office, Department of Environmental Quality, Consensus Revenue Estimating Group and other state agencies by furnishing data and statistics. The Commission gathers and maintains complete records on all oil and gas wells drilled in the state and various other types of wells including certain monitor wells, core/strat holes, certain injection/disposal wells, seismic shot holes, and others; collects all production data; furnishes or otherwise makes available records and data of the agency to oil and gas companies operating in Wyoming in an effort to ensure the continuation of a high level of activity; provides data to interested parties and the general public; makes special studies of general interest to the oil and gas industry and other state agencies and makes the results of those studies available to anyone interested.

In 2019, the state saw the culmination of a fight for operatorship relating to horizontal drilling that resulted in industry submitted over 37,000 APDs. This operatorship issue had been growing for several years in in 2019 the agency completed a rulemaking that clarified operatorship and transfer of APDs. This rule change was implemented in Dec. 2019 and resulted in a significant reduction in APD submissions, hearing applications and docketed hearings, and allowed industry to shift money and time from regulatory filings to operations such as well drilling and completions.

The WOGCC maintains a web site from which interested parties can obtain significant volumes of information regarding oil and gas wells and industry activity in the state such as production, well histories, spacing, applications for permit to drill, exceptions and commingling approvals, orders, gas plants, tax incentives, Commission forms and electronic filing of production and sundries, Commission hearing results, and Supervisor Reports. The address for our web site is <http://wogcc.wyo.gov/>.

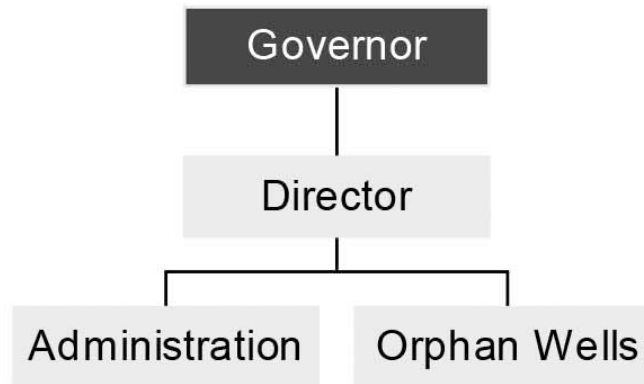
Agency Successes and Efficiencies

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 ensure 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 and protecting correlative rights as well as maximizing the state's resources. The agency has a long history of implementing common sense rules and regulations to ensure protection of the environment and responsible development of the state's resources.

The agency has been in a redevelopment process of its legacy database systems to more effectively manage the significant volume of oil and gas data that is submitted by the industry and processed by the agency. Part of the goal of the database development is to shift the submission of agency forms, permits, and data from nearly all paper in 2014 to nearly all electronic by project completion. In July 2018 the agency completed the eForm portion of development which allows electronic submission of APDs, spud notices, BOP notices, and sampling plans and data including baseline groundwater quality monitoring. Within weeks the majority of these submissions were nearly 100% electronic and today they are 100% electronic submissions of these forms. Since then the agency has brought online the electronic rig schedule form and an application called Wyoming Data Explorer (WYDE) which is a GIS mapping application combined with simple Google style text search capability for the agency, the industry, and the public to easily and efficiently search and consume oil and gas data collected by the agency. We are currently in testing of Phase 2 of the project which will bring online the underground injection control (UIC) process including permitting, data tracking, UIC compliance, and EPA required reporting. Finally, the development of the remaining agency forms and permits are in development including production reporting, bonding, well completions, and sundry notices. Once complete all common forms, permits, and data reporting will be electronic, allowing the industry to quickly and efficiently submit all required data and the agency to process the data. As with many industries, the oil and gas business significantly

relies on data availability to evaluate leasing, drilling, production and other decisions. Supplying systems that allow significant volumes of oil and gas data to be consumed and processed efficiently positions WY to be competitive with other states.

SECTION 2. DEPARTMENT ORGANIZATION



SECTION 3. DEPARTMENT STATUTORY AUTHORITY

The Oil and Gas Conservation Commission was established by the Wyoming State Legislature in February 1951 under W.S. §30-5-101 through §30-5-128 (LexisNexis 2017). The authority of the Commission to appoint a State Oil and Gas Supervisor and other employees is defined in W.S. §30-5-108, (LexisNexis 2017).

SECTION 4. PERFORMANCE MEASURES

Performance #1: Permitting and maintaining records on wells regulated by WOGCC

During the calendar year 2020, the WOGCC received 3,921 applications for permit to drill (APDs). This is a significant reduction from calendar year 2019 in which 34,916 APDs were received. Through June 2021, 2,875 APDs have been received for the first half of calendar year 2021. The significant reduction in

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APDs is due to a rule change that became effective in December 2019. The WOGCC revised its APD rule at the urging of the Commission and the Legislature, which clarifies the operator who controls the DSU and allows for a transfer of APDs to other operators after a hearing by the Commission. One main reason for this rule changes was to reduce the number of APDs filed by operators to hold acreage without intent to drill in the near term. As evidenced by the reduction in APDs, indications are the rule change has been successful in accomplishing this goal.

The counties with the most APDs received in calendar year 2020 and 2021 through July 22 were 2,089 for Converse, 1,923 for Campbell, 1,385 for Johnson Counties and 921 for Laramie.

APDs continue to be evaluated to determine if they are located within sage grouse restricted areas and are then subject to increased review and potential restrictions with regard to the Governor's Sage Grouse Executive Order.

In addition to the burden of increased volume of APDs, the WOGCC has implemented new rules and policies requiring additional staff time: Filing for a horizontal APD requires hearings to set up drilling and spacing units (DSUs), which allows one well per DSU. To drill additional wells in a DSU an operator needs to file a hearing application for increased density (ID). Most operators will typically file for between 4 and 8 wells per DSU. In addition, other operators in the unit have also been protesting hearings related to DSUs, ID, and APDs. Since 2014, an additional 14 policies were implemented to address the increased volume of APDs and hearings. The agency is currently reviewing all policies to determine if they can be rescinded or modified as a result of the rule change and reduced APD volume. The WOGCC also implemented a drilling rig schedule to prioritize review of APDs. Prioritizing APDs that an operator has on a rig schedule and intends to drill alleviates the amount of time staff spend on reviewing APDs and ensures operators do not have rigs waiting for APD approvals. Many DSUs involve a mixture of mineral ownership requiring additional time to coordinate permitting activities with other federal, state and local government agencies.

Performance Measure #2. Matters set for hearing by the Commission or Examiners

Since 2012 the WOGCC has seen increasing numbers of applications for permit to drill (APDs) with most being horizontal APDs. Due to competition between leases for right to operate a well within a drilling and spacing unit, the volume of APDs significantly increased the last few years, which has created a similar and related increase in hearings. In fiscal year 2021 there were 1,767 matters docketed for hearings. This is a significant reduction from fiscal year 2020 when 6,349 were docketed for hearings. The FY21 volume is similar to the number of docketed matters from 2015 through 2018.

As discussed above, due to the fight for operatorship especially in FY18 to FY20 timeframe, there was a corresponding increase in hearing matters to create drilling and spacing units, increase density, etc. At the same time, operators were protesting each other's APDs, which also significantly increased the hearing volume. A new APD rule was implemented in Dec. 2019, which resulted in a decrease in the volume of APDs filed in calendar year 2020 and 2021. It was expected that a similar decrease in docketed hearings would result from the rule change and although it lagged slightly behind the reduction in APD volume, as shown in the numbers reported above, we are now seeing the expected decrease in hearings.

Performance Measure #3. Field Inspections

The agency requires a bond in satisfactory form which is held by the State of Wyoming on the condition that wells be operated and maintained in such a manner as not to cause waste or impact the environment and upon permanent abandonment, be plugged in accordance with the regulations. Annually, field inspectors

performed thousands of various inspections for presites in sensitive land areas, check producing wells, witness Blowout Preventer Testing (BOP) and Mechanical Integrity Testing (MIT), respond to and inspect spill/incident reports, supervise location clean-ups, inspect pits to ensure compliance with permitted uses, review plugging and abandonment, respond to complaints, observe seismic operations, and witness the drilling and completion of wells to ensure operations are being conducted in compliance with the approved permit. 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. In all, field inspectors conduct on average, nearly 7,000 inspections each year.

Performance Measure #4. Underground Injection Control Program

The purpose of the Underground Injection Control program is to protect underground sources of drinking water. The Class II program was delegated to the WOGCC 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 the zone that is approved for injection. This is typically a formation 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. Our commitment to EPA is that field personnel will witness in excess of 25% of all mechanical integrity tests run. Historically, we have witnessed in excess of 90% of the tests on injection wells. 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. In the first half of calendar year 2021 the WOGCC received final approval from EPA for its new rule on commercial Class II Disposal wells. These types of wells were historically permitted in WY as a Class I Commercial Disposal well, but after a change to the statutes in 2020, the WOGCC began working on a new rule. As of July 2021 no commercial Class II disposal wells have been permitted, but the WOGCC is currently reviewing the first application.

Performance Measure #5. Orphan well plugging

All wells that have reached the end of their economic life must be properly plugged and the surface restored to original condition. When operators are no longer willing or able to fulfill their obligations to plug wells or if they fail to comply with statutes, rules or orders of the Commission, their bonds are forfeited and idle wells that remain and that are located on fee or state trust lands minerals become orphan wells of the state. As the operator does not exist to plug, abandon and reclaim the orphaned well, the WOGCC performs the work. Funds are available to accomplish this work – forfeited bonds posted by the operators and funds from the WOGCC's conservation tax. The agency has taken a proactive approach to address wells, which have the potential to become orphans by meeting with operators annually to discuss plans for idle wells and to require idle well bonding. An idle well is a well that is inactive or not producing, injecting, or being used for reservoir monitoring. Wells that have been idle for at least one year may require idle well bonding after meeting with the operator and reviewing their idle well plans.

The agency accelerated its orphan well plugging efforts during calendar year 2020 and 2021 to help keep local people employed during the industry downturn. As part of this acceleration the agency successfully contracted for the plugging and abandonment of approximately 1,500 orphan wells in calendar year 2020. Due to timing and weather the agency actually plugged and abandoned just over 1,000 orphan wells in calendar year 2020. The remainder of the contracted wells rolled over to calendar year 2021 for plugging.

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The WOGCC has plugged and abandoned, converted to landowner water wells, or otherwise removed from the orphan well list, the following numbers of orphan wells:

- FY2021 = 1,123
- FY2020 = 725
- FY2019 = 378
- FY2018 = 237
- FY2017 = 764

Performance Measure #6. Website

The WOGCC maintains a website to provide general agency information to its users along with in-depth data and information related to the industry. Over the past several years the website has been redeveloped to be more user friendly, provide more security, and to incorporate functionality of the new permitting and data reporting systems being developed. Migration of data from the legacy website will continue over time until all the links to the data and statistics are in the new format as functionality of the new systems come online.

In recent years the eForm system which includes APDs, spud notices, BOP test notices, baseline water quality plans and reports, and UIC water sampling has been brought online. The WOGCC just recently released the Wyoming Data Explorer (WYDE) system. This is a GIS based mapping solution paired with text search functionality that significantly eases the query functionality of the WOGCC database to allow both technical users such as agency or industry members and non-technical users such as the general public to easily search and review all data related to oil and gas wells in the state. The WYDE system will be enhanced as additional forms and data convert to the electronic system.

The Wyoming Statewide Tracking and Reporting (WYSTAR) system has been created and the rig schedule notification form is in use. We are currently testing the next functionality to come online in WYSTAR, which is the well and UIC data migration from legacy systems along with directional drilling survey data, and UIC permits. While testing of this system is occurring prior to release for industry and public use, we are moving into Phase 3 of development, which will create the remainder of the WOGCC forms for electronic submittals. This includes forms such as the completion report, sundry notices, monthly production reports, etc. It is expected that the development of the entire system will be complete in the next budget biennium, which will begin in July 2022.

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SECTION 5. DEPARTMENT PRIORITIES

055- Wyoming Oil & Gas Conservation Commission 2023-2024 Biennium Priorities									
Priority	Division	Unit #	Program Name / Description	\$	GF	FF	OF	# of Positions	Describe the consequences if priority is cut.
1	0100	0101	Administration	\$11,614,562	0	\$36,918	\$11,577,644	37	0101 Regulates the oil and gas industry.
2	0100	0106	Underground Injection Control Program	\$845,355	0	\$213,666	\$631,689	4	Unit 0106 is the Underground Injection Control program which regulates the injection and disposal wells (Class II) in the state.
3	0200	0202	Orphan Well Program	\$7,500,000	0	0	\$7,500,000	0	Unit 0202 Pluggin and reclamation of orphan oil and gas wells/ locations.
Totals				\$19,959,917	\$0	\$250,584	\$19,709,333	41	

DEPARTMENT OIL AND GAS COMMISSION

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SECTION 6. DEPT. EXCEPTION REQUEST PRIORITIES

055 - Wyoming Oil and Gas Conservation Commission 2023-2024 Biennial Budget Request									
Priority	Unit #	Description	Department Request		Governor's Recommendation				
			Amount	Pos	Amount	GF	FF	OF	Pos
1	0101	Risk Based Data Management System	\$1,261,000	0	\$1,261,000	\$0	\$0	\$1,261,000	0
2	0101	ETS-Data Storage & telecommunication usage	\$10,017	0	\$10,017	\$0	\$0	\$10,017	0
3	0101	Full Roof Membrane Overlay	\$55,000	0	\$55,000	\$0	\$0	\$55,000	0
4	0101	In State Board and Commission Travel	\$10,000	0	\$10,000	\$0	\$0	\$10,000	0
5	0101	Office Equipment	\$1,800	0	\$1,800	\$0	\$0	\$1,800	0
6	0101	HR Consolidation	(\$122,077)	-1	(\$122,077)	\$0	\$0	(\$122,077)	-1
6	0101	HR Consolidation - SR Cost Allocation	\$122,077	0	\$122,077	\$0	\$0	\$122,077	0
Totals			\$1,337,817	-1	\$1,337,817	\$0	\$0	\$1,337,817	-1
General Fund			\$0						
Federal Funds			\$0						
Other Funds			\$1,337,817						
Total Request			\$1,337,817						

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DIVISION ADMINISTRATION							DIV NO 0100
1	2	3	4	5	6	7	
Division	Code	Base Budget 2023-2024	Standard Budget	Total Dept Exception Request	Total Budget Request	Governor Exception Changes	Governor Recommendation
UNIT							
ADMINISTRATION	0101	11,529,656	9,299,617	1,337,817	10,637,434	0	10,637,434
UIC PROGRAM	0106	844,415	845,355	0	845,355	0	845,355
TOTAL BY UNIT		12,374,071	10,144,972	1,337,817	11,482,789	0	11,482,789
OBJECT SERIES							
PERSONNEL	0100	7,606,013	7,581,186	(122,077)	7,459,109	0	7,459,109
SUPPORTIVE SERVICES	0200	1,404,381	1,558,299	66,800	1,625,099	0	1,625,099
RESTRICTIVE SERVICES	0300	596,973	552,161	122,077	674,238	0	674,238
CENT. SERV./DATA SERV.	0400	98,758	100,325	10,017	110,342	0	110,342
CONTRACTUAL SERVICES	0900	2,667,946	353,001	1,261,000	1,614,001	0	1,614,001
TOTAL BY OBJECT SERIES		12,374,071	10,144,972	1,337,817	11,482,789	0	11,482,789
SOURCES OF FUNDING							
AGENCY FUND	AG	0	0	0	0	0	0
SPECIAL REVENUE	SR	12,123,656	9,894,388	1,337,817	11,232,205	0	11,232,205
FEDERAL FUNDS	X	250,415	250,584	0	250,584	0	250,584
TOTAL BY FUNDS		12,374,071	10,144,972	1,337,817	11,482,789	0	11,482,789
AUTHORIZED EMPLOYEES							
FULL TIME EMPLOYEE COUNT		41.00	41.00	(1.00)	40.00	0.00	40.00
TOTAL AUTHORIZED EMPLOYEES		41.00	41.00	(1.00)	40.00	0.00	40.00

DEPARTMENT OIL AND GAS COMMISSION
 DIVISION ADMINISTRATION
 UNIT ADMINISTRATION

Wyoming On Line Financial Codes
 DEPT DIVISION UNIT FUND APPR
 055 0100 0101 056 056

SECTION 1. UNIT STATUTORY AUTHORITY

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SECTION 2. STANDARD BUDGET REQUEST

Part A: Narrative

As of May 2021, Wyoming ranked 8th in oil production in the country, which is consistent for the last several years. Gas production continues to decline in WY, in 2019 Wyoming ranked 9th in gas production in the country. This is a decline from 4th in 2009 and 8th in 2018. Gas production continues to decline as years of low prices created a subsequent decline in coalbed methane production. The same advancements in horizontal drilling and well completions that are leading to Wyoming's increase in the production of crude oil has led to significant volumes of natural gas production in other states, leading to low gas prices and the decline in production of WY gas. Industry interest in the oil rich Powder River Basin and the DJ Basin to a lesser extent continues to drive activity in the state and although there is still uncertainty related to federal minerals, the industry activity has been increasing steadily for most of 2021.

The WOGCC regulates the development of oil and gas resources to prevent any waste from occurring and to ensure that all mineral owners have the opportunity to receive their equitable share of the oil and gas that is produced. We are equally committed to protecting the environment through effective enforcement of the Wyoming Conservation Act. The WOGCC strives to carry out its duties without imposing excessive regulatory burden on the oil and gas industry. We view our role as helping the people of Wyoming and industry to benefit fully from these resources, now and in the future.

The Commission and its staff make technical recommendations to the Office of State Lands and Investments, work with the Wyoming Geological Survey, the State Engineer's Office, the Department of Revenue, State Board of Equalization, Legislative Service Office, Department of Environmental Quality, Consensus Revenue Estimating Group and other state agencies by furnishing data and statistics. The Commission gathers and maintains complete records on all oil and gas wells drilled in the state and various other types of wells including certain monitor wells, core/strat holes, certain injection/disposal wells, seismic shot holes, and others; collects all production data; furnishes or otherwise makes available records and data of the agency to oil and gas companies operating in Wyoming in an effort to ensure the continuation of a high level of activity; makes data available to interested parties including the public; makes special studies of general interest to the oil and gas industry and other state agencies and makes the results of those studies available to anyone interested.

In 2019, the state saw the culmination of a fight for operatorship relating to horizontal drilling that resulted in industry submitted over 37,000 APDs. This operatorship issue had been growing for several years in in 2019 the agency completed a rulemaking that clarified operatorship and transfer of APDs. This rule change was implemented in Dec. 2019 and resulted in a significant reduction in APD submissions, hearing applications and docketed hearings, and allowed industry to shift money and time from regulatory filings to operations such as well drilling and completions.

DEPARTMENT OIL AND GAS COMMISSION
DIVISION ADMINISTRATION
UNIT ADMINISTRATION

Wyoming On Line Financial Codes
DEPT **DIVISION** **UNIT** **FUND** **APPR**
055 0100 0101 056 056

The WOGCC maintains a web site from which interested parties can obtain significant volumes of information regarding oil and gas wells and industry activity in the state such as production, well histories, spacing, applications for permit to drill, exceptions and commingling approvals, orders, gas plants, tax incentives, Commission forms and electronic filing of production and sundries, Commission hearing results, and Supervisor Reports. The address for our web site is <http://wogcc.wyo.gov/>.

The Commission's activities are divided into three expense programs. The first is the Administration program which includes office and field investigations of oil and gas activity in the state. These activities as well as inspections for bond release, spills, surface waste problems and those research projects in the office or statistical compilations are completed on a priority basis as determined by the Oil and Gas Supervisor with recommendations from the Commission. Unit 0101

The second program is the Underground Injection Control Program (UIC). Wyoming currently has primacy for the administration of the Environmental Protection Agency's Underground Injection Control Program which involves the supervision and regulation of all injection and disposal wells. The WOGCC manages the Class II UIC program. Unit 0106

The third program is Orphan Well Plugging which consists of making sure wells are properly plugged and surfaces are restored on wells that have no responsible party attached to them to take care of these expenses. Bonds, if there are any covering those wells, are forfeited by the operator to help plug the wells. If no bonding is available the conservation tax mil levy money is used to plug the wells and restore the well sites. Idle well bonding, for wells shut-in for any reason, has become a focus due to the increasing number of shut-in wells due to low gas pricing. The majority of the wells on the orphan well list are Powder River Basin coalbed methane wells so those wells are the primary area of focus, but all wells are evaluated and prioritized for plugging based on their risk to human health or the environment. Unit 0202

The agency is authorized for 41 full time positions. Those positions include the State Interim Oil & Gas Supervisor, who is the interim agency head and Deputy Oil and Gas Supervisor. He directly supervises the four (4) petroleum engineers, the Natural Resources Program Supervisor, the Business Office Supervisor, the Senior Inspection Specialist, the Senior Public Relations Specialist, one (1) Legal Assistant, and one (1) Office Support Specialist II. The Natural Resources Program Supervisor directs the duties of one (1) Natural Resources Specialist, one (1) Natural Resource Technician, one (1) Office Support Specialist II and two (2) Office Support Specialists I. The Business Office Supervisor I supervises duties of one (1) Accounting Clerk, five (5) Office Support Specialists II, and two (2) Office Assistants I. and one (1) Buildings & Grounds Assistant I. The Senior Inspection Specialist directly supervises one (1) Senior Inspection Specialist, and eight (8) Inspection Specialists. The second Senior Inspection Specialist directly supervises two (2) Inspection Specialist.

Part B: Revenue

Summarized below are the actual revenues collected for the 2019-2020 Biennium and estimated revenues for the 2021-2022 and 2023-2024 Biennium. These revenues are not part of the General Fund but are agency-generated revenues established by W.S. §30-5-104(a) and §30-5-116(b) (LexisNexis 2017). These revenues are generated by the conservation tax mil levy assessed on the oil and/or gas produced, sold or transported from the premises (revenue code 1301), permit fees (revenue code 2903), hearing filing fees (revenue code 5202).

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0101	19/20	21/22*	23/24*		
Agency Fund	\$7,439,722	\$3,745,382	\$7,279,529	Revenue Code 1301	Oil and Gas Conservation Tax
Agency Fund	\$24,464,025	\$4,950,000	\$6,372,000	Revenue Code 2903	Oil and Gas Well Permit Fees
Agency Fund	\$3,227,575	\$580,800	\$533,400	Revenue Code 5202	Application for Hearing Fees
Total	\$35,131,322	\$9,276,182	\$14,184,929		

*Estimate

GOVERNOR'S RECOMMENDATION

I recommend approval of the standard budget as submitted.

SECTION 3. SPECIAL REVENUE FUND HISTORY

OTHER FUND USAGE HISTORY

Agency Fund 055- Oil & Gas Conservation Commission

	17/18	19/20	21/22	Estimate 23/24	Estimate 25/26
Beginning Balance	\$18,971,396	\$30,533,640	\$49,988,353	\$31,890,464	\$26,129,505
- Expenditures Unit <101>	(\$7,114,562)	(\$8,690,553)	(\$11,492,738)	(\$11,601,473)	(\$11,510,000)
- Expenditures Unit <106>	(\$502,244)	(\$685,952)	(\$881,333)	(\$844,415)	(\$845,500)
- Expenditures Unit <202>	(\$5,141,472)	(\$6,300,104)	(\$15,000,000)	(\$7,500,000)	(\$7,500,00)
+ Revenue	\$24,320,522	\$35,131,322	\$9,276,182	\$14,184,929	\$14,184,929
Ending Balance	<u>\$30,533,640</u>	<u>\$49,988,353</u>	<u>\$31,890,464</u>	<u>\$26,129,505</u>	<u>\$20,458,934</u>

DEPARTMENT	OIL AND GAS COMMISSION	Wyoming On Line Financial Codes				
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UNIT	ADMINISTRATION	055	0100	0101	056	056

Current balance as of this report - \$49,988,353

Statutory Authority W.S. 30-5-101 through 30-5-128
Fund Description and restrictions - This fund is to account for taxes and fees collected from oil and/or gas operators. The purpose of this fund is to prevent waste of oil and/or gas and protect correlative rights.

Revenue Sources Codes & Descriptions:

- 1301 Conservation Taxes
- 2903 Oil & Gas Well Permit Fees
- 5202 Applications for Hearing Fees

SECTION 4. EXCEPTION REQUEST

PRIORITY # 1–Ground Water Protection Council RBDMS

A. EXPLANATION OF REQUEST: In 2014 the agency began an evaluation of its legacy database and information management systems for potential upgrades or replacement in order to provide the improved processes required to reduce permit processing time, allow management tracking of agency responsibilities, and to enhance automated data checks to increase compliance, decrease oil and gas operator and permit conflicts, and enhance staff productivity and agency efficiency in managing and processing data.

It was determined, that to meet agency needs, a replacement of at least certain portions of the current databases and new systems where the WOGCC didn’t have anything in place would be required to allow for data management and electronic filing, review, and processing of agency permits and forms. The agency worked with the Department of Enterprise Technology Services (ETS) to identify and evaluate multiple options to modernize the database systems, some of which were nearly 20 years old and all of which were created in house by agency staff who had retired in prior years. This left the agency with limited IT staff and no staff remaining who knew how the systems were developed or how to complete the required upgrades. The legacy database systems required the agency to accept only paper forms and permits from the industry and then agency staff would manually type all information into the database. This process was slow, staff resource intensive, and was unsustainable with the increased levels of permitting and other industry activity in the state.

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The proposed solution, Risk-Based Data Management System (RBDMS), was developed for regulatory agencies to use in managing and analyzing oil and gas program data and water resources management information. The system has been installed in at least 23 different state oil and gas agencies throughout the U.S. and portions of RBDMS is being implemented by the Wyoming DEQ to manage their soil, air, water analytical data and potentially the Class VI well data. Other oil and gas producing states who use RBDMS include North Dakota, Texas, and California. The project for the WOGCC includes 4 phases of work to develop and implement fully electronic database systems for accepting and processing all agency forms and data.

Initial development of RBDMS began in late 2016. The RBDMS e-Form module, which is electronic permitting for oil and gas wells was developed and went live in July 2018. This phase 1 of the RBDMS development included electronic APDs, spud and BOP test notifications, and baseline water quality sampling plans and reporting. Since implementation in July 2018 the eForm system has had over 54,500 APDs alone submitted.

Following the release of the eForm module, the agency began phase 2 of the development schedule, which includes the Wyoming Statewide Tracking and Reporting System (WYSTAR). WYSTAR includes forms for submission of operator's rig schedules, directional drilling surveys, underground injection control (UIC) data and permits, and tracking and reporting data on all wells. At this time the rig schedule form has been released, direction survey submission form has been tested and is ready for release, and the well data migration from the legacy systems has been tested. The UIC data and permit forms are being tested currently. Also part of phase 2 is the Data Explorer application. This application is a GIS based mapping solution with a Google style search engine to allow any user to query the data they are interested in utilizing. The Data Explorer application is live and available for use on the WOGCC website.

B. REQUEST BY OBJECT CODE, FUNDING AMOUNT & FUND SOURCE:

	Object Code	Amount	Funding Source
1	0903-Ground Water Protection	\$1,261,000	100% Earmarked Funds
	Total	\$1,261,000	100% Earmarked Funds

C. PERFORMANCE JUSTIFICATION:

The budget request associated with this exception request will be utilized for development of Phase 3 and Phase 4, which will be the final system development. Phase 3 of WYSTAR development includes forms such as sundry notices, completion reports, production reporting, Commission hearing applications, and various other common agency data forms. The development of these forms is beginning in calendar year 2021 and is expected to be completed in calendar year 2022 or early 2023 (FY 2023). Eventually the Commission will be able to accept and process all common forms and notifications from operators electronically. The RBDMS system automates many reviews of these forms and data to provide for more accurate and timely data gathering and reporting and the electronic submittals removes the requirement for agency staff to manually enter any data that needs to be databased electronically. As the system is implemented the agency has already been able to reduce data entry staff, not replacing several staff who have retired in calendar year 2021. The plan for those positions is to combine and shift them to roles that are more technical, such as field inspectors. Once fully developed, the Commission will be able to track and report statistics on internal agency responsibilities and industry activity throughout the state.

Phase 4 of development will tie the modules developed in the previous 3 phases together and provide for any post development system support necessary until agency IT and ETS staff are able to fully support the new system.

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GOVERNOR'S RECOMMENDATION

I recommend approval of this exception request as submitted.

PRIORITY # 2-ETS Data Storage and Telecommunication Usage

A. EXPLANATION OF REQUEST: Wyoming Oil and Gas Conservation Commission's ETS services, data storage usage, and telecommunications usage has increased during the past several years. Our agency is working on a database redevelopment that includes nearly 100% electronic filing of permits, forms, and data which increases the data storage volumes required. This project will decrease the storage required for paper files and paper submissions while at the same time providing more data analytics available to industry for the evaluation and optimization of drilling and operational efficiencies. With this change the amount of ETS storage may continue to increase in the next several years. The cost to increase electronic data storage is less expensive than costs to build out or create additional paper file storage which is nearing capacity at the agency office. This exception request has been approved through ETS, as of August 11, 2021, ETS Budget Exception # 2022-7285.

B. REQUEST BY OBJECT CODE, FUNDING AMOUNT & FUND SOURCE:

	Object Code	Amount	Funding Source
1	0410 - IT Services	\$7,393	100% Earmarked Funds
2	0420 -Telecommunications	\$2,624	100% Earmarked Funds
	Total	\$10,017	100% Earmarked Funds

C. PERFORMANCE JUSTIFICATION: Collecting data electronically allows more efficient use of industry and agency staff time as it decreases the need for transcription of data from paper, allows automated checks/reviews of submitted data, and allows more data to be analyzed. As with many other industries, data analytics is very important in the oil and gas industry to evaluate and maximize drilling and operational efficiencies and production volumes. This ultimately makes WY more competitive for industry investment. This also gives the public, operators, and staff access to view the data on our website.

GOVERNOR'S RECOMMENDATION

I recommend approval of this exception request as submitted.

PRIORITY # 3 – Full Roof Membrane Overlay

A. EXPLANATION OF REQUEST: Wyoming Oil and Gas Conservation Commission owns the building that was built in 2003. The roof is a membrane roof and has had leaks in multiple areas over the last several years. The roof leaks have been repaired multiple times by sealing the cracks in the original membrane.

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Several contractors have advised that the roof needs an entire roof coating due to the age and weathering of the roof. Please be advised that our agency office manager spoke with Mel Muldrow-Administrator with the State Construction Department on August 13, 2021, and as per Mr. Muldrow our agency does not need to go through State Construction for any form of building repairs for this amount. This is a one-time request.

B. REQUEST BY OBJECT CODE, FUNDING AMOUNT & FUND SOURCE:

	Object Code	Amount	Funding Source
1	0201-Building	\$55,000	100% Earmarked Funds
	Total	\$55,000	100% Earmarked Funds

C. PERFORMANCE JUSTIFICATION: The building roof has had multiple leaks for several years which could cause significant damage to our walls, electrical, flooring, equipment and file storage. Leaks in the roof have been repaired, but several roofing contractors have notified the agency that repairs are no longer going to be enough to stop the leaks and a full membrane overlay should be installed. Estimates for the roof membrane overlay is approximately \$55,000.00.

GOVERNOR'S RECOMMENDATION

I recommend approval of this exception request as submitted.

PRIORITY # 4 – In-State Board and Commission Travel

A. EXPLANATION OF REQUEST: The Commission holds hearings at the Wyoming Oil and Gas Conservation Commission office the second Tuesday of every month. The commissioners include the Governor, the Director of the State Geological Survey, the Director of the Office of State Lands and Investments and two at large members, many who must travel from Cheyenne, Laramie, or other communities to be present at the monthly hearings. The travel may, and often does, include air travel, hotel room stay, meals, and fuel. The cost of travel has increased significantly with the increase in hotel rooms, fuel, and the cost of the state plane.

B. REQUEST BY OBJECT CODE, FUNDING AMOUNT & FUND SOURCE:

	Object Code	Amount	Funding Source
1	0228- In-State Board and Commission Travel	\$10,000	100% Earmarked Funds
	Total	\$10,000	100% Earmarked Funds

C. PERFORMANCE JUSTIFICATION: The Commission holds hearings at the Wyoming Oil and Gas Conservation Commission the second Tuesday of every month. The Commissioners must travel to be present at the hearings and travel costs have increased significantly since the last increase in this budget item.

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GOVERNOR'S RECOMMENDATION

I recommend approval of this exception request as submitted.

PRIORITY # 5 – Office Equipment

A. EXPLANATION OF REQUEST: This funding will replace office chairs that are no longer operational. Several chairs typically need to be replaced each biennium as they become inoperable and no longer meet ergonomic requirements for workplace safety.

B. REQUEST BY OBJECT CODE, FUNDING AMOUNT & FUND SOURCE:

	Object Code	Amount	Funding Source
1	0241 - Office Equipment	\$1,800	100% Earmarked Funds
	Total	\$1,800	100% Earmarked Funds

C. PERFORMANCE JUSTIFICATION: Several staff office chairs are old, no longer operate correctly, and need replacement. Replacement of these chairs is typically \$300 per chair.

GOVERNOR'S RECOMMENDATION

I recommend approval of this exception request as submitted.

PRIORITY # 6 – HR CONSOLIDATION

The State of Wyoming, at the direction of Governor Mark Gordon, has centralized all agency human resource functions under the direction of the Department of Administration & Information Human Resources Division (HRD). Centralization addressed a recommendation from the Alvarez and Marsal efficiency study; it also addressed budgetary concerns requiring agencies to identify cuts within their BFY '21 appropriations. The centralization brought personnel into HRD along with all of the human resource duties, such as payroll and recruitment.

All of this was achieved through multiple B-11 requests. These exception requests make the budget changes permanent. Each agency will have a negative exception request for their portion and HRD will have the equivalent positive exception request, ending in a total net to zero.

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Position Number		Amount	Funding Source
HR 3863-E0103-SALARIES CLASSIFIED		(\$96,194)	100% Earmarked Funds
HR 3863-E0105-EMPLOYER PD BENEFITS		(\$25,300)	100% Earmarked Funds
HR 3863-E0197-RETIREEES INSURANCE		(\$583)	100% Earmarked Funds
Supportive Services			
1	0301 - COST ALLOCATION	\$122,077	100% Earmarked Funds
Total		\$0	100% Earmarked Funds

GOVERNOR’S RECOMMENDATION

I recommend approval of this exception request as submitted.

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		DEPT	DIVISION	UNIT	FUND	APPR	
		055	0100	0101	056	056	
1		2	3	4	5	6	7
Description	Code	Base Budget 2023-2024	Standard Budget	Total Dept Exception Request	Total Budget Request	Governor Exception Changes	Governor Recommendation
EXPENDITURES							
SALARIES CLASSIFIED	0103	4,196,988	4,196,988	(96,194)	4,100,794	0	4,100,794
SALARIES OTHER	0104	122,551	122,550	0	122,550	0	122,550
EMPLOYER PD BENEFITS	0105	1,187,874	1,174,881	(25,300)	1,149,581	0	1,149,581
EMPLOYER HEALTH INS BENEFITS	0196	1,363,886	1,351,107	0	1,351,107	0	1,351,107
RETIREEES INSURANCE	0197	26,364	26,315	(583)	25,732	0	25,732
PERSONNEL	0100	6,897,663	6,871,841	(122,077)	6,749,764	0	6,749,764
REAL PROPTY REP & MT	0201	20,000	40,000	55,000	95,000	0	95,000
EQUIPMENT REP & MNTC	0202	63,650	15,000	0	15,000	0	15,000
UTILITIES	0203	130,000	130,000	0	130,000	0	130,000
COMMUNICATION	0204	25,200	25,200	0	25,200	0	25,200
DUES-LICENSES-REGIST	0207	143,056	143,056	0	143,056	0	143,056
ADVERTISING-PROMOT	0208	275,000	275,000	0	275,000	0	275,000
MISCELLANEOUS	0210	4,500	4,500	0	4,500	0	4,500
TRAVEL IN STATE	0221	142,500	142,500	0	142,500	0	142,500
TRAVEL OUT OF STATE	0222	26,000	26,000	0	26,000	0	26,000
PERMANENTLY ASSIGNED VEHICLES	0223	0	380,862	0	380,862	0	380,862
BD/COMM TRAVEL REIMBURSEME	0227	1,500	1,500	0	1,500	0	1,500
BOARD IN-STATE TRAVEL	0228	16,000	16,000	10,000	26,000	0	26,000
SUPPLIES	0230	0	0	0	0	0	0
OFFICE SUPPL-PRINTNG	0231	115,000	115,000	0	115,000	0	115,000
LICENSE PLATES-REGIS	0232	0	0	0	0	0	0
MTR VEH&AIRPLANE SUP	0233	158,000	5,000	0	5,000	0	5,000
FOOD FOOD SVC SUPPL	0234	1,100	1,100	0	1,100	0	1,100
MEDICAL-LAB SUPPLIES	0235	750	750	0	750	0	750
EDUCA-RECREATNL SUPP	0236	1,250	1,250	0	1,250	0	1,250
SOFT GOODS&HOUSEKPNG	0237	12,000	12,000	0	12,000	0	12,000
FARM & LIVESTOCK SUP	0238	200	200	0	200	0	200
OTH REPAIR-MAINT SUP	0239	5,500	5,500	0	5,500	0	5,500
SOFTWARE	0240	0	0	0	0	0	0
OFFICE EQUIP-FURNISH	0241	1,800	0	1,800	1,800	0	1,800
IT HARDWARE	0242	23,494	0	0	0	0	0
TRANSPORTATION EQUIP	0243	0	0	0	0	0	0
REAL PROPERTY RENTAL	0251	51,651	51,651	0	51,651	0	51,651
EQUIPMENT RENTAL	0252	23,000	23,000	0	23,000	0	23,000
INSURANCE & BOND PREMS	0254	200	200	0	200	0	200
MAINTENANCE AGREEMENTS	0292	103,428	83,428	0	83,428	0	83,428
EQUIPMENT REP & MNTC	R202	0	0	0	0	0	0
MTR VEH&AIRPLANE SUP	R233	0	0	0	0	0	0
VISA PURCHASE	V299	0	0	0	0	0	0

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		DEPT	DIVISION	UNIT	FUND	APPR	
		055	0100	0101	056	056	
1		2	3	4	5	6	7
Description	Code	Base Budget 2023-2024	Standard Budget	Total Dept Exception Request	Total Budget Request	Governor Exception Changes	Governor Recommendation
SUPPORTIVE SERVICES	0200	1,344,779	1,498,697	66,800	1,565,497	0	1,565,497
COST ALLOCATION	0301	596,973	552,161	122,077	674,238	0	674,238
RESTRICTIVE SERVICES	0300	596,973	552,161	122,077	674,238	0	674,238
CENTRAL-SER DATA-SER	0410	44,808	46,506	7,393	53,899	0	53,899
TELECOMMUNICATIONS	0420	49,487	49,411	2,624	52,035	0	52,035
CENT. SERV./DATA SERV.	0400	94,295	95,917	10,017	105,934	0	105,934
CONTRACT SERVICES	0901	2,595,946	281,001	0	281,001	0	281,001
CONSULTING SERVICES	0902	0	0	0	0	0	0
SPECIAL PROJ & SVCS	0903	0	0	1,261,000	1,261,000	0	1,261,000
CONTRACTUAL SERVICES	0900	2,595,946	281,001	1,261,000	1,542,001	0	1,542,001
EXPENDITURE TOTALS		11,529,656	9,299,617	1,337,817	10,637,434	0	10,637,434
SOURCE OF FUNDING							
OIL & GAS CONSERVATION TAX	1301	0	0	0	0	0	0
OIL AND GAS WELL PERMIT	2903	0	0	0	0	0	0
APPLICATION FOR HEARING	5202	0	0	0	0	0	0
DISP WELLS AND WATER FLOOD	5912	0	0	0	0	0	0
AGENCY FUND	AG	0	0	0	0	0	0
OIL & GAS CONSERVATION	1301R	10,904,515	8,674,477	1,337,817	10,012,294	0	10,012,294
OIL AND GAS WELL PERMIT	2903R	400,000	400,000	0	400,000	0	400,000
APPLICATION FOR HEARING	5202R	130,541	130,541	0	130,541	0	130,541
DISP WELLS AND WATER FLOOD	5912R	57,682	57,681	0	57,681	0	57,681
SPECIAL REVENUE	SR	11,492,738	9,262,699	1,337,817	10,600,516	0	10,600,516
66.471 OPERATOR CERT EXP REIMB	7513	36,918	36,918	0	36,918	0	36,918
FEDERAL FUNDS	X	36,918	36,918	0	36,918	0	36,918
TOTAL FUNDING		11,529,656	9,299,617	1,337,817	10,637,434	0	10,637,434
AUTHORIZED EMPLOYEES							
FULL TIME EMPLOYEE COUNT		37.00	37.00	(1.00)	36.00	0.00	36.00
TOTAL AUTHORIZED EMPLOYEES		37.00	37.00	(1.00)	36.00	0.00	36.00

DEPARTMENT		OIL AND GAS COMMISSION									
DIVISION		ADMINISTRATION									
UNIT		ADMINISTRATION									
		Wyoming On Line Financial Codes									
		DEPT		DIVISION		UNIT		FUND		APPR	
		055		0100		0101		056		056	
		1		2		3		4		5	
		Agency Request		Agency Request		Agency Request		Governor's		Governor's	
		Salary		Benefits		Total		Recommendations		Recommendations	
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DEPARTMENT OIL AND GAS COMMISSION
DIVISION ADMINISTRATION
UNIT UIC PROGRAM

Wyoming On Line Financial Codes
DEPT DIVISION UNIT FUND APPR
055 0100 0106 056 056

SECTION 1. UNIT STATUTORY AUTHORITY

The Underground Injection Control (UIC) Program was authorized by passage of the Federal Safe Drinking Water Act by Congress in 1976 and the Environmental Protection Agency (EPA) was mandated to administer the provisions of this act. By letter dated March 31, 1981, Governor Herschler instructed the Wyoming Oil and Gas Conservation Commission (WOGCC) to file an application for primacy in the regulation of Class II injection wells under Section 1425 of the Safe Drinking Water Act. The Commission has administered the UIC program since November 22, 1982, when it was granted primacy. Prior to March 1, 1987, the WOGCC assumed total funding of the program as part of its normal operating expenses. Since that time, the WOGCC is supposed to receive grants from the EPA to pay 75% of the costs of administering the UIC Program although the EPA grant allotment usually only covers about 25-30% of the UIC program funding.

SECTION 2. STANDARD BUDGET REQUEST

Part A: Narrative

The UIC program regulates injection and disposal wells. The agency has primacy for Class II UIC wells which include disposal wells which inject waste from exploration and production activities, such as produced water and injection wells which inject water, CO2 or other fluids for enhanced recovery. The UIC program includes the permitting, data tracking, and reporting on injection/disposal wells. This includes semi-annual reporting to EPA on all UIC program activities. Included in the UIC program is the requirement to test the casing of any well which injects water into the subsurface for the purpose of increasing the ultimate recovery of hydrocarbons from Wyoming's oil fields, or which disposes of water produced in association with hydrocarbons. The purpose of the testing is to protect drinking water supplies in Wyoming's basins from contamination by oil field activity. Our field staff inspected 1,653 injection/disposal wells in 2018, 1,653 in 2019 and 1,096 in 2020. Each injection or disposal well requires a mechanical integrity test every five years. The EPA requires that we witness in excess of 25% of the mechanical integrity testing completed each year. Historically staff has witnessed in excess of 90% each year; this occurs because the of the emphasis placed on the importance of the mechanical integrity tests and the Commission's statutory responsibilities outside the scope of UIC programs in areas such as drilling, seismic, production and oilfield reclamation demand presence in the field by staff technicians and engineers not directly a part of the UIC program. We coordinate these other types of inspections with the UIC and idle well mechanical integrity tests so that as many tests can be witnessed as possible. We intend to continue to emphasize witnessing of Class II well tests and abandonments by our staff.

Part B: Revenue

Summarized below are the actual revenues collected for the 2019-2020 Biennium and estimated revenues for the 2021-2022 and 2023-2024 Bienniums. These revenues are not part of the General Fund but rather agency-generated revenues established by W.S. §30-5-104(a) and §30-5-116(b) (LexisNexis 2017). The WOGCC participates with the EPA in a federal grant for Underground Injection Control Program (revenue code 7513) wherein EPA is supposed to reimburse 75% of expenditures. The EPA grant awards have historically not been large enough to pay those expenditures so to make up for the EPA shortfall we charge

DEPARTMENT OIL AND GAS COMMISSION
 DIVISION ADMINISTRATION
 UNIT UIC PROGRAM

Wyoming On Line Financial Codes
 DEPT DIVISION UNIT FUND APPR
 055 0100 0106 056 056

operators a fee for each injection/disposal well each year (revenue code 5912). This fee helps reduce the amount of Conservation Tax (revenue code 1301) needed to cover the expenses for this program.

0106	<u>19-20</u>	<u>21/22*</u>	<u>23/24*</u>	
Agency Fund	\$	\$	\$	Revenue Code 1301 - Oil and Gas Conservation Tax
Special Revenue	\$871,800	\$871,725	\$871,725	Revenue Code 5912 - Disposal/Injection Well Fees
Federal Funds	<u>\$326,000</u>	<u>\$326,000</u>	<u>\$326,000</u>	Revenue Code 7513 - Grant Reimbursement from EPA
Total	\$1,197,800	\$1,197,725	\$1,197,725	

*Estimate

GOVERNOR'S RECOMMENDATION

I recommend approval of the standard budget as submitted.

SECTION 3. SPECIAL REVENUE FUND HISTORY

OTHER FUND USAGE HISTORY

Agency Fund 055- Oil & Gas Conservation Commission

	17/18	19/20	21/22	Estimate 23/24	Estimate 25/26
Beginning Balance	\$18,971,396	\$30,533,540	\$49,988,353	\$31,890,464	\$26,129,505
- Expenditures Unit <101>	(\$7,114,562)	(\$8,690,533)	(\$11,601,473)	(\$11,601,473)	(\$11,510,000)
- Expenditures Unit <106>	(\$502,244)	(\$5685,952)	(\$881,331)	(\$844,415)	(\$845,500)

DEPARTMENT	OIL AND GAS COMMISSION	Wyoming On Line Financial Codes							
DIVISION	ADMINISTRATION				DEPT	DIVISION	UNIT	FUND	APPR
UNIT	UIC PROGRAM				055	0100	0106	056	056
- Expenditures Unit <202>	(\$5,141,472)	(\$56,300,104)	(\$15,000,000)	(\$7,500,000)	(\$7,500,00)				
+ Revenue	\$24,320,522	\$35,131,322	\$9,276,182	\$14,184,929	\$14,184,929				
Ending Balance	\$30,533,640	\$49,988,353	\$31,890,464	\$26,129,505	\$20,458,934				

Current balance as of this report - \$49,988,353

Statutory Authority W.S. 30-5-101 through 30-5-128

Fund Description and restrictions - This fund is to account for taxes and fees collected from oil and/or gas operators. The purpose of this fund is to prevent waste of oil and/or gas and protect correlative rights.

Revenue Sources Codes & Descriptions:

5912 Injection/Disposal Well Fees

SECTION 4. EXCEPTION REQUEST

No exception request for this unit.

DEPARTMENT DIVISION UNIT		Wyoming On Line Financial Codes					
OIL AND GAS COMMISSION ADMINISTRATION UIC PROGRAM		DEPT 055	DIVISION 0100	UNIT 0106	FUND 056	APPR 056	
1	2	3	4	5	6	7	
Description	Code	Base Budget 2023-2024	Standard Budget	Total Dept Exception Request	Total Budget Request	Governor Exception Changes	Governor Recommendation
EXPENDITURES							
SALARIES CLASSIFIED	0103	444,851	444,850	0	444,850	0	444,850
SALARIES OTHER	0104	4,530	4,530	0	4,530	0	4,530
EMPLOYER PD BENEFITS	0105	118,277	119,268	0	119,268	0	119,268
EMPLOYER HEALTH INS BENEFITS	0196	137,998	137,995	0	137,995	0	137,995
RETIREES INSURANCE	0197	2,694	2,702	0	2,702	0	2,702
PERSONNEL	0100	708,350	709,345	0	709,345	0	709,345
EQUIPMENT REP & MNTC	0202	8,000	8,000	0	8,000	0	8,000
DUES-LICENSES-REGIST	0207	3,000	3,000	0	3,000	0	3,000
ADVERTISING-PROMOT	0208	10,000	10,000	0	10,000	0	10,000
MISCELLANEOUS	0210	0	0	0	0	0	0
TRAVEL IN STATE	0221	18,620	18,620	0	18,620	0	18,620
TRAVEL OUT OF STATE	0222	6,000	6,000	0	6,000	0	6,000
SUPPLIES	0230	0	0	0	0	0	0
MTR VEH&AIRPLANE SUP	0233	13,982	13,982	0	13,982	0	13,982
SOFT GOODS&HOUSEKPNG	0237	0	0	0	0	0	0
OTH REPAIR-MAINT SUP	0239	0	0	0	0	0	0
SUPPORTIVE SERVICES	0200	59,602	59,602	0	59,602	0	59,602
TELECOMMUNICATIONS	0420	4,463	4,408	0	4,408	0	4,408
CENT. SERV./DATA SERV.	0400	4,463	4,408	0	4,408	0	4,408
CONTRACT SERVICES	0901	72,000	72,000	0	72,000	0	72,000
CONTRACTUAL SERVICES	0900	72,000	72,000	0	72,000	0	72,000
EXPENDITURE TOTALS		844,415	845,355	0	845,355	0	845,355
SOURCE OF FUNDING							
DISP WELLS AND WATER FLOOD	5912R	630,918	631,689	0	631,689	0	631,689
SPECIAL REVENUE	SR	630,918	631,689	0	631,689	0	631,689
66.471 OPERATOR CERT EXP REIMB	7513	213,497	213,666	0	213,666	0	213,666
FEDERAL FUNDS	X	213,497	213,666	0	213,666	0	213,666
TOTAL FUNDING		844,415	845,355	0	845,355	0	845,355
AUTHORIZED EMPLOYEES							
FULL TIME EMPLOYEE COUNT		4.00	4.00	0.00	4.00	0.00	4.00
TOTAL AUTHORIZED EMPLOYEES		4.00	4.00	0.00	4.00	0.00	4.00

DEPARTMENT OIL AND GAS COMMISSION							DEPT 055
DIVISION ORPHAN WELLS							DIV NO 0200
1	2	3	4	5	6	7	
Division	Code	Base Budget 2023-2024	Standard Budget	Total Dept Exception Request	Total Budget Request	Governor Exception Changes	Governor Recommendation
UNIT							
OIL & GAS BOND FORFEITURES	0202	7,500,000	7,500,000	0	7,500,000	0	7,500,000
TOTAL BY UNIT		7,500,000	7,500,000	0	7,500,000	0	7,500,000
OBJECT SERIES							
CONTRACTUAL SERVICES	0900	7,500,000	7,500,000	0	7,500,000	0	7,500,000
TOTAL BY OBJECT SERIES		7,500,000	7,500,000	0	7,500,000	0	7,500,000
SOURCES OF FUNDING							
AGENCY FUND	AG	0	0	0	0	0	0
SPECIAL REVENUE	SR	7,500,000	7,500,000	0	7,500,000	0	7,500,000
TOTAL BY FUNDS		7,500,000	7,500,000	0	7,500,000	0	7,500,000

DEPARTMENT OIL AND GAS COMMISSION
 DIVISION ORPHAN WELLS
 UNIT OIL & GAS BOND FORFEITURES

Wyoming On Line Financial Codes
 DEPT DIVISION UNIT FUND APPR
 055 0200 0202 056 056

SECTION 1. UNIT STATUTORY AUTHORITY

W.S. §30-5-104 (LexisNexis 2017).

SECTION 2. STANDARD BUDGET REQUEST

The Wyoming State Legislature authorized use of conservation tax funds to plug wells and seismic holes and reclaim the surrounding areas if the WOGCC is unable to get the owner or contractor to do this under W.S. §30-5-104 (LexisNexis 2017). In FY 2020, the WOGCC spent approximately \$6,875,085 for the orphan well plugging and surface reclamation. These expenses were funded by bond forfeitures and Conservation Tax. During calendar 2020, 1,066 wells were plugged, converted to water wells or mined through. Due to a downturn in activity in coalbed methane, which is primarily a factor of low gas prices, there were 1,498 orphan wells on the list to be plugged as of August 19, 2021. The orphan well program will be aggressively managed, including using multiple plugging contractors simultaneously, to plug the orphan wells as rapidly as possible.

Part A: Narrative

The Orphan Well Plugging program consists of making sure wells are properly plugged and the surface is restored on wells that have no responsible party attached to them to take care of these expenses. Bonds, if there are any covering those wells, are forfeited from the operator to help plug the wells. If no bonding is available, or funds are inadequate to cover the entire cost, Conservation Tax money is used to plug the wells and reclaim the surrounding surface.

Part B: Revenue

0202	19/20	21/22*	23/24*		
Agency Fund	\$3,689,864	\$13,622,323	\$4,122,323	Revenue Code 1301	Oil and Gas Conservation Taxes
Special Revenue	<u>\$3,810,136</u>	<u>\$1,377,677</u>	<u>\$1,377,677</u>	Revenue Code 3202	Bond Forfeitures
Total	\$7,500,000	\$15,000,000	\$7,500,000		

*Estimate

GOVERNOR'S RECOMMENDATION

I recommend approval of the standard budget as submitted.

DEPARTMENT OIL AND GAS COMMISSION
DIVISION ORPHAN WELLS
UNIT OIL & GAS BOND FORFEITURES

Wyoming On Line Financial Codes
DEPT DIVISION UNIT FUND APPR
055 0200 0202 056 056

SECTION 3. SPECIAL REVENUE FUND HISTORY

OTHER FUND USAGE HISTORY

Agency Fund 055- Oil & Gas Conservation Commission

	17/18	19/20	21/22	Estimate 23/24	Estimate 25/26
Beginning Balance	\$18,971,396	\$30,533,640	\$49,988,353	\$31,890,464	\$26,129,505
- Expenditures Unit <101>	(\$7,114,562)	(\$8,690,553)	(11,492,738)	(\$11,601,473)	(\$11,510,000)
- Expenditures Unit <106>	(\$502,244)	(\$685,952)	(\$881,333)	(\$844,415)	(\$845,500)
- Expenditures Unit <202>	(\$5,141,472)	(\$6,300,104)	(\$15,000,000)	(\$7,500,000)	(\$7,500,00)
+ Revenue	\$24,320,522	\$35,131,322	\$9,276,182	\$14,184,929	\$14,184,929
Ending Balance	\$30,533,640	\$49,988,353	\$31,890,464	\$26,129,505	\$20,458,934

Current balance as of this report - \$49,988,353

Statutory Authority W.S. 30-5-101 through 30-5-128

Fund Description and restrictions - This fund is to account for taxes and fees collected from oil and/or gas operators. The purpose of this fund is to prevent waste of oil and/or gas and protect correlative rights.

Revenue Sources Codes & Descriptions:

- 1301 Conservation Taxes
- 3202 Bond Forfeitures

DEPARTMENT OIL AND GAS COMMISSION

DIVISION ORPHAN WELLS

UNIT OIL & GAS BOND FORFEITURES

Wyoming On Line Financial Codes				
DEPT	DIVISION	UNIT	FUND	APPR
055	0200	0202	056	056

SECTION 4. EXCEPTION REQUEST

No exception request for this unit.

DEPARTMENT OIL AND GAS COMMISSION DIVISION ORPHAN WELLS UNIT OIL & GAS BOND FORFEITURES		Wyoming On Line Financial Codes					
		DEPT	DIVISION	UNIT	FUND	APPR	
		055	0200	0202	056	056	
1	2	3	4	5	6	7	
Description	Code	Base Budget 2023-2024	Standard Budget	Total Dept Exception Request	Total Budget Request	Governor Exception Changes	Governor Recommendation
EXPENDITURES							
CONTRACT SERVICES	0901	7,500,000	7,500,000	0	7,500,000	0	7,500,000
CONTRACTUAL SERVICES	R901	0	0	0	0	0	0
CONTRACTUAL SERVICES	0900	7,500,000	7,500,000	0	7,500,000	0	7,500,000
EXPENDITURE TOTALS		7,500,000	7,500,000	0	7,500,000	0	7,500,000
SOURCE OF FUNDING							
OIL & GAS CONSERVATION TAX	1301	0	0	0	0	0	0
CASH BOND-FORFEITURE	3202	0	0	0	0	0	0
AGENCY FUND	AG	0	0	0	0	0	0
OIL & GAS CONSERVATION	1301R	3,965,250	3,965,250	0	3,965,250	0	3,965,250
PENALTY - DELINQUENT PMT	3302R	3,534,750	3,534,750	0	3,534,750	0	3,534,750
SPECIAL REVENUE	SR	7,500,000	7,500,000	0	7,500,000	0	7,500,000
TOTAL FUNDING		7,500,000	7,500,000	0	7,500,000	0	7,500,000