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July 19, 2016

Via email: oilandgasleasingrulemaking@idl.idaho.gov

Mike Murphy, Endowment Leasing Bureau Chief
Dave Schwarz, Mineral Leasing Program Manager
Idaho Department of Lands
300 N. 6th St., Suite 103
Boise, ID 83702

Re: IDAPA 20.03.16 rulemaking

Dear Mike and Dave:

This letter is to provide comment on behalf of AM Idaho, LLC ("AM") regarding the issues raised during the June 15, 2016 negotiated rulemaking session for revisions to IDAPA 20.03.16.

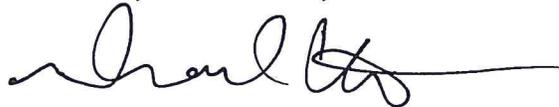
1. While we understand the state's need for flexibility regarding lease term, Idaho remains a frontier play with limited infrastructure, and AM needs the certainty of sufficient lease term in order to be able to plan for development of infrastructure alongside development of mineral resources. We appreciate your assurances that the state does not intend to impose shorter lease terms where infrastructure is not yet available. We also appreciate your suggestion at the rulemaking session that the nominating party initially propose the lease term at the time of nomination of a tract. There remains the risk that the Department will reject that proposal and make a tract available for lease with a shorter lease term. At a minimum, we suggest that any change to the current structure be coupled with language specifically allowing for extension of a lease if infrastructure is not yet available to allow production from the leased minerals. This could be added to Section 101 (Impossibility of Performance), or it could be included in Section 022.02.a (Term). We also suggest that if the Department makes tracts available with a shorter term than proposed in the nomination, the nominating party be given the option to receive a refund of the nominating fee if it decides not to participate in the lease sale as a result of the change.

2. We suggest that the 1000' depth restriction for continuous drilling operations to extend a lease, in Section 022.02.a, be changed to a requirement that a rig capable of drilling an oil and gas well be on the location. This would normally occur after a location has been constructed and conductor has been set.
3. The shut-in provision in Section 022.02.f should base its fee on the annual rental, with a cap of \$5,000. Thus, if the annual rental is \$3/acre, the shut in fee should be the same.
4. Section 022.03 should clarify that a party may nominate up to 640 acres in a block, and that the individual tracts included in the block need not be entirely contiguous so long as the block includes contiguous sections. This could also be accomplished by including a definition of "lease tract" that includes this concept, e.g., "a tract or collection of tracts included in a lease or lease auction, including up to 640 acres located in one section or multiple contiguous sections; or a tract of one complete section if the surveyed section is 640 acres or larger."
5. The suggested change in Section 022.07.d to two business days for payment following an auction is unrealistic; we suggest five to ten business days.
6. We appreciate your assurance during the rulemaking session that the royalty payment language in Section 045.03 is intended to allow for payment in 60 days following production for oil and 90 days for gas, to account for normal sale timing. As written, the draft language creates the possibility that payment may be due in as little as 35 days after production for oil ("the fifth (5th) day of the second (2nd) month succeeding the month of production") and as little as 65 days for gas ("the fifth (5th) day of the third (3rd) month succeeding the month of production"). We suggest that the language be changed to the third and fourth months succeeding the month of production, respectively, to allow for sale to occur and be accounted for and royalty payment be made to the state.

Thank you for the opportunity to comment. We look forward to seeing you at the next rulemaking session.

Very truly yours,

MARCUS, CHRISTIAN, HARDEE & DAVIES, LLP



Michael Christian

MC:ah

cc: David Pepper, AM Idaho, LLC