Wyoming Advisory March 25, 2015 Conference Call
Summary of Presentations

I. Call Sponsored By

Drake Hill served as the moderator for the March 25, 2015 **Wyoming Advisory** call. These calls are sponsored by the Hill Law Firm and the Rocky Mountain Energy Reporter. The Energy Reporter has been providing cutting edge reporting for over a decade, with an understanding of the oil and gas industry. We are grateful for our partner in the **Wyoming Advisory**—the Rocky Mountain Energy Reporter.

II. Purpose of Call

The call is intended to provide awareness of emerging issues. We intend to inform you about things to be watching for in Wyoming, rather than simply telling you what has been reported in the newspapers. As with today's call, our calls bring industry leaders to you on topics of interest to assist you in keeping ahead of the issues. The format of the **Wyoming Advisory** takes account of your busy work schedules, and each topic will run no more than ten to twelve minutes so that you can get back to your work.

III. Next Call Alert

The next **Wyoming Advisory** call will be on May 27, 2015 at 10:00 a.m. Mountain Time. The call will be dedicated to *Trends and Emerging Issues In Flaring, Venting, and Fugitive Emissions.*

IV. Introductions.

The March 25, 2015 **Wyoming Advisory** call was organized into seven parts.

Part I by Mark Doelger: Mr. Doelger gave a historical perspective on downturn periods in the oil and gas industry and the trends that emerge during these periods. Mr. Doelger is a professional geologist and is the President and co-owner of Barlow & Haun, Inc. He currently serves as a commissioner on the Wyoming Oil and Gas Conservation Commission. He is the author and co-author of numerous publications and technical presentations, and has testified as an expert before the U.S. Senate, state legislatures, and federal and state regulatory bodies. Mr. Doelger served five Wyoming governors, advising on energy policy matters and appointments. He was the chairman of the Wyoming Pipeline Authority between 2001 and 2009. During this time, the Wyoming Pipeline Authority played an integral role in the unprecedented build-out of natural gas pipeline infrastructure, nearly eliminating the differential on sales of natural gas from Wyoming, with dramatic revenue increases to producers, the State of Wyoming, and the federal government for sales of natural gas from Wyoming. Mr. Doelger received the 2011 Public Service Aware from the AAPG, the largest organization of professional geologists in the world.

Part II by Mark Nierenberg: Mr. Nierenberg gave a market update and an investor perspective on transaction activity during this period in the industry. Mr. Nierenberg is a Vice President at Petroleum Strategies, the only energy specific qualified intermediary in the country which facilitates 1031 like-kind exchanges of energy assets for corporate clients. These exchanged assets include producing, non-producing, leaseholds, mineral rights, pipelines, equipment and other property. Petroleum Strategies facilitiated $1 billion in 1031 exchanges in the last year for each of the following clients: QEP, Apache, Southwestern, Encana, and Freeport McMoRan. Mark is a licensed attorney in Colorado and before joining Petroleum Strategies, Mark worked at JPMorgan's escrow division in Denver, covering the energy sector's A&D and M&A work.

Part III by Donna Bracht: Ms. Bracht gave an update on the recent oil and gas lease sale conducted by the State of Wyoming. Ms. Bracht is an independent oil and gas lease consultant and the principal of dMB Land & Lease. Ms. Bracht specializes in mineral ownership, federal and state title, acquisitions, due diligence, title curative, lease negotiations, and right-of-way and surface issues. Ms. Bracht served in senior management with the Office of State Land and Investments in managing the 3.8 million mineral acres owned by the State of Wyoming focusing on all leasing obligations and optimization of the State's mineral assets.

Part IV by Drake Hill: Mr. Hill discussed how to preserve your lease rights in an environment of deferred drilling decisions. Mr. Hill's law firm is the co-sponsor of the **Wyoming Advisory** and Mr. Hill brings nearly 30 years of experience in oil and gas law and regulatory issues.

Part V by Alan Rabinoff: In connection with Mr. Hill's presentation, Alan Rabinoff gave review of federal regulations and a perspective of how lessees can preserve their lease rights under federal leases. Mr. Rabinoff served the BLM for 32 years and is the former Deputy State Director for Minerals and Lands for the BLM in Wyoming. Using his expertise and experience, he now helps clients work with federal land issues to ensure successful outcomes.

Part VI by J.C. Whorton and John Whorton: J.C. and John Whorton discussed due diligence requirements for mergers and acquisitions. J.C. Whorton is a senior level energy professional with over thirty-eight years of industry experience. He has held leadership positions with six Fortune 500 companies and has worked with many of the world's leading energy companies. His career has been divided between E&P, financial and enterprise risk management, and strategy consulting on mergers, acquisitions, and divestitures and their due diligence processes. J.C. Whorton was a member of the National Energy Consulting Practices at Andersen, PA Consulting Group, PricewaterhouseCoopers and SunGard where he was recognized as a international subject matter expert on strategy, operations, M&A, trading and risk management.

John Whorton serves as a Managing Director of StratCom. Since assuming a leadership role in 2011, StratCom's gross annual revenues have grown exponentially each of the last three years. During his tenure, the management team has transformed the firm's business model from a traditional land/lease brokerage firm into a recognized industry leader in energy due diligence. Prior to joining StratCom, John worked as a petroleum Landman with Jess Harris, III Inc., with

extensive experience in originating and managing large exploration plays throughout the Midcontinent and Rocky Mountain regions.

Part VII by Rick Estes and Aaron Maier of Trihydro. Rick Estes offered regulatory tips in a price challenged environment and Aaron Maier discussed the EPA's rulemaking process relating to jurisdictional waters. Rick Estes is a civil engineer with over 25 years of experience in consulting for projects in Wyoming, Montana, Colorado, North Dakota and South Dakota. Rick served as the District Engineer for the Wyoming Department of Environmental Quality responsible for construction permitting and environmental compliance monitoring in northeast Wyoming counties. He manages a team of 20 to 25 professional engineers, surveyors and construction technicians for Trihydro and is the Team Lead of Energy for Trihydro.

Aaron Maier leads the NEPA and Ecological Services Team at Trihydro and responsible for directing natural resources and ecological risk assessment work at Trihydro. Mr. Maier has worked in many areas of natural resource management, including wildlife habitat surveys, wetland delineation and permitting, NEPA documentation, toxicology, RCRA site remediation, plant and animal field surveys (including threatened and endangered species), and hydrologic investigations.

V. QUESTIONS

While the presentations are happening, if you have a question, please email that question to ddhill@hilllawfirm.net. We will do our best to address your question at the end of the presentations. If we are unable to address your question in the time we have today, we will follow up and answer your question after the call.

VI. PART ONE—HISTORICAL PERSPECTIVE ON DOWNTURN PERIODS: HISTORIC AND CURRENT OVERVIEW OF HOW OIL AND GAS COMPANIES REACT AND ADAPT

By Mark Doelger

Mark Doelger, Barlow & Haun, Inc., *Contact by email mjdoelgerbh@bresnan.net,* 307-234-1574.

(A) Producers Prioritize Activity:

1. Meet lease obligations, drill to hold leases
2. Shut-in marginal properties
3. Retreat to focus on core areas (examples: Continental Resources focus on Bakken of North Dakota and certain plays in Oklahoma; Chesapeake focus on plays in southern Powder River Basin of Wyoming.

(B) Producers Defer Completions In Drilled Wells:

Examples: EOG will delay fracking 285 wells; Chesapeake will wait until 2016 to complete 100 wells; Devon has cut back completion of 100 wells in TX. Completions are about half the cost of a productive well.

(C) Producers Reduce Overhead Expenses, Conserve Capital:

- Reduce field people, renegotiate contracts
- Close regional offices, consolidate operations
- Across the board staff and budget cuts
- Cut land budget (leases are still made, but at lower prices, which is an opportunity for cos. that have been on the side-line during high lease prices)

(D) Consolidation Through Mergers and Acquisitions, Distressed Property Sales.

(E) The Slow-Down Advances Through The Industry Over Time:

- Contractors are the first to feel the effect, including: surveyors, pumpers, welders, trucking cos., pipeline cos., reclamation, permit agents, etc. A local example is IBC Construction that cut workers from 30 to 15; they do dirt work, roads, fences, etc. Wyoming communities hit hard: Casper, Douglas, etc.
- Service sector responds with immediate lay-offs: Schlumberger, Halliburton, Baker Hughes and the like, providing logging and frack services.

(F) The Wyoming Oil and Gas Conservation Commission Has Not Seen A Slow-Down

- Still have 200 matters monthly
- Applications for Permit to Drill robust
- Funding for operations still adequate.
- Careful to not overstaff, efficiently run.
- Funding is from a conservation tax paid by operators on production, not an appropriation.
- $80 per barrel is needed in Wyoming for a significant recovery.

VII. PART TWO: MARKET UPDATE AND INVESTOR PERSPECTIVES

By Mark Nierenberg

Mark Nierenberg, Vice President, Petroleum Strategies, Inc., mark@petroleumstrategies.com, 720-635-1031.

Background on Petroleum Strategies, Inc.—PSI works with oil and gas clients, who are selling energy assets, and they want to defer their capital gains tax, by structuring their sale transaction as a LKE. 2014 was a banner year in A&D, with over $41 billion in tax deferred in transactions alone. In order to benefit from a LKE you need to have gains, and this has not been

the case for seller in 2015, as most cannot afford to sell with oil at 45/bbl. Do companies have assets to sell? YES. These divestitures are in a hold pattern, as they need to see a recovery on pricing before they can afford to sell. Will some need to sell at a loss? Probably. What will be interesting is when banks start putting pressure on companies required to pay down revolver credit, and that is when we will likely see more distressed sales.

Marketplace- Since OPEC's strategic moves in late November (ironically Thanksgiving week) there has been volatile and painful market conditions that has been focused on the glut of oil, and the rate of domestic US production. U.S. crude prices fell after inventories in the United States hit record highs for a 10th week. The U.S. government said crude inventories rose 9.6 million barrels to a new record of 458.5 million barrels in the week ended March 13. Brent has struggled to stay above the mid-$50 level while U.S. crude has tried to find ground at around mid-$45 since the end of January, when oil seemed to hit bottom from a seven-month selloff that knocked 60 percent off prices. Some analysts remain pessimistic about the market's strength after small recent price rebounds. What is key is that While US rig counts have dropped dramatically, oil prices have not reacted in a meaningful manner. Why not? I think this points to the everyone's key concern about inventory. Last week the U.S. government said crude inventories rose 9.6 million barrels to a new record of 458.5 million barrels in the week ended March 13.

Let's look at the Drop in Rig Counts- Oil services firm Baker Hughes reported a new four-year low in the number of rigs drilling for oil in the United States. Overall rig counts are down 45-50% across the states. Still, this past week's rig declines were smaller than drops in the prior two weeks, and prices barely budged on the data. I want to mention some of the more notable numbers regarding lower rig counts, especially in the change in numbers from 3 months ago:

Select states	This Week	Change from last week	3 months ago	One year ago
California land	13	+1	43	41
Colorado	39	+2	68	61
New Mexico	53	-5	103	89
North Dakota	98	-3	172	178
Oklahoma	136	+2	205	187
Texas	565	-36	868	858
Wyoming	29	0	58	53
Total US	1069	-56	1875	1803
Total Canada land	140	-76	389	389

Macro- I want to take a couple of minutes to make some macro comments on the marketplace. The Domestic markets have been further complicated and burdened by geopolitical issues such as the Iran negotiations (with an agreement leading to potential lift in sanctions and more oil production), US interest rate uncertainty, pressure on the strength of the dollar (lowered by Fed's lack of urgency to raise rates). Let's take a minute take a closer look at some of the more compelling factors

Pressure from Saudi Arabia- Oil prices are compressed as Saudi Arabia has stood firm on its decision to maintain production levels, saying it would consider cutting output only if producers outside OPEC also did so. Saudi Oil Minister Ali al-Naimi said the kingdom was now pumping about 10 million barrels per day, which indicates an increase of 350,000 bpd over its February production. Barclays analysts forecast on Monday that if OPEC production holds near current levels of almost 30 million bpd, the market surplus would expand from 900,000 bpd to 1.3 million bpd.

Iranian sanctions – Many unknowns are present such as (timing, Iran productive capacity, etc.) but getting asked the "what if" question so I will summarize my thoughts – basically the worst case is our oil price recovery timeframe is pushed out a year. Now there is a Deadline to reach a deal extended to June 30th with the March 31st deadline to establish agreement framework. Politics is not my strong suit but…recent Iranian peak production 4mmbpd (2007) declining to 3.6mmbpd in 2011 before recent sanctions cut output to current 2.8mmbpd. Assuming portion of sanctions impeding oil exports are lifted (unknown as sanctions will be lifted, I assume 500kbpd of near term available supply. If sanctions are lifted, an extra 500kbpd in 2H'15 from Iran would push our price recovery out a year (assuming Saudi's do not offset it).

Strength of the dollar- Oil has gotten a boost recently by a falling dollar that outweighed pressure on prices from a global supply glut. On Monday the U.S. dollar fell further, adding to its steepest weekly drop in 3-1/2 years. Market watchers have been unwinding long dollar positions since the Federal Reserve indicated last week that a U.S. interest rate hike is likely to come later rather than sooner, since the U.S. central bank is in no hurry to raise interest rates. So, the dollar is under pressure, and we saw buyers coming into the market as a result.

Micro- Snapshot of where we are this week. Oil at $55(Brent) $47,5(WTI), While no wild swings this week, one interesting note is that Brent's premium over U.S. crude narrowed to below $9 a barrel from a high of nearly $11 the previous week. On top of that, some technical analysts said the spread, one of the biggest volume trades in the oil market, could eventually blow out to above $30.

What is the Outlook? Pessimists/Realists are looking at 12-16 months before commodity prices recover to the new normal in 70/bbl range. Others such as Schlumberger Ltd, the world's top oilfield services provider, said oil prices could increase in the second half of the year because it expected global industry spending on exploration and production to drop 10 percent to 15 percent in 2015. I have read that some of the independents capex has dropped 40% already. But despite all these statistics, Don't take your eye off the ball. US rig count is already down 45-50%, US and non-OPEC supply will decline in 2016 and global demand is growing. That is what is important. Either way you predict the timeframe for the recovery, it's likely going to be a bumpy ride due to the geopolitical conditions I mentioned.

VIII. PART THREE—UPDATE ON STATE OF WYOMING OIL AND GAS LEASE AUCTION

By Donna Bracht

Donna Bracht, dMb Land&Lease, brachtdonna@gmail.com, 307-630-3938.

Results from the State of Wyoming recent Oil and Gas lease auction

The results show a down turn in leasing activities within the state. Laramie County is still showing strong interest, but the average bid being considerably lower than what has been seen in the recent past. All parcels within Laramie County where sold.

Converse and Campbell County hold the highest bid per acre, these two counties have historically been the "hot spot" within the state. This auction showed hot and cold tendencies with bids being $1 to the highest being $345 per acre in Converse.

Carbon, Big Horn, Sweetwater and Park County saw no bids activity or very low bids. Uinta County showed the biggest change within the state, with the bids there having the strongest showing with as many as 8 parcels selling over $100 per acre and as high as $210.

The overall State auction results are lower than seen in the past 10 years.

Royalty Rate reduction on State leases

Reviewed provisions that allow for royalty rate reduction under the Board of Land Commissioner rules.

Summary of Chapter 18 rules

In the Board of Land Commissioner rules and regulation, Chapter 18. Section 7, the following relief may be found:

- Par (iii): At the Board's discretion when deemed favorable in stimulating a exploration on non-producing, primary term leases, a specified "drilling window" of no more than 2 years,
- At the Boards desecration an exploratory lease royalty can be reduced to 10% for up to two years and before any activities being on the lease.
- Par (iv): After an oil and gas lease becomes operating, the Board may reduce the royalty payable to the State. The reduction is allowing the lease to undertake addition operations.
- At the Board's discretion, a HBP lease royalty can be reduced to statutory limit of 5% for a limited time in accordance with Wyo. Stat. § 36-6-101 Par C.

These rules can be helpful in some situations. Please read these rules in their entirety.

IX. PART FOUR—PRESERVING LEASE RIGHTS, AN OVERVIEW

By: Drake D. Hill

Drake D. Hill, Hill Law Firm, ddhill@hilllawfirm.net, 307-638-9334.

Preserving Lease Rights

(1) **Purpose of this segment**—serves as a reminder of the pitfalls and mistakes that can be made when feeling the pressure to delay drilling or to shut in production due to low commodity prices. This is the time to be looking carefully at your oil and gas leases to make certain of the governing provisions.

- Mistakes, such as a late rental payment, depending upon the circumstances, can cost you the lease.
- Some lessors are looking for reasons to terminate leases. Don't give them that argument.
- If you are in the process of selling the properties, you do not want due diligence to report that a rental payment was late and that the very existence of the lease is in question. This could lead to a re-negotiation of the lease.

(2) **Discussion of the basis of the lease**—to develop the mineral estate. From the outset, both parties are in accord on this. Divergence occurs when one party wants to delay development under the lease.

(3) **Setting the framework for terms of leases**—primary and secondary term.

(4) **Saving Clauses**: Because the underlying purpose is to develop the leases, ways of holding the lease without production are exceptions and are expressed in the lease under "except" or "unless" kind of language. Time constraints only allow us to discuss a few of those provisions today and please do not take this discussion as all-inclusive or even a comprehensive discussion of those provisions that are discussed. Each of the saving kind of provisions has their own body of case law interpreting them and should be studied carefully and thoroughly.

(5) **Primary term**:

- Typical lease of specified term on a paid-up basis. The lease may also contain a delay rental provision.

- If the lease contains a delay rental provision, properly employing that provision will hold the lease prior to production in paying quantities in accordance with the language of the delay rental clause.

- A typical delay rental provision would read as follows from a Producer's 88 lease:

  "5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the [specified date], this Lease shall terminate as to both parties, unless the Lessee shall on or before said date pay or tender to the Lessor, or for the Lessor's credit in [a specified bank] . . . the sum of [specified sum], which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In like manner

and upon like payments or tenders the commencement of operations for drilling may be further deferred for like periods successively.

- It is getting more typical that there is a limit on the number of years that a delay rental is available.

- A delay rental clause may not keep the lease alive when operations lead to a dry hole or production ceases during the primary term, and there is no provision in the lease for a return to payment of delay rentals. In such an event, you would need to drill another well to hold the lease or look for a dry hole provision in the lease.

- Do not be late on a delay rental or an annual rental payment. This could lead to an argument by the lessor that the lease has terminated automatically.

- It is often forgotten that a lease term can be extended by negotiation between the parties and this may be an attractive alternative for the lessor if mutually beneficial terms can be reached for the extension.

(6) **Secondary Term:**

- Commencement of Operations: most modern oil and gas leases state that a lease will not terminate if the lessee "commences operations of the drilling of a well on the leased lands or on acreage pooled therewith" by the end of the primary term.

- Dry Hole and Cessation of Production Clauses: Many leases join a dry hole clause with a cessation of production clause. Example: "if lessee should drill a dry hold, or if after production is obtained, production ceases from any cause, this lease shall not expire if lessee commences additional drilling or reworking operations within sixty days thereafter and they result in production being obtained."

- Most courts are not anxious to find technicalities of what constitutes continuous operations. To ameliorate the harshness of automatic termination provisions, some courts have developed a temporary cessation of production doctrine on the theory that the parties surely would have contemplated temporary interruptions in production that could occur due to mechanical issues, reworking, or other causes.

- Shut-In Royalty Clauses: Many leases contain a clause that a lease will be maintained by the payment of a shut-in royalty while gas or oil is not being sold. A typical shut-in royalty clause provides:

> "Where gas from a gas well is not sold or used, lessee may pay as royalty [specified sum] within 45 days after the expiration of each one-year period during which such well is shut-in and, while such payment is made, it will be considered that gas is being produced within the meaning of the habendum clause."

- Shut-in royalties may be made only if the well is capable of producing in paying quantities at the time it is shut-in. The payment must be made before the well is shut in or before the end of the primary term. Look to the lease for any grace periods.

- State Treatment of Shut In Wells: On State leases, the Office of State Lands and Investments will give notice after 180 days of a well shut-in for the operator to post a bond of $10 per foot to extend the lease.

- Federal Treatment of Shut-In Wells: Under 43 C.F.R. § 3017.2.2 provides that a lease will not be terminated for cessation of production if, within 60 days, reworking or drilling operations on the leasehold are commenced and thereafter continue with reasonable diligence.

- Lease suspension provisions of federal regulations: the lease suspension provisions speak in terms of a force majeure. In the past, courts have not interpreted economic downturns as events of force majeure despite the language of force majeure clauses of causes outside the control of the operator. Still, the force majeure clause itself, as well as the lease suspension provisions might be examined for utility.

- The better alternative on a producing well may well be to curtail production with quantities produced that will hold the lease rather than subjecting yourself to shut-in timelines. This would be true for State and fee leases as well.

X. PART FIVE--PRESERVING LEASE RIGHTS UNDER FEDERAL LEASES

By Alan Rabinoff

Alan Rabinoff, Federal Land Strategies, alanrabinoff@gmail.com, 307-514-1757.

(A) Request to delay drilling – BLM actions:

Unit obligation wells:

- Must meet BLM requirements for drilling discovery well, subsequent wells.
- BLM has, in the past, granted drilling extensions for drilling discovery wells, based, in part on economics.

(B) Lease in primary term:

- See 43 CFR 3107.1 – must drill over expiration date to hold lease for two more years.

(C) Lease held by production/extended term:

- BLM 60-day letter notifies that lease not contain any wells capable of production.
- A chance to rework existing well, drill new well, or demo still producing well

(D) Request to shut-in well after production established:

Temporary shut-in – 30 days without BLM approval, via Sundry Notice
--BLM may approve temporary shut in, not to exceed 12 months
--BLM may approve additional 12-month periods, if deemed necessary

(E) BLM considers the public interest, conservation of resources, bond adequacy in their decisions on drilling delays.

(F) BLM Handbook H-3107 Continuation, Extension, or Renewal of Leases:

"Leases that cannot be profitably produced due to a temporary lack of market or unusually low prices for a period of time may occasionally be shut in or granted a suspension of production to ensure their future availability."

XI. PART SIX—DUE DILIGENCE REQUIREMENTS IN M&A

By J.C. Whorton and John Whorton

J.C. Whorton, jcw@stratcomadvisors.com, 303-88609300;
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"Strategic Information Creates Stronger Negotiating Opportunities"

With the current state of the industry, companies are focusing on "core areas" and beginning to rationalize marginal properties, are managing short-term liabilities, and in general, are shoring up their balance sheets.

Results:

- Distressed and marginal properties are being sold
- Many of the properties may have been acquired during the 2010 "Land Rush"
    - These properties may have higher potential for defects due to the pressures caused by the immense competition for leases as prices rose quickly after the 2009 Price Bust
        - Examples resulting in suspended revenue as a lack of title curative prior to Division Orders
            - Affidavit of Proof of Death & Heirship
            - Mortgage Subordination

Because we specialize on A&D DD, we utilize a methodology that allows us to quickly identify areas with the highest potential for all Defects/Deficiencies affecting marketability. New money always brings in new players, some of which may not have deep operational experience, or at least not in a new geographical area.

The industry and marketplace have changed drastically over the last 10 years creating more and newer challenges. Different Geographical areas, basins and fields present new and different challenges.

- Drilling/Spacing units overlap from older/shallower/smaller to Deeper/Horizontal/multi-section units
- Statutory and Regulatory
- Case law

Major factors affecting Transactional Marketability

- Title Defects
- Acceptable Debt Collateral
- Regulatory Impediments
    - Federal
    - State
    - County/Municipalities
- Environmental Violations
    - Wetlands
    - Endangered Species
    - EPA
- Surface Usage Arrangements
    - Split Estate Issues
    - Surface Owner/Tenant Agreements
    - Lease Water Usage
    - Roads and Easements
    - Conservation Easements
    - Mortgages/DOT Encumbrances & Subordinations
    - Subdivisions & Home Owner Associations (HOAs)
    - Urban Encroachment & Zoning Changes
- Older Producers 88 O&G Lease Provisions
    - Water Rights
    - G&G access (ie, Seismic)
    - CL & NG marketing
    - SI Provisions
    - Abandonment
- JOA
    - Non-Consent
    - Gas Marketing
- Managing Basis Differentials
    - Must be a "Price Manager" and not a "Price Taker"!!!
    - Marketing, Treatment & Transportation Agreements
- Introduction of Mid-Continent Operators
    - Difference in Operating Methods (Rockies vs Mid-Con)

        - State Title Statutes
        - Regulations
        - Environmental & Political Restraints
        - Culture of Inhabitants
        - Tolerance From Communities

- Importance of Relationship Management for New Operators
    - Surface Owners, County Officials, BLM, Tribal & State Inspectors, County Officials
        - Educating Public and County Officials of Development Processes
        - Availability of Data

X. PART SEVEN—REGULATORY TIPS IN PRICE CHALLENGED ENVIRONMENT

By Rick Estes

Rick Estes, Trihydro Corporation, Restes@trihydro.com, 307-745-7474, www.trihydro.com

Outline of Discussion

1. Discuss progress of APD permitting with BLM
    a. What is going well
    b. What is largest hurdle with securing permits
        i. Most common deficiencies
        ii. Waste management
        iii. Landowner concerns
    c. What can be done to increase the time for permit approval

2. What are projected water requirements for well development
    a. Work on securing water source
    b. Options for reuse of produced water

3. Investigate waste water management options

4. Discuss options for drilling cuttings land/road applications

5. Monitor reclamation efforts
    a. Make sure erosion is monitored closely
    b. Keep general maintenance around facilities up to date
        i. Want landowners to remain positive about your operations

XI. Part Seven—Continued—EPA Jurisdictional Waters Proposed Rules

By Aaron Maier

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Outline:

I. Intro and History
II. How do we Delineate a Wetland?
III.Changes in Regulatory Authority Since Clean Water Act
IV.Proposed Rule
V.How Proposed Rule May Affect Project Sites

Abstract:

On March 25, 2014 the Environmental Protection Agency (EPA) released a proposed rule describing how the federal government may grant additional jurisdiction to the Army Corps of Engineers (Corps) on bodies of water that connect to tributaries, navigable waters, interstate waters, or adjacent wetlands. The EPA and Corps describe a wetland as having a significant nexus to navigable, interstate, and tributary bodies of water if it affects the "chemical, physical, or biological integrity of waters downstream within a watershed, either through permanent, intermittent, or ephemeral flow." In the past, varying interpretations of "a significant nexus" have resulted in confusion and inconsistent applications in identifying and delineating wetlands that may be subject to regulatory jurisdiction under Section 404 of the Clean Water Act (33 U.S.C. 1344) or Section 10 of the Rivers and Harbors Act (33 U.S.C. 403). Pursuant to the proposed new rule, wetlands may now possess connectivity to navigable and interstate waters through intrastate lakes, rivers, streams, mudflats, sandflats, sloughs, prairie potholes, wet meadows, playa lakes, and natural ponds. The EPA and Corps believe that the addition of this proposed rule will provide additional technical guidance, improve accuracy, and decrease the time/effort required for identifying and delineating wetlands. The proposed rule will likely expand the number of areas defined as wetlands, and areas previously considered non-wetlands may need to be re-evaluated for a significant nexus. Determination of a significant nexus will be decided by the Corps on a case-by-case basis; therefore, jurisdictional waters will likely vary by region. The new rule may have significant implications for oil and gas operations that are located near or adjacent to waters of the U.S. The final draft of the rule is expected to be released later this year.