Langley Gulch Power Plant, Payette County, Idaho

IDAHO OIL & GAS
CONSERVATION COMMISSION
Est. 1963

2016 ANNUAL REPORT

IDAHO OIL & GAS CONSERVATION COMMISSION
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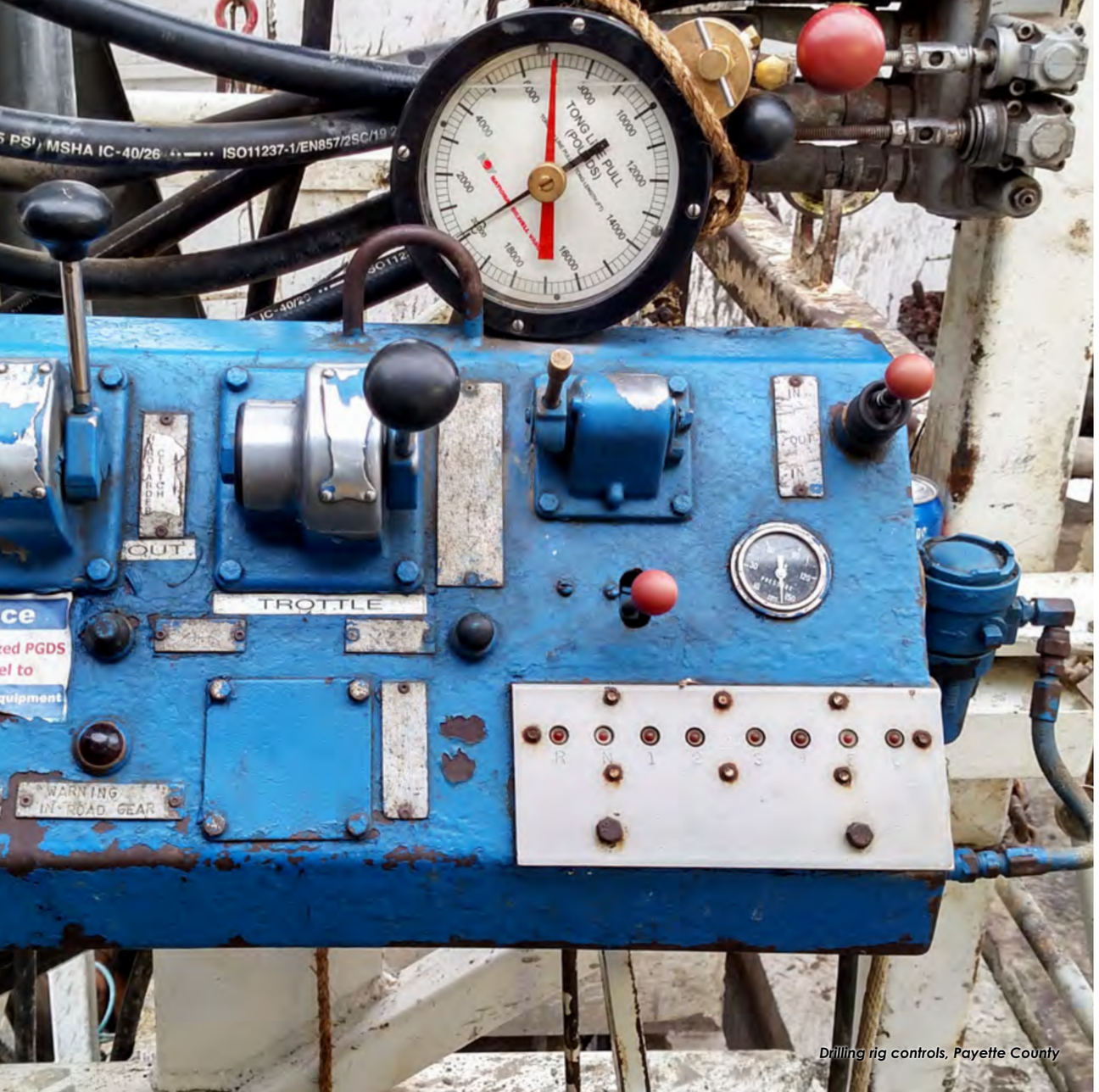
P.O. Box 83720, Boise, Idaho 83720-0050
www.idl.idaho.gov/oil-gas



Drilling rig controls, Payette County

Welcome

The year 2016 was active for the Idaho Oil and Gas Conservation Commission.

With support from the Idaho Department of Lands (IDL), the Commission adopted a strategic plan, held the first contested integration hearings, and initiated a third party regulatory review by the Interstate Oil and Gas Compact Commission (IOGCC). The Commission identified three strategic goals to work toward: develop effective regulations; establish organization-wide expertise; and build partnerships.

Idaho is becoming more standardized in its rules and regulations. We are bringing Idaho's oil and gas regulatory program in line with other states than have been actively regulating oil and gas development for decades.

The Commission is also drawing from the expertise of other states and reached out to the IOGCC to have the State Oil and Gas Regulatory Exchange (SOGRE) conduct a regulatory assessment of Idaho's entire oil and gas program. The SOGRE assists states in improving state oil and gas regulatory programs by providing consultation and program review.

Now that Idaho is a state with growing commercial production, we will seek to build better partnerships with other states' oil and gas regulators by asking for legislative approval in 2017 to become full members of the IOGCC.

The Commission and IDL staff spent much of 2015 and 2016 continuing to build on our technical expertise. The Commission brought in a number of experts to speak on a variety of topics, including spacing and reservoirs, the legal aspects and case law regarding oil and gas conservation, the administration of oil and gas conservation laws, and open meeting laws. Commission members also traveled to Utah to observe its Board of Oil, Gas and Mining in action. Members of the Commission and IDL staff also underwent additional training.

We will continue to respond to communities desiring more information on oil and gas in Idaho, like we did in 2016 when we gave presentations in Payette County and Gem County at the request of local legislators.

The Commission, with IDL support, will continue to take steps in a positive direction to meet our mission as Idaho's oil and gas industry continues to grow.

Tom Schultz | *Director*

State #1-17, Payette County

Our Mission

THE OIL AND GAS CONSERVATION COMMISSION REGULATES THE EXPLORATION, DEVELOPMENT, DRILLING AND PRODUCTION OF OIL AND GAS RESOURCES TO ENSURE THE CONSERVATION OF OIL AND GAS, AND THE PROTECTION OF CORRELATIVE RIGHTS, SURFACE WATER AND GROUNDWATER.

ORGANIZATIONAL STRUCTURE → **GOVERNOR** → **OIL & GAS CONSERVATION COMMISSION** → **DIRECTOR** → **LANDS & WATERWAYS DIVISION ADMINISTRATOR** → **OIL & GAS REGULATORY PROGRAM**

In 1963, the Idaho Legislature passed House Bill 168, the Idaho Oil and Gas Conservation Act. It reads, "There is hereby created an Oil and Gas Conservation Commission of the State of Idaho consisting of the Idaho Bureau of Mines and Geology."

Idaho has made efforts to reform its government structure seven times since 1919, generally focusing on improving the efficiency of government by reorganizing the executive branch and examining state expenditures. In the early 1970s, the Idaho Legislature made changes that affected all state agencies including the Oil and Gas Conservation Commission (Commission).

In 1973, the Legislative Executive Reorganization Commission recommended restructuring the Idaho executive branch on the heels of the 1972 Constitutional amendment, which limited the number of executive agencies in Idaho to 20. As a result, the Idaho Legislature approved Senate Bill 1302 (Reorganization Act of 1974) which reorganized state government, including the Oil and Gas Conservation Commission. It provided "that the Oil and Gas Conservation Commission shall consist of the State Board of Land Commissioners."

The current Commission structure was adopted in 2013, with the passage of Senate Bill 1049. The impetus behind this change was to create a commission with greater expertise in oil and gas administration. The Commission is appointed by the Governor and consists of:

- ONE MEMBER KNOWLEDGEABLE IN OIL AND GAS MATTERS
- ONE MEMBER KNOWLEDGEABLE IN GEOLOGICAL MATTERS
- ONE MEMBER KNOWLEDGEABLE IN WATER MATTERS
- ONE MEMBER WHO IS A PRIVATE LANDOWNER AND OWNS MINERAL RIGHTS WITH THE SURFACE IN A COUNTY WITH OIL AND GAS ACTIVITY
- ONE MEMBER WHO IS A PRIVATE LANDOWNER AND DOES NOT OWN MINERAL RIGHTS

The Commission regulates the exploration, drilling and production of oil and gas resources in Idaho to ensure the conservation of oil and gas, and the protection of correlative rights, surface water and groundwater.

The Idaho Department of Lands serves as the administrative arm of the Commission, with the Director serving as the secretary to the Commission.

OIL & GAS CONSERVATION COMMISSION

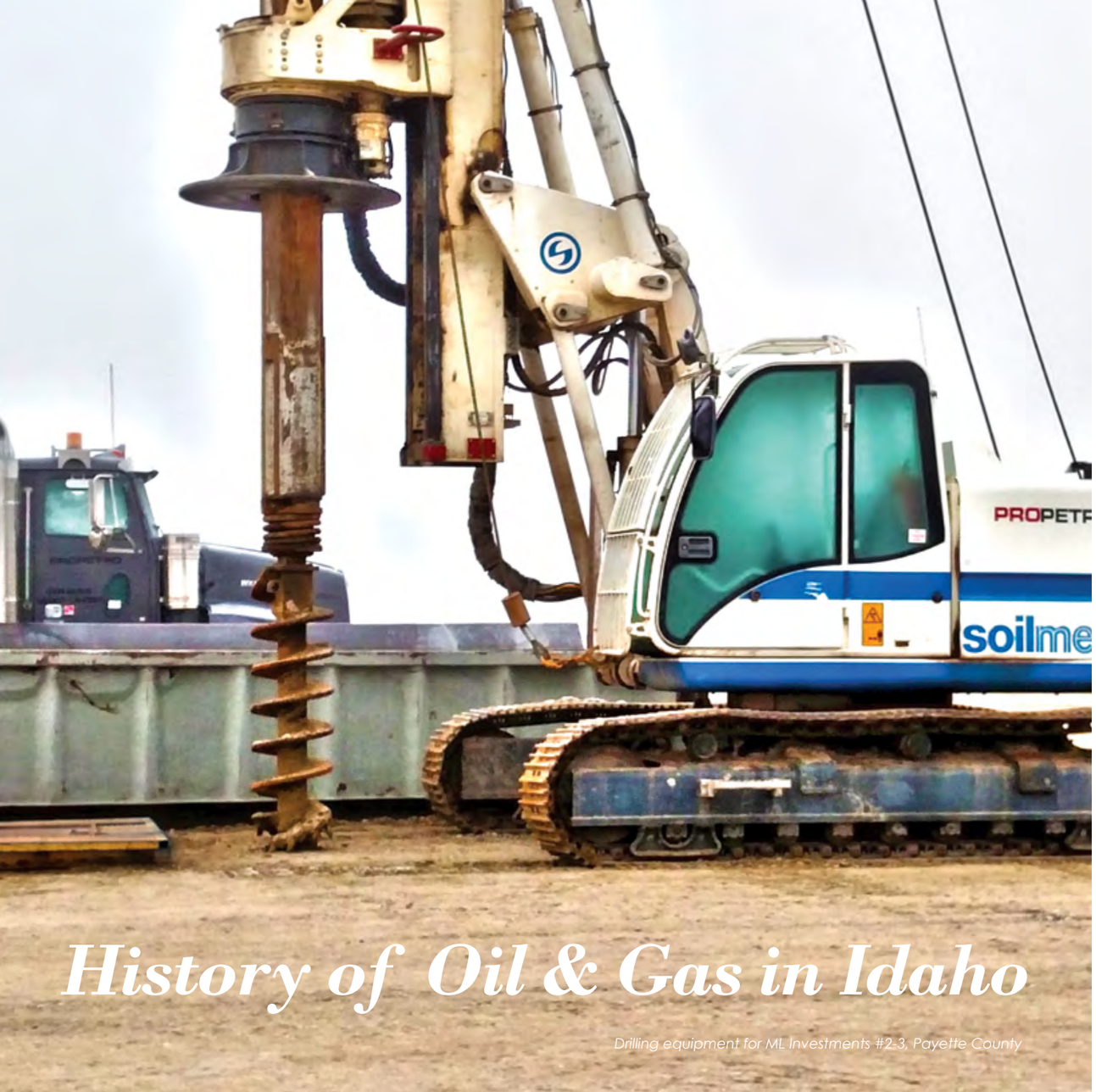
CHAIRMAN CHRIS BECK
WATER INTERESTS

VICE CHAIRMAN
MARGARET CHIPMAN
LANDOWNER WITH MINERAL RIGHTS

KEN SMITH
OIL AND GAS INTERESTS

SID CELLAN
LANDOWNER WITHOUT MINERAL RIGHTS

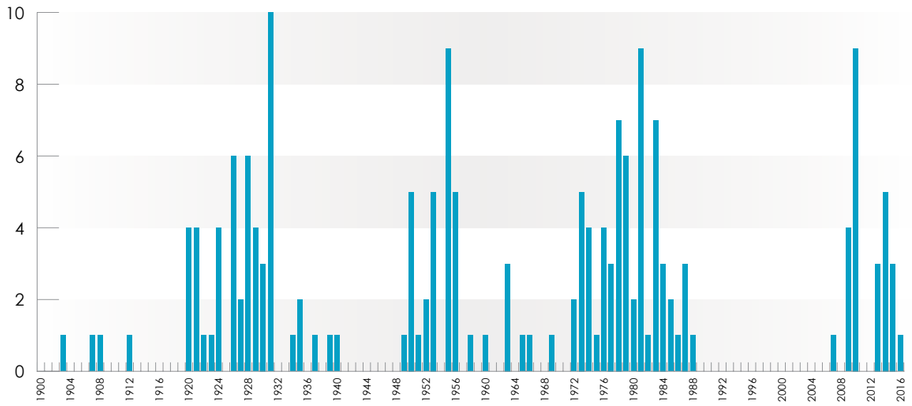
JAMES CLASSEN
GEOLOGICAL INTERESTS



History of Oil & Gas in Idaho

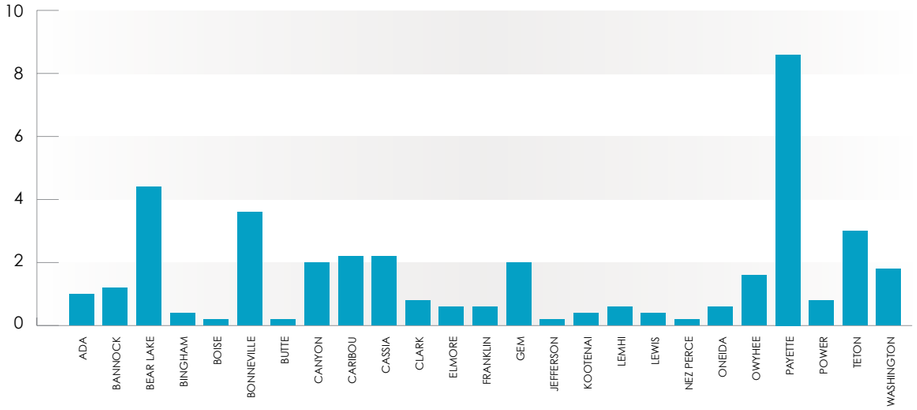
Drilling equipment for ML Investments #2-3, Payette County

NUMBER OF WELLS PERMITTED BY YEAR



Oil and gas exploration in Idaho began in the early 1900s. Commercial production started slowly in 2013 with one small gas well. As of November 2016, eight wells are in production.

NUMBER OF WELLS PERMITTED BY COUNTY



Twenty five counties have experienced oil and gas exploration over a span of more than 100 years.

Production

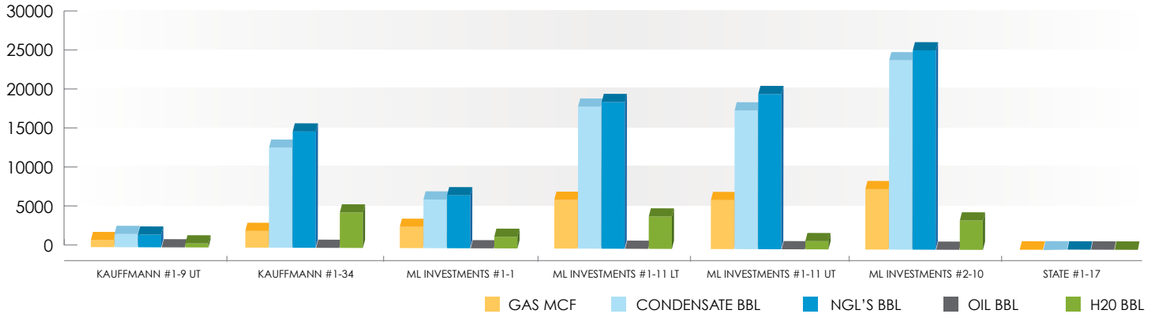
Oil and gas production in Idaho is available to the public approximately one year after initial production begins, and then is available each month after. Production reports can be found at *www.idahogeology.org*

The information below is based on documents available for public release on production between July 1, 2015, and June 30, 2016. The data is broken down by well, in some cases upper and lower levels within the same well. A number of products are produced from the same well. Production from ML Investments # 1-3, ML Investments # 2-3, and the Lower Kauffman #1-9 are not available for disclosure until March 2017.

FY2016

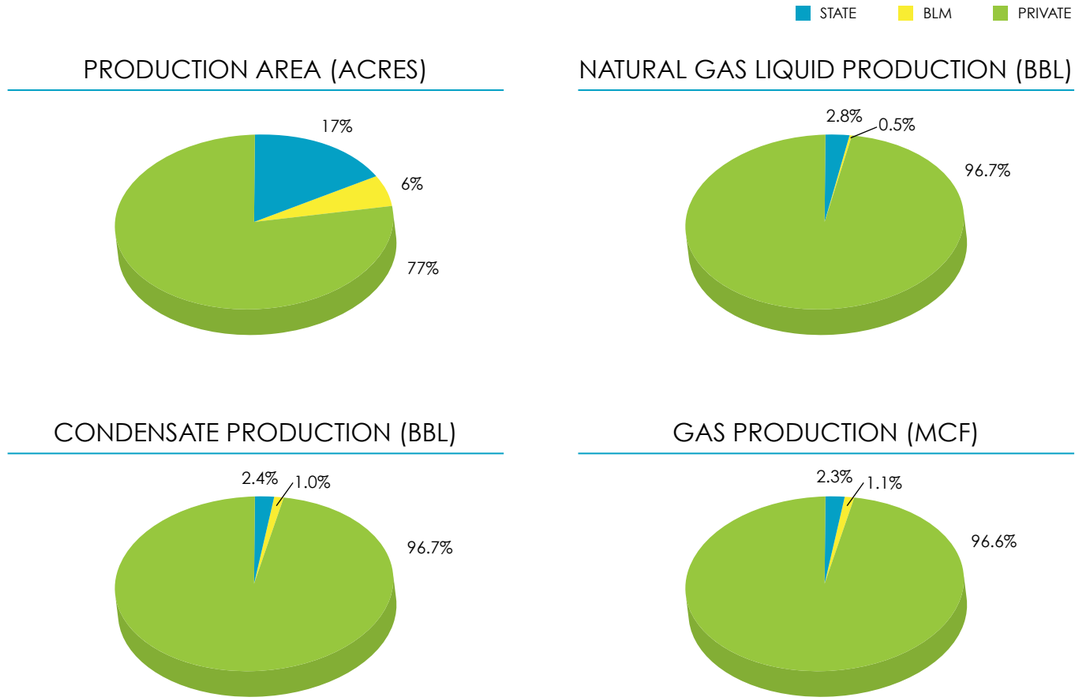
WELL NAME	GAS MCF	CONDENSATE BBL	NGL'S BBL	OIL BBL	H20 BBL
Kauffmann #1-9 UT	902.51	1,699	1,628	0	514
Kauffmann #1-34	2,142.97	12,859	14,949	0	4,555
ML Investments #1-10	2,731.07	6,256	6,808	0	1,486
ML Investments #1-11 LT	6,271.02	18,260	18,865	0	4,161
ML Investments #1-11 UT	6,300.69	17,837	19,953	0	1,053
ML Investments #2-10	7,764.85	24,348	25,634	0	3,777
State #1-17	77.17	0	0	0	0
TOTAL:	**26,190.28**	**62,999**	**87,837**	**0**	**15,546**

Natural gas is measured in thousand cubic feet which is abbreviated MCF. Condensate (very light oil), natural gas liquids (propane, butane), oil and water are all measured in barrels abbreviated BBL which is 42 gallons per barrel.



Oil and gas production is shown by land types based on overall production of natural gas, condensate and natural gas liquids.

2016 Production By Land Type



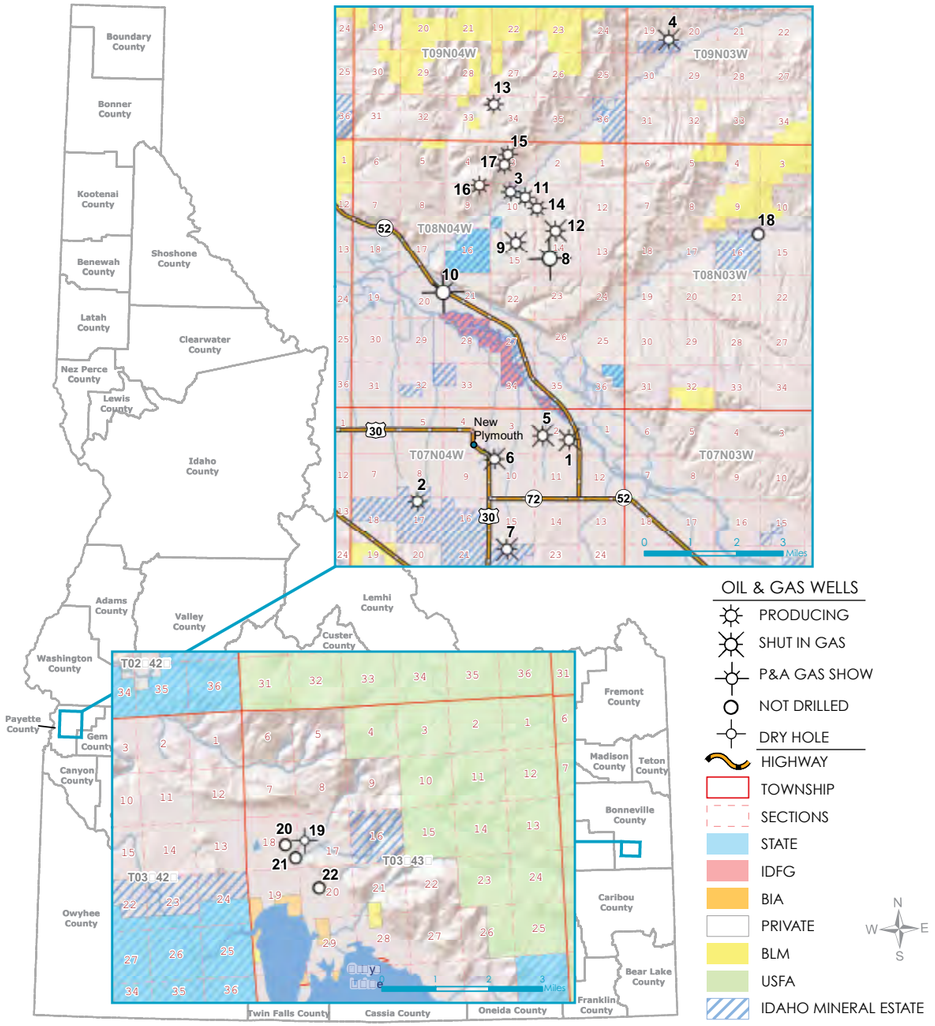
97% OF OIL AND GAS PRODUCED IN IDAHO COMES FROM **PRIVATELY OWNED MINERAL INTERESTS**

Active Oil & Gas Permits

DRILLED OR PERMITTED | *AUGUST 2007 – NOVEMBER 2016*

The majority of permit activity is in western Idaho but there is some new activity on the eastern side of the state.

NO.	US WELL NUMBER	OPERATOR	WELL NAME	STATUS	PRODUCTION START DATE
1	11-075-20004	AM Idaho, LLC	Espino #1-2	Shut in	
2	11-075-20005	AM Idaho, LLC	State #1-17	Producing	1/1/14
3	11-075-20007	AM Idaho, LLC	ML Investments #1-10	Producing	8/2/15
4	11-075-20009	AM Idaho, LLC	Island Capitol #1-19	Shut in	
5	11-075-20011	AM Idaho, LLC	Tracy Trust #3-2	Shut in	
6	11-075-20013	AM Idaho, LLC	White #1-10	Shut in	
7	11-075-20014	AM Idaho, LLC	Korn #1-22	Shut in	
8	11-075-20019	AM Idaho, LLC	DJS Properties #1-14	Plugged & Abandoned	
9	11-075-20020	AM Idaho, LLC	DJS Properties #1-15	Shut in	
10	11-075-20021	AM Idaho, LLC	Smoke Ranch #1-21	Plugged & Abandoned	
11	11-075-20022	AM Idaho, LLC	ML Investments #2-10	Producing	8/29/15
12	11-075-20023	AM Idaho, LLC	DJS Properties #2-14	Shut in	
13	11-075-20024	AM Idaho, LLC	Kauffman #1-34	Producing	10/3/15
14	11-075-20025	AM Idaho, LLC	ML Investments #1-11	Producing	LT 8/3/15 UT 8/4/15
15	11-075-20026	AM Idaho, LLC	ML Investments #1-3	Producing	2/26/15
16	11-075-20027	AM Idaho, LLC	Kauffman #1-9	Producing	LT 8/5/15 UT 2/13/16
17	11-075-20029	AM Idaho, LLC	ML Investments #2-3	Producing	3/1/16
18	11-075-20030	AM Idaho, LLC	State #1-16 (Big Willow Properties LLLP)	Permitted	
19	11-019-20011 (Bonneville County)	CPC Mineral, LLC	CPC Mineral, LLC #17-1	Plugged & Abandoned	
20	11-019-20012 (Bonneville County)	CPC Mineral, LLC	Udy #18-1	Permitted	
21	11-019-20013 (Bonneville County)	CPC Mineral, LLC	Federal #18-2	Permitted	
22	11-019-20014 (Bonneville County)	CPC Mineral, LLC	Federal #20-3	Permitted	



Oil & Gas Wells SNAPSHOT

8 PRODUCING
2 producing in two separate zones

7 SHUT IN GAS
awaiting a pipeline

4 NOT DRILLED
issued permits

1 DRY HOLE
plugged & abandoned

2 GAS SHOW
plugged & abandoned

Severance Tax

Severance Tax is collected on all oil and gas produced. The tax is collected by the Idaho State Tax Commission and is distributed between the Oil and Gas Conservation Commission (60%), the cities and counties where the production takes place (11.2% each), the Public School Income Fund, and a Local Economic and Development Account. (Idaho Statute 47-330 (5))

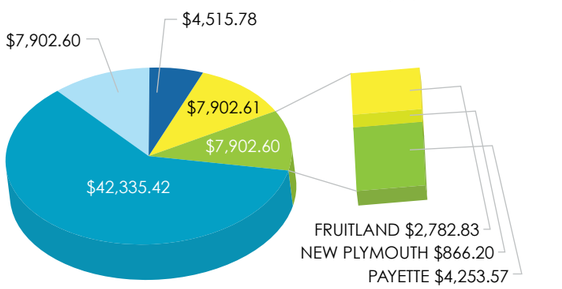
DISTRIBUTION OF OIL & GAS TAX REVENUE

RECIPIENT	PORTION	FY2014	FY2015	FY2016	FY2017*	THRU OCT 2016
County	11.2%	71.51	274.87	7,902.61	17,520.27	25,769.26
Cities in County	11.2%	71.52	274.88	7,902.60	17,520.27	25,769.27
Public School Income Fund	11.2%	71.51	274.87	7,902.60	17,520.26	25,769.24
Local Economic Dev. Account	6.4%	40.87	157.07	4,515.78	10,011.58	14,725.30
Oil and Gas Conservation Fund	60%	383.12	1,472.54	42,335.42	93,858.55	138,049.63
TOTAL	**100%**	**$638.53**	**$2,454.23**	**$70,559.01**	**$156,430.93**	**$230,082.70**

** July 1, 2016 – October 31, 2016*

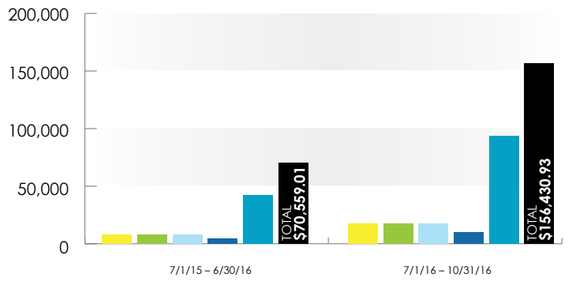
SEVERANCE TAX FY2016

FY2016 TOTAL: **$70,559.01**



FY2016 & 1ST QUARTER OF 2017

FY2016 AND 7/1/16 – 10/31/16 TOTAL: **$156,430.93**



**Information provided by the Idaho State Tax Commission*

BETWEEN FY2015 AND FY2016 THERE WAS A **2,700% INCREASE IN TAXES PAID**

TAXES PAID **THE FIRST QUARTER OF FY2017** WAS **MORE THAN DOUBLE** THE AMOUNT PAID **IN FY2016**

Financial Information

Permit fees and the Commission's portion of the severance tax are deposited into the Oil & Gas Conservation Fund, which is used to administer the oil and gas program. In FY2017, IDL will begin to expend monies from the Oil & Gas Conservation Fund for program administration.

OIL AND GAS REGULATORY PROGRAM
JULY 1, 2015 - JUNE 30, 2016
Revenue and Expenditures by Fund Type

	REVENUE	EXPENDITURES
GENERAL FUND*		226,156.00
Oil & Gas Conservation Fund		
Permits and Fees	9,384.00	
Severance Tax**	42,355.00	
Transfer to General Fund***	-3,996.00	
TOTAL	**$47,743.00**	**$226,156.00**

**General Fund is appropriated by the Idaho Legislature to administer the program*

***The Idaho Tax Commission transfers 60% of the 2.5% Severance Tax to Fund 0075-14 Oil and Gas Conservation Fund*

****Idaho Statute 47-330 (5)(c) requires transfer to the General Fund*

Looking Ahead

RULEMAKING AND LEGISLATION

The Idaho Oil and Gas Conservation Commission did not sponsor any bills during the 2016 legislative session, but did support the two oil and gas bills that passed.

Senate Bill 1339 (S1339) gave the Commission authority over rulemaking, complaints, and appeals. Other responsibilities are delegated to IDL. The bill also provided a new procedure and timeline for administrative permits issued by IDL staff, such as drilling permits. In addition, the bill included application requirements for integration applications. Lastly, the bill provided a procedure and timeline for administrative hearings used on integrations and some other types of applications.

House Bill 509 allows the Commission and IDL to share oil and gas documents with the Idaho Geological Survey (IGS), the lead State agency for the collection, interpretation and dissemination of geologic information pertaining to oil and gas mineral resources. This includes documents that are exempt from disclosure to the public. All pertinent geological records will now be provided to IGS, and they must maintain the required confidentiality of the records or information.

The Commission voted to bring forward two bills in the 2017 legislative session. One bill would allow Idaho to join the Interstate Oil and Gas Compact Commission as a full member. With the start of commercial oil and gas production over the last year we are now eligible for full membership, giving us a vote and voice in national oil and gas policy.

The second bill would further refine changes made by S1339, and improve on the administrative procedures to make hearing processes more predictable. Hearings may also be cancelled if objections are not timely filed. The bill would also clarify the integration process. Lastly, the bill would expand administrative permits to make sure specific approvals can be done by IDL without a hearing process.

The Commission is also proceeding with rule changes negotiated with stakeholders. These changes are needed in part due to changes brought about by S1339, and to address issues identified by IDL staff and stakeholders.

Cement trucks for ML Investments #1-3, Payette County