



# United States Department of the Interior



## BUREAU OF LAND MANAGEMENT

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2806/2920 (921 Wrigley) P

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Instruction Memorandum No. WY-2013-019  
Expires: 09/30/2014

To: District Managers

From: Deputy State Director, Division of Minerals and Lands

Subject: Rental for Produced Water Injection Facilities and Wells

**Program Area:** Lands and Realty, and Oil and Gas Management.

**Purpose:** This Instruction Memorandum (IM) establishes Wyoming Bureau of Land Management (BLM) policy for oil and gas related water disposal rental rates and schedules.

**Policy/Action:** The regulation at 43 CFR §2801.9 specifies when the oil and gas operator must obtain a Right-of-Way (ROW) grant on land managed by the BLM. A ROW grant is required to authorize disposal facilities (injection wells, evaporation pits) when the disposed water is produced off-lease or off-unit. A ROW grant for the disposal facility is not required when the disposed water is produced on-lease or on-unit.

Current Washington Office BLM policy does not establish a rental schedule for produced water disposal facilities authorized under a ROW. It is the responsibility of each state to establish a rental schedule. Rent, as specified at 43 CFR §2806 is appropriate for disposal site facilities. The rental schedule for disposal site facilities in Wyoming will consist of two components: (1) an annual site-rental of \$1,200 for disposal facilities up to three-acres in size, or the appraised value for disposal facilities that are three-acres or larger in size (disposal facilities located in Campbell, Johnson, Laramie, Sheridan, and Teton Counties will always require an appraisal, regardless of size; refer to IM No. WY-2009-017); and (2) a \$0.05 per barrel rate for non-commercial disposal or a \$0.10 per barrel rate for commercial disposal. In addition, if there are linear features associated with the disposal site, such as roads and pipelines, use the national linear fee schedule to determine the rent amount (refer to the Federal Register, dated October 31, 2008, Update of Linear Right-of-Way Schedule, Final Rule).

For oil and gas operations, a non-commercial disposal facility is defined as an injection well or evaporative pit operated by a single operator and only disposes water produced by the single operator. A single operator is defined as a single entity and does not include associations such as a subsidiary, affiliate, division, or spin-off. A non-commercial disposal facility would be charged the annual site-rental and the non-commercial per barrel disposal rate of \$0.05 for any disposed water that is produced off-lease or off-unit. Again, a ROW grant is required to authorize disposal facilities when the disposed water is produced off-lease or off-unit. Any disposed water that is produced on-lease or on-unit is not subject to the disposal fee. The authorized officer will need to monitor disposal volumes when the disposed water is produced both on-lease (on-unit) and off-lease (off-unit).

For oil and gas operations, a commercial disposal facility is defined as an injection well or evaporative pit that disposes water produced by more than one operator. A commercial disposal facility would be charged the annual site-rental and the commercial per barrel disposal rate of \$0.10 for any disposed water that is produced off-lease or off-unit. Again, a ROW grant is required to authorize disposal facilities when the disposed water is produced off-lease or off-unit. If the commercial disposal facility is operated by the lease/unit operator, any disposed water that is produced on-lease or on-unit by the lease/unit operator is not subject to the disposal fee. The authorized officer will need to monitor disposal volumes when the disposed water is produced both on-lease (on-unit) and off-lease (off-unit).

A commercial facility is also defined as a disposal facility independently created for the sole purpose of accepting for payment produced water for disposal. This type of commercial facility would be charged the annual site-rental and all disposed water is subject to the commercial per barrel disposal rate of \$0.10. The authorized officer will need to monitor all disposal volumes.

Billing shall be made annually and is not subject to multi-year intervals. BLM Wyoming will not back-bill previous years for existing produced water disposal facilities to incorporate the rates established in this IM. The advance rental will consist of the annual site-rental. The annual site-rental for the first year will begin on the first of the month following the issuance of the ROW grant and end at midnight on December 31 of that year. The rent for partial years is prorated based on 12 months. Ensuing years correspond with the calendar year.

The ROW holder may choose to submit quarterly payments or annual payments for the actual number of barrels disposed of which shall accompany the next years' billed annual site fee. The holder will provide the total number of barrels disposed of each year to the BLM and these totals are subject to BLM review for compliance. Compliance checks are a realty billing action and are not subject to field inspections by the lands and realty or minerals programs. If the validity of the number of barrels disposed of by a holder is in question, the BLM may request additional information from the holder, such as run tickets. If a disposal well is not used during the year, the holder still would be charged the site-rental for the year.

The non-commercial and commercial per barrel disposal fee may be adjusted every 5 years or sooner, as determined by the Wyoming State Office, to reflect changes in the fair market value.

Most existing grants include a rental clause that states the authorized officer, whenever necessary, can update the rental fee to reflect changes in the fair market rental value, in accordance with comparable commercial practices. As long as this type of rental clause is included in the ROW grant, updating the rental fee is not an appealable decision. However, new grants issued with a Rental Determination Decision are appealable decisions.

Attachment 1 contains approved stipulations to be used with the produced water disposal ROW grant.

Finally, Onshore Order No. 7, Disposal of Produced Water, specifies the requirements that should be contained in the application for approval of the disposal of produced water; the design, construction, and maintenance for an acceptable disposal facility; and identifies violations, corrective actions, and normal abatement periods when the operator does not comply with the subject order.

**Timeframe:** This IM is effective when issued.

**Budget Impact:** The implementation of this IM will reduce the number of appraisal requests to the Office of Valuation Services and will result in an overall savings to the program Statewide.

**Coordination:** This rental policy was coordinated with the Washington Office of the Solicitor; the Washington Office Branch Chief, Rights-of-Way (WO-350); the Washington Office Division Chief, Fluid Minerals (WO-310); State Realty Program Leads in Montana, New Mexico, Colorado, and Utah; the Wyoming State Office of Communications (WY-912); and the Branch of Fluid Mineral Operations, Lands, and Appraisal (WY-921).

**Contact:** If there are any questions related to this IM, please contact Janelle Wrigley at 307-775-6257.

Signed by:  
Donald A. Simpson  
State Director

Authenticated by:  
Sherry Dixon  
Secretary

Distribution

Director (350), 20 M Street, SE	1(w/atc.)
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1 Attachment

1 – Approved Stipulations for Produced Water Injection Well ROW Grants (1pp)

### **Approved Stipulations for Produced Water Injection Well ROW Grants**

- This ROW grant is independent of Environmental Protection Agency (EPA) and Wyoming Oil and Gas Conservation Commission (WOGCC) approvals. If the holder identifies a conflict between this approval and the necessary approvals granted by the EPA and/or WOGCC, the holder will immediately notify this office and propose corrective actions to remedy the conflict.
- This ROW is granted only for the disposal of produced water in well (name and number).
- A yearly per barrel report for this well/pit is due on or before January 31<sup>st</sup>, of the following year being reported. The report must contain the right-of-way serial number, well number, well legal description and the number of barrels disposed of by month, with a yearly total. The State of Wyoming Operator's Monthly Disposal Well Report (Form 16A) will be accepted as fulfilling the reporting requirement.
- The initial cost per barrel fee will be (\$0.05)/(\$0.10) of produced water injected into well (name and number). Prior approval must be obtained from the BLM for the procedures and equipment proposed to be used for measurement of produced water injected into well (name, number, location) before such injection begins. The BLM may modify the proposal and condition the approval.
- This ROW is granted to the holder for the exclusive use of well (name and number ) for disposal of produced water originating only from those wells operated by the holder, as recognized by the BLM or WOGCC.

OR

- This ROW is granted to the holder for the exclusive use of well (name and number ) for disposal of produced water originating from any well.