

Lone Tree Petroleum, Inc.

cjmcdonald@ltpetroleum.ch

July 5, 2016

RE: Rulemaking Progress

Mr. Tom Schultz
Idaho Department of Lands

Dear Mr. Schultz,

I have a couple questions concerning the ongoing oil and gas rule-making that I would like to address with you and your staff. There are four remaining rule-making meetings, and much to our disappointment, we do not seem to be making very much headway in bringing Idaho's regulations in to alignment with industry standards and practices that are commonly used in other states.

I have a couple request that may assist me in finding some answers:

#1. Can you show me the language in the rules or statute that allows the department to address our spacing issues administratively?

#2. Is there anything in writing anywhere in the rules or statutes to provide for Department authority? I am unable to find specific language to that effect. It is clear that there simply is no time for another rule-making in 2016, and frankly we are not comfortable with proceeding in Idaho without something in the rules to confirm that the Department is able to approve our operational plans if they are different from the "default's currently in rules.

Two meetings ago I brought up an issue I wanted to discuss, one being Gas Oil Ratio's and the other was concerning spacing's, but I was never allowed to because Mr. Christen noted that my request were not within the scope of these rule makings. Eric pulled up some statutes on the screen and agreed, and I was told I had to petition the commission for a separate rule-making application to address those issues.

After being somewhat confused on why this was not in the scope, as it was in definitions, and the scope being so broad as well as many other issues addressed for AM that were not in the scope, I looked back at the agenda and Gas Oil Ratio was on the Agenda for that day, June 15, 2016. I began looking at all the agendas and can point out a long list of things discussed that were not in the scope but were placed on the agendas for all meetings. Some were not included in the agenda but were discussed in rule-making.

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In light of all the issues addressed across the board for others, Lone Tree has had very few requests and have made our concerns known in written comments and in meetings with staff. These include correlative rights, industry standards, and uniformity with other states. We have worked to support the integrity of the process for the industry as a whole, more than our own needs. We have been repeatedly told that the issues we raised would be taken care of administratively by the Department. We have been clear about our desire to be transparent and do what's best for the industry. Yet despite our efforts, the rules are still not reflective of any of our requests to align Idaho with industry standards and practices that are common in other producing states. Other companies, our company and landowners are substantially at risk here without having anything backed up in writing. If rule making is not going to address these issues, then Idaho's regulations put every company, but the current operator, at a competitive disadvantaged position, and threaten the interests of mineral rights owners, landowners, and citizens of the State of Idaho. We are confident other companies will confirm our views regarding the need for the rules being brought up to industry standards and in alignment with other states.

During the meeting on June 17, 2016 with Suzanne, Larry and myself, we were told that Spacing as well Gas Oil Ratio, and a couple other issues were going to be handled in this rule-making and that we were well within the scope to discuss all the above. You also made very clear that starting a new rulemaking, as Eric had suggested, was not an option the you would consider undertaking.

Thanks for your help in taking the time to respond to these questions so we are able to make constructive progress in tomorrow's meeting, and to help us pursue an administrative path, as you all have suggested.

Best regards,



C.J. McDonald
CEO Oil and Gas Operations
Lone Tree Petroleum, Inc.

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cc: Mr. Eric Wilson
Mr. James Thum