

While regulatory authorization to flare or vent gas is addressed by Oil and Gas Conservation Commission Rules and Regulations, (Chapter 3, Section 40), the Office of State Lands & Investments, as trustee for the beneficiaries of Wyoming State Land production royalties, will not sanction *royalty-free disposition* of State's interest gas for a period greater than fifteen (15) days from the date of completion of a well, regardless of regulatory approval by the Oil and Gas Commission or any other body, to flare or vent for a greater period, without prior approval by the Board of Land Commissioners to do so. If such completions result in a lag period of greater than fifteen (15) days between completion and the ability of the Board of Land Commissioners to take action for allowance of royalty-free disposition through flaring or venting, the Director of the Office of State Lands & Investments may administratively approve the request during the interim period before the next regularly scheduled Board meeting. During the period of administratively approved allowance of royalty-free disposition through flaring or venting, the applicant shall maintain full record of the volume and composition of flared or vented gas volumes. In the event that the Board determines that the application for royalty-free disposition through flaring or venting should not be approved following the administrative approval by the Director of the Office of State Lands, the applicant shall be liable for the value of all royalties on the volume of gas flared during the administratively approved flaring or venting period based on the weighted average sales price received for like gas (based on the value per mMBTU) unless the Board makes a specific finding to the contrary.

The completion of a well on State land is accepted as defined by the Rules of the Wyoming Oil & Gas Conservation Commission at Chapter 1, Section 2(o); however, the Wyoming Board of Land Commissioners expressly reserve the right to make an alternate determination of the completion date as may be required based on the known circumstances.

All production on State land during any period requiring flaring or venting upon reaching total well depth must be recorded by a meter installed on the flare stack and the recorded volume and composition information provided to the Office of State Lands & Investments through the current operator reporting system on the regular monthly basis cycle set for the production type.

Petitioners for *royalty-free disposition* of State's interest gas should provide the reasons for flaring beyond the fifteen (15) day period allowed under the Oil and Gas Conservation Commission's rules and the anticipated time such action will be in effect. During the time extended *royalty-free disposition* is granted by the Board, lessee must provide bi-monthly status reports regarding its efforts and

findings related to marketability of production. In no instance will *royalty-free disposition* be granted for a period greater than 180 days beyond the initially allowed fifteen (15) days regardless of regulatory agency approval. The Board of Land Commissioners reserves all authority to determine the appropriate royalty rate on flared or vented gas volumes and the other terms and conditions under which such flaring or venting may be granted.