

Legislature seeks a way to update oil and gas regs

By Ramsey Scott
Wyoming Tribune Eagle

CHEYENNE – The Joint Minerals, Business and Economic Development Interim Committee will spend the interim updating the state's oil and gas regulations to help fix a log-jam between developers looking to lock up drilling rights.

House committee chairman Rep. Mike Greear, R-Worland, announced last week the group will study how to update statutes to take into account the proliferation of horizontal drilling, which allows energy producers to tap into minerals 2 miles away from a platform.



At a glance

The Joint Minerals, Business and Economic Development Interim Committee will look to adapt Wyoming's oil and gas regulations to better reflect current drilling technology. Currently, the system encourages developers to sit on applications to drill for potential exploration, which has locked out other developers from accessing their minerals.

While horizontal drilling isn't a brand-new technology, the statutes haven't been updated to reflect the ability of a producer to tap into multiple deposits from one site, Greear said. And that has created conflicts between producers as they scramble to lock in their ability to drill.

See Drill, page A2

Drill: Gordon working with lawmakers

Continued from A1

Currently, Wyoming breaks up land for extraction into one-mile by two-mile plots, and only allows for one operator to drill and produce in that section. Historically, companies that also have mineral rights in that area have worked with the application for permit to drill (APD) holder to extract the resources.

When companies were only drilling straight down, the size and limitations of the plots weren't that big of an issue. But now that horizontal drilling has proliferated, Greear said there is a race between companies to be the first in the door to be granted an APD.



Greear

"What we have in Wyoming is race to get an APD," Greear said. "That has caused a great deal of conflict,

which has started to come to the surface in the last year."

Only one company is allowed to drill in an APD, and the state grants them to the first mineral-rights holder that applies for a permit on that parcel. For that reason, Greear said companies are rushing to be granted an APD, just in case they decided to invest in a drilling operation. So instead

of minerals being extracted, the plots go unused until the company eventually decides if they want to invest in an operation.

Pete Obermueller, president of the Petroleum Association of Wyoming, said that race to get a permit, even if there's no intention to drill, means other mineral holders in the area are completely shut out from tapping into their resources.

"You can have a situation where you have multiple mineral interest owners in this area, and the one first in door doesn't have an interest of developing, but others do, and they're locked out," Obermueller said. "What's good for Wyoming is (a com-

pany) producing the minerals and paying taxes on those minerals.

"It's an impediment to actual production, and we should remove those impediments."

Connor Nicklas, an associate attorney at the Cheyenne-based Falen Law Offices, works with land and mineral owners. He said the current regulatory system has spurred larger producers to seek as many APDs as they can, which, in turn, hurts smaller producers and landowners. He hopes as the Minerals Committee meets over the interim, they make sure the clients he represents have a seat at the table with the larger companies and producers.

One issue Nicklas said he wants to see addressed is the renewal process for APDs. Currently, the permits expire after two years, but companies are allowed to renew as many times as they want. That creates a system that doesn't incentivize development in the near future.

"When the person gets that permit, they can't just play capture the flag and hold onto it forever," Nicklas said. "What we would hope for is either no renewals at all or some kind of renewal with

some kind of assurance. There has to be some real development going on."

Gov. Mark Gordon is backing the interim topic and plans to look at what the executive branch can do to help address the issue moving forward.

"As the oil and gas industry has evolved, so must Wyoming regulations. The executive branch is already examining potential solutions, and we are looking forward to working with the Legislature on developing a comprehensive approach to make the permitting process more efficient," Gordon said.

"This will ensure our regulators can fulfill their mission, protect the interests of Wyoming citizens and encourage the responsible

development of our energy resources."

Greear said he isn't sure what a final solution should look like, but he and his

fellow committee members are dedicated to finding a solution that is both fair and helps encourage and increase exploration in Wyoming.

"What we're finding, or at least what's been voiced, is the system that's in place right now isn't working like it did in the past," Greear said. "The goal is to find and put our

finger on what's the issue and solution that works for all stakeholders in Wyoming."

Ramsey Scott is the Wyoming Tribune Eagle's state government reporter. He can be reached at 307-633-3124 or rscott@wyomingnews.com. Follow him on Twitter at @RamseyWyoming.

"As the oil and gas industry has evolved, so must Wyoming regulations. The executive branch is already examining potential solutions, and we are looking forward to working with the Legislature on developing a comprehensive approach to make the permitting process more efficient."

Gov. Mark Gordon