

*Trusted stewards of Idaho's Resources,
From Main Street to Mountaintop*



April 16, 2013

Idaho's oil and gas industry has big plans for 2013

Idaho's natural gas industry has spent much of the past several years exploring oil and gas resources deep beneath the surface in western Idaho and working with the State, local governments, and citizens to bring Idaho's regulatory structure up to 21st century standards.

Even as recently as today, the **Idaho Oil and Gas Conservation Commission approved a recommended order for the spacing of gas wells** in portions of Payette County to be one well per 640 acres, while retaining existing mechanisms to deviate from that standard as needed. The order - based on the local geology - facilitates efficient extraction of the resources.

Now that much of the groundwork is in place, **Alta Mesa Idaho (AM Idaho) and its joint venture partner Snake River Oil and Gas are getting ready to take the next step**



A new regulatory body, come July

Governor Otter and the Idaho Legislature approved [a bill](#) brought forth by the IDL during the 2013 session that changes the composition of the Idaho Oil and Gas Conservation Commission to include subject matter experts in oil and gas, geology, and water rather than constitutional officers. The new commission also will include two landowners - one who owns minerals and one who owns only the surface estate.

The IDL examined other states to come up with the proposal, which changes Idaho's commission membership to more closely resemble other states' oil and gas regulatory commissions.

Come July 1, 2013, the Idaho Oil and Gas Conservation Commission will include five individuals appointed by the Governor and approved by the Senate. In May, the Governor's Office and IDL will begin soliciting applications for appointment to the commission.

toward first-ever commercial production of natural gas and oil in Idaho - pipeline construction and more drilling.

"AM Idaho, as Operator, is preparing to drill a series of exploration wells in the Boise Basin and has begun preliminary pipeline work toward a goal of gas sales by year end," the company said.

The company has the largest natural gas presence in Idaho, with most of the activity happening in Payette and Washington counties, along with some activity in Gem, Canyon, and Owyhee counties. One other company, Trendwell Energy Corporation, also recently completed seismic exploration activities in western Idaho.



Leasing makes production possible

An oil and gas industry in Idaho would not be possible without leases with mineral right owners and agreements with surface land owners to access the resource.

In addition to being the regulatory agency that acts as the administrative arm of the Idaho Oil and Gas Conservation Commission, the Idaho Department of Lands (IDL) also leases State land and minerals to enable the exploration and production of oil and gas in Idaho.

Mineral rights in western Idaho include a mix of State, federal, and private mineral ownership.

There currently are 214 active oil and gas leases with the State of Idaho, and the **State Board of Land Commissioners (Land Board) today approved oil and gas leases on 26 more tracts of endowment mineral estate, Idaho Department of Fish and Game land, and the Idaho Department of Transportation mineral estate in Washington, Payette, and Gem Counties.** The 1,547 acres were auctioned for lease on April 3, 2013 for a total of \$79,000 in bonus and lease payments.

The Land Board has no regulatory responsibilities related to oil and gas activity, but will continue to approve leasing of State minerals the way it does with all other State-owned minerals.

Another major owner of minerals in western Idaho is the **federal government.** The Bureau of Land Management (BLM) has received nominations for oil and gas tracts, **but no leasing has occurred.** The **potential listing of sage grouse** in southern Idaho and much of the West has delayed an update of the BLM's Resource Management Plan, which must be analyzed under the National Environmental Policy Act (NEPA).



Jobs and cash for Idaho

The potential for real money for the State and its citizens doesn't necessarily come from leasing, but from the jobs, taxes and royalties created by production.

Commercial production of natural gas and oil in Idaho could be a boon to the State by employing more of our citizens, generating more economic activity in western Idaho, and making cash available for Idaho through severance taxes and royalties to the State.

Of the cash from the **2.5 percent severance tax** on production:

60 percent goes to the Oil and Gas Conservation Fund. This fund holds two years' worth of IDL expenses in regulating oil and

gas activity. After that, the cash flows to **Idaho's General Fund** to help pay for public schools and other government services and potentially reducing the tax burden on the people and businesses of Idaho.

40 percent goes to the cities and counties where the oil and gas production occurs as well as to **public schools** and an **account that would minimize impacts to counties** if production were to stop or slow.

The State also will receive a 12.5 percent royalty on production from state mineral ownership. That, too, is good news for public schools, which are the primary financial beneficiary of state endowment trust lands and minerals. Industry negotiates royalty rates with private and federal mineral owners, typically starting at 12.5 percent. Private mineral owners would benefit from production on their lands, providing an additional economic boost to these largely rural areas.

What type of fracking could occur in Idaho?

Understanding our resources is essential to understanding the science behind the type of hydraulic fracturing (fracking) that could occur in Idaho.

The gas resource discovered in Payette County is a conventional natural gas reservoir similar to hundreds of others developed across the United States over the last 100 years or more. The gas reservoirs are sandstones overlain and sealed by several hundred feet of shale. The shallowest discovery so far is approximately 1,700 feet underground. These sediments were deposited in a large freshwater lake between approximately 9 and 3 million years ago. These have not been characterized as tight sandstones.

These types of oil and gas resources generally do not have the issues with extraction that have been reported over the last few years in other states.

Idaho's rules pertaining to oil and gas conservation in Idaho include the requirement that an operator must disclose all materials used for well treatments and fracking, and to inform the State of where it will dispose of fracking fluid. Disposal could include the recycle and reuse of the fluid for the fracking process.

The IDL has received no applications to date for hydraulic fracturing.

However, approximately half of the currently completed wells in Idaho will need a small frac job to clear the drilling mud.

This frac job is estimated to be only about three percent of the size of frac jobs performed to extract oil or gas from shale, as is currently being done in North Dakota, Pennsylvania, and other places outside Idaho.

Making oil and gas data accessible to the public

By 2014, the IDL plans to make available a [Web-based database](#) that publishes oil and gas data, similar to the system used by other states with more mature oil and gas industries.

[Nebraska's data mining system](#) is one example of the system Idaho will make available. Part of the application will include integration with [FracFocus.org](#) to manage fracking disclosure data.

This system will have many advantages for Idaho, including **enhancing public confidence** in the industry and regulating agencies by improving data access for agencies, industry, and the general public, and **helping**

to create jobs and stimulating future exploration by making good data available.



Idaho Department of Lands

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