



DIVISION OF NATURAL RESOURCES

324 Fourth Avenue, Room 200
South Charleston WV 25303-1228
TDD (304) 558-1439
TDD 1-800-354-6087
Fax (304) 558-6048
Telephone (304) 558-3225

Earl Ray Tomblin
Governor

Frank Jezioro
Director

October 3, 2014

The Honorable Earl Ray Tomblin
Governor of West Virginia
Office of the Governor
State Capitol Complex
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305

Attention: Peter.Marcum

RE: The Jug WMA
Oil & Gas Leasing

Dear Governor Tomblin:

In accordance with Chapter 20, Article 1, Section 7, Item 14, of the Code of West Virginia, the Division of Natural Resources, hereby requests your approval to put out to public competitive bid the oil & gas resources (Marcellus shale) under The Jug Wildlife Management Area in Tyler County, West Virginia.

The advertising and bidding procedure will all be carried out in compliance with West Virginia Code Chapter 59, Article 3, Section One.

Your favorable consideration of this request will be appreciated.

Sincerely,

Frank Jezioro
Director

APPROVED:

DATE:

Nov. 25, 2014

FJ: js



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
1900 KANAWHA BOULEVARD, EAST
CHARLESTON, WV 25305
(304) 558-2000

EARL RAY TOMBLIN
GOVERNOR

November 25, 2014

Frank Jezioro, Director
Division of Natural Resources
324 Fourth Avenue, Room 200
South Charleston, WV 25303-1228

Re: The Jug Wildlife Management Area – Oil & Gas Leasing

Dear Director Jezioro:

This is in response to your October 3, 2014, request under W. Va. Code § 20-1-7(14) for approval to solicit sealed bids from the public for a lease to develop the oil and gas interests in the Marcellus Shale underlying the above-referenced wildlife management area. I hereby approve your request, subject to the division ensuring, at a minimum, that:

1. The bidding process is competitive and accords with § 20-1-7(14);
2. The bidders are responsible and qualified to hold the lease;
3. The minerals will be developed in an orderly, diligent, and timely manner;
4. The minerals will be developed in compliance with applicable environmental protection laws and regulations;
5. The state shall receive rents, royalties, and other compensation equal to or greater than the fair market value of the minerals leased;
6. The state's royalty shall be free of volumetric and cost deductions (*i.e.*, the lessee shall bear all costs incurred in exploring for, producing, marketing, and transporting the minerals to the point of sale), unless the circumstances warrant the state bearing a portion of the deductions;
7. The lessee shall be liable for royalty payments on minerals lost or wasted because of negligence or failure to comply with the lease or the law;

8. The lessee shall drill and produce wells necessary to protect the property from drainage or pay compensatory royalty for drainage;
9. The lessee shall regularly furnish detailed statements to the division showing the amount and quality of all minerals extracted and sold, the proceeds therefrom, and the amount used for production purposes or unavoidably lost;
10. The proposed development of mineral interests is in the best economic interests of the state and will not impede the division's opportunities to develop other mineral interests in the area;
11. The proposed development of minerals will not limit temporarily or permanently the area's availability, in any manner, for the use of fish or wildlife, or temporarily or permanently alter or degrade fish or wildlife habitats, regardless of scale. *See, e.g., 50 C.F.R. 80.134; see also Mem. of Fish & Wildlife Service – "Protecting our Conservation Legacy: Ongoing Protection of Lands Acquired with Wildlife and Sport Fish Restoration Grant Funds and License Revenue" (Aug. 14, 2014); and*
12. The proposed development will not impact or require the use of the surface of the wildlife management area.

Although the resulting lease will include other important terms and conditions, I believe the foregoing solicitation and lease requirements are of key importance to ensure that the state receives a fair and reasonable deal. Please see that these requirements are adhered to and highlighted in the solicitation process. If they prove unworkable based on the particular circumstances at issue, please advise. Further, please keep my General Counsel, Peter G. Markham, informed of the status of this matter.

Sincerely,



Earl Ray Tomblin
Governor

Cc:

J. Keith Burdette, Cabinet Secretary, Department of Commerce ✓
Joshua Jarrell, Esq., General Counsel, Department of Commerce
Robert Kiss, Cabinet Secretary, Department of Revenue