

**From:** [Joe Morton](#)  
**To:** [Oil and Gas Conservation Rulemaking](#); [Eric Wilson](#); [Tom Schultz](#)  
**Subject:** Comments for Rulemaking IDAPA 20.07.02  
**Date:** Tuesday, October 25, 2016 10:05:51 PM  
**Attachments:** [Tax Receipts.xls](#)  
[Oil-and-Gas-Regulatory-Fiscal-Year-2011 - 2016 Expenses.pdf](#)

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IDL has made a little progress on revamping rules that will better serve the citizens. However, our legislature has been deceived by industry lobbyists into thinking that the “motherload” is still to come. Consequently, there has been no effort to realistically analyze our costs in relation to the projected returns.

There are many changes needed in Idaho statute, starting with a revised severance tax rate (currently a meager 2.5%) comparable to that of our neighboring states:

Wyoming – 6%

Montana – 4-9% (higher after 12 months)

Nevada – 3%

Oregon – 6%

Utah – 3-5% (based on volume produced)

Based on a projected trend line analysis, without a higher severance tax, it would take 28 active wells, producing at the same rate that they start with, to cover regulatory costs *just to date*. (There are currently only a handful of them.) Unfortunately, history shows that well production declines exponentially with time. This is supported by the records of current producing wells:

[http://www.idahogeology.org/igs\\_data/outgoing/Custom\\_Downloads/OilandGas/ProductionReports/AllHamiltonAndWillowFields/2015/](http://www.idahogeology.org/igs_data/outgoing/Custom_Downloads/OilandGas/ProductionReports/AllHamiltonAndWillowFields/2015/)

Furthermore, the record notes: “More than 150 wells were drilled throughout the 20th century, and some of the biggest names in the energy biz soaked hundreds of thousands of dollars into their operations. Chevron, Conoco, Exxon, Shell and Texaco all drilled into Idaho's crust. Not one was commercially viable.”

Currently, there is the same number of “Plugged & Abandoned” wells in Payette &

Canyon counties as there are number of producing wells in Payette. This poor showing of the wells drilled doesn't inspire confidence in either local or big-time investors. Wildcatter Alta Mesa, \$875million in debt with a junk-bond credit rating, can hardly afford to pursue further drilling without far greater financial support (especially from the local "working interest owners" who pay the bills for new wells up front, surely expecting a better return than they're getting). Nor does USGS data support there being enough producible gas & oil in the state to warrant the interest of bigger players. All of this no doubt makes Alta Mesa that much more determined to place as much of the financial burden of its activities on the citizens of the state.

Add to this the cumulative hazardous air pollutants, thanks to the Clean Air Act exempting multi-facilities from compliance. Currently Alta Mesa's many small facilities are (and many more would be) permitted by IDEQ to discharge *in excess of* the level of pollutants Langley Gulch is required to comply with. Alta Mesa's facilities are located at the mouth of Gem County, much of which is surrounded by a "box canyon" with prevailing winds from the west, so that pollutants are trapped around the city of Emmett. Nothing has been done to address this issue, that will affect residents' lives (and health costs?) without showing up in red on the "gas & oil" column.

Pay-as-you-play is only one of the many legal issues needing to be changed. Additional effort needs to be made on protecting private property owners' right to peacefully live and enjoy their home without a nuisance.

The list of issues which adversely impacts private property owners is long, and particularly without any probability of oil & gas being a viable long-term resource, only a very few souls will actually benefit from this exploitation. I would be glad to say more about ways to make it fair for everyone - but will stick with the financial aspects in this email.

I support development of oil & gas, but not on the backs of Idaho citizens.

Sadly, the state of Idaho has just given more private property rights, of split estate owners, away for an incredible average price of **\$3.30 per acre**. Very little of the latest State oil & gas mineral rights in the 10-19-2016 leasing auction had two bidders, and so most of the parcels went for a mere **25 cents per acre**; even the top price, \$45 per acre, was a steal.

<https://www.idl.idaho.gov/news-media/2016-releases/10-19-2016-idaho-auctions-thousands-more-acres-for-oil-gas-development.pdf>

Way to go, Idaho... and the legislators who have been duped into believing "this is good for the economy".

Our out-of-state operators can now (maybe) borrow yet more money and lure more investors on the premise that they have that much more mineral property under their belts... yet there are NOT the proven reserves in quantities to bring in all that promised cash to the State. The reality is that...

**To date:**

- - - 2011-2016... The Taxpayers of Idaho have paid **\$521,794** to regulate Alta Mesa and the Oil & Gas industry (*See attached IDL statement*)

- - - 2013-2016... Alta Mesa has paid only **\$141,075** in severance taxes to cover regulation costs (*See attached excel file*)

That leaves a **shortfall of \$380,977 paid out by the citizens of Idaho to fund the industry.**

From the operator's own portion, take out whatever costs they actually pay to produce the products, any royalties paid (after all the costs they charge to mineral owners), and their debt servicing fees (which equals 95-98% at today's market price), and Alta Mesa (already highly leveraged) is left with a pittance...



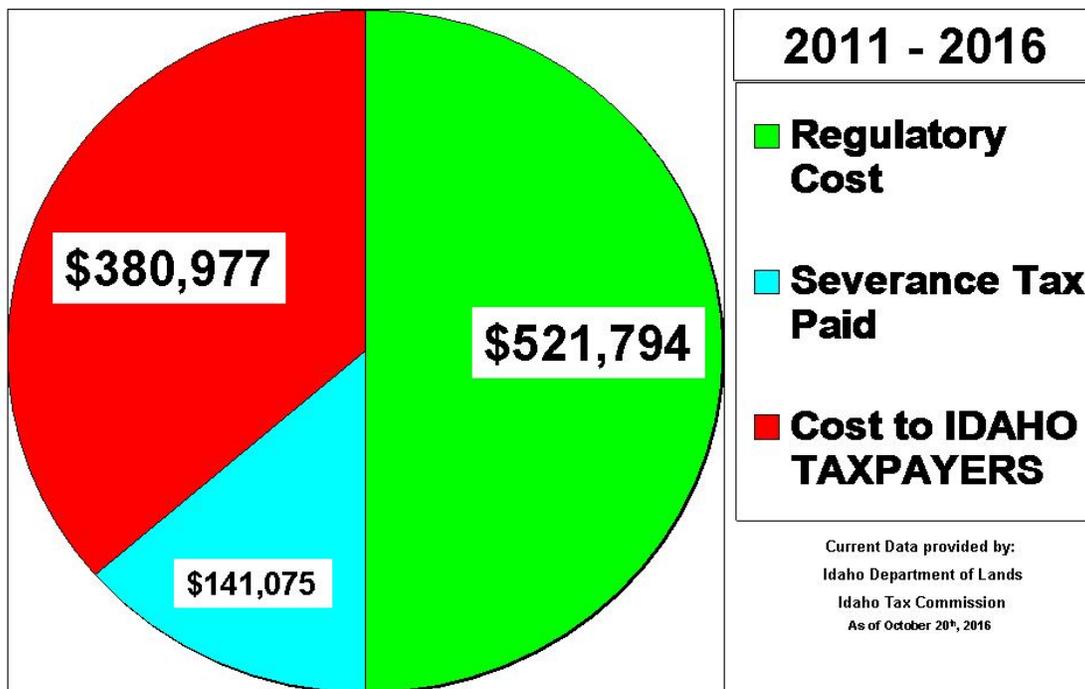
Operators like Alta Mesa CANNOT expand without working interest owners to pay for drilling and development costs upfront. Without real proven reserves to show to such local investors, there will be NO additional development...

Without more producing wells, how long will it take for the State, at our so-

low 2.5% severance tax rate, to recoup the money spent and actually benefit the citizens of Idaho? (See chart below)

Are you willing to continue paying for Oil & Gas development with our tax dollars, so that the Simplot's and a few others can benefit while everyone else pays for regulation?

### Cost to Regulate Alta Mesa / Oil & Gas Industry



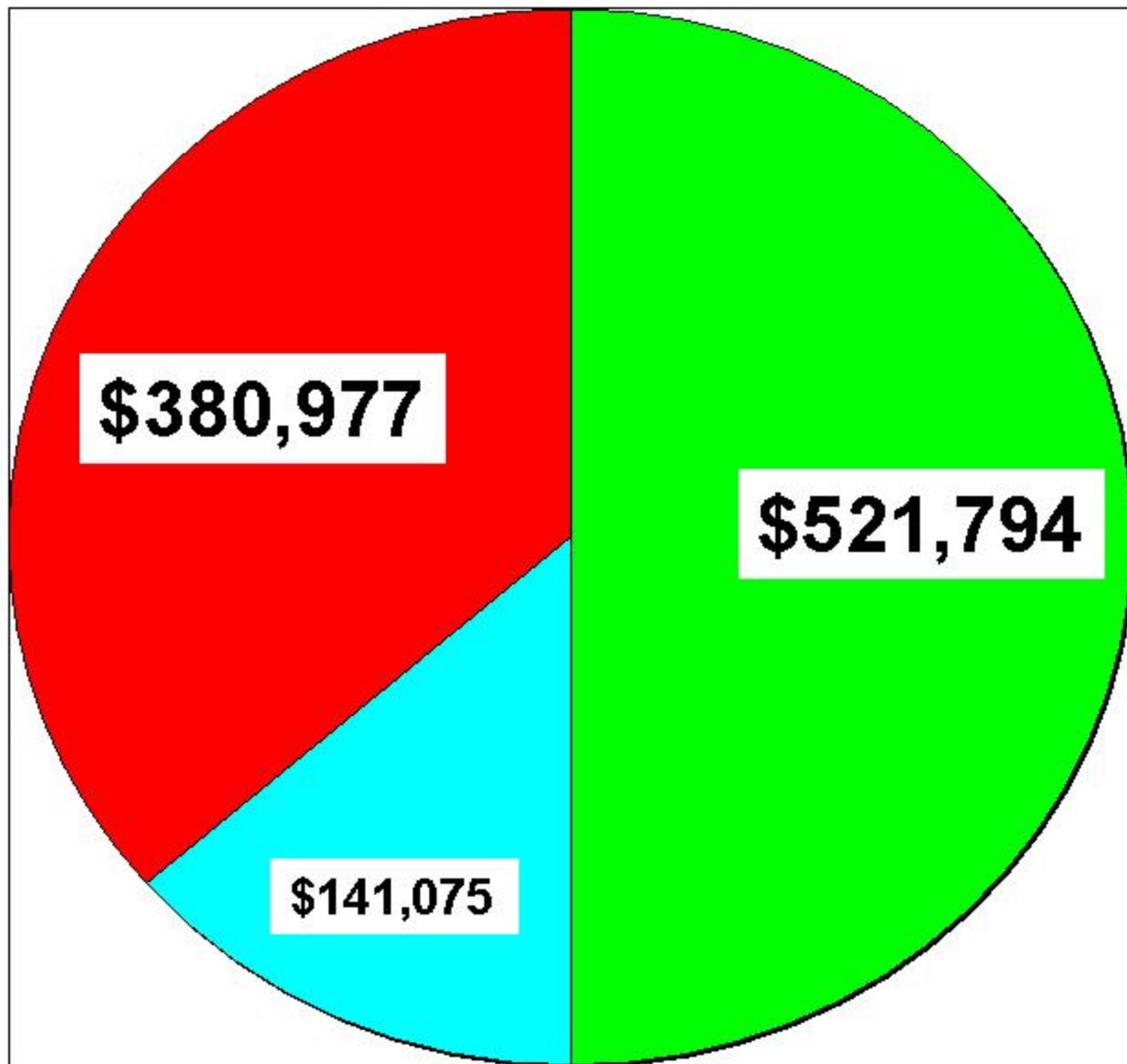
Idaho Citizen\$ are paying for the **exploitation** of Gas & Oil

Respectfully Submitted,

Joe Morton  
Emmett Idaho

# Cost to Regulate Alta Mesa / Oil & Gas Industry

2011 - 2016



**Regulatory Cost**

**Severance Tax Paid**

**Cost to IDAHO TAXPAYERS**

Current Data provided by:  
Idaho Department of Lands  
Idaho Tax Commission  
As of October 20<sup>th</sup>, 2016

Idaho Citizen\$ are paying for the *exploitation* of Gas & Oil

Fiscal Year	Tax Period	Amount	Link	Sale of O&G Based on 2.5% Severance Tax
<b>Total</b>	<b>August 1, 2013 to September 30, 2016</b>	<b>\$ 141,075.43</b>		<b>\$ 5,617,476.00</b>
2017	September 1, 2016 to September 30, 2016	0	<a href="https://tax.idaho.gov/reports/EPB00073_09-30-2016.pdf">https://tax.idaho.gov/reports/EPB00073_09-30-2016.pdf</a>	\$ -
2017	August 1, 2016 to August 31, 2016	0	<a href="https://tax.idaho.gov/reports/EPB00073_08-31-2016.pdf">https://tax.idaho.gov/reports/EPB00073_08-31-2016.pdf</a>	\$ -
2017	July 1, 2016 to July 31, 2016	66,916.66	<a href="https://tax.idaho.gov/reports/EPB00073_07-31-2016.pdf">https://tax.idaho.gov/reports/EPB00073_07-31-2016.pdf</a>	\$ 2,676,666.40
		<b>\$ 66,916.66</b>		<b>\$ 2,676,666.40</b>

2016	June 1, 2016 to June 30, 2016	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_06-30-2016.pdf">https://tax.idaho.gov/reports/EPB00073_06-30-2016.pdf</a>	\$ -
2016	May 1, 2016 to May 31, 2016	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_05-31-2016.pdf">https://tax.idaho.gov/reports/EPB00073_05-31-2016.pdf</a>	\$ -
2016	April 1, 2016 to April 30, 2016	20,924.04	<a href="https://tax.idaho.gov/reports/EPB00073_04-30-2016.pdf">https://tax.idaho.gov/reports/EPB00073_04-30-2016.pdf</a>	\$ 836,961.60
2016	March 1, 2016 to March 31, 2016	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_03-31-2016.pdf">https://tax.idaho.gov/reports/EPB00073_03-31-2016.pdf</a>	\$ -
2016	February 1, 2016 to February 29, 2016	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_02-29-2016.pdf">https://tax.idaho.gov/reports/EPB00073_02-29-2016.pdf</a>	\$ -
2016	January 1, 2016 to January 31, 2016	34,538.42	<a href="https://tax.idaho.gov/reports/EPB00073_01-31-2016.pdf">https://tax.idaho.gov/reports/EPB00073_01-31-2016.pdf</a>	\$ 1,381,536.80
2016	December 1, 2015 to December 31, 2015	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_12-31-2015.pdf">https://tax.idaho.gov/reports/EPB00073_12-31-2015.pdf</a>	\$ -
2016	November 1, 2015 to November 30, 2015	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_11-30-2015.pdf">https://tax.idaho.gov/reports/EPB00073_11-30-2015.pdf</a>	\$ -
2016	October 1, 2015 to October 31, 2015	5,919.30	<a href="https://tax.idaho.gov/reports/EPB00073_10-31-2015.pdf">https://tax.idaho.gov/reports/EPB00073_10-31-2015.pdf</a>	\$ 236,772.00
2016	September 1, 2015 to September 30, 2015	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_09-30-2015.pdf">https://tax.idaho.gov/reports/EPB00073_09-30-2015.pdf</a>	\$ -
2016	August 1, 2015 to August 31, 2015	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_08-31-2015.pdf">https://tax.idaho.gov/reports/EPB00073_08-31-2015.pdf</a>	\$ -
2016	July 1, 2015 to July 31, 2015	9,177.25	<a href="https://tax.idaho.gov/reports/EPB00073_07-31-2015.pdf">https://tax.idaho.gov/reports/EPB00073_07-31-2015.pdf</a>	\$ 367,090.00
		<b>\$ 70,559.01</b>		<b>\$ 2,822,360.40</b>

2015	June 1, 2015 to June 30, 2015	0.00	<a href="https://tax.idaho.gov/reports/EPB00073_06-30-2015.pdf">https://tax.idaho.gov/reports/EPB00073_06-30-2015.pdf</a>	\$ -
2015	May 1, 2015 to May 31, 2015	258.97	<a href="https://tax.idaho.gov/reports/EPB00073_05-31-2015.pdf">https://tax.idaho.gov/reports/EPB00073_05-31-2015.pdf</a>	\$ 10,358.80
2015	April 1, 2015 to April 30, 2015	0	<a href="https://tax.idaho.gov/reports/EPB00073_04-30-2015.pdf">https://tax.idaho.gov/reports/EPB00073_04-30-2015.pdf</a>	\$ -
2015	March 1, 2015 to March 31, 2015	0	<a href="https://tax.idaho.gov/reports/EPB00073_03-31-2015.pdf">https://tax.idaho.gov/reports/EPB00073_03-31-2015.pdf</a>	\$ -
2015	February 1, 2015 to February 28, 2015	0	<a href="https://tax.idaho.gov/reports/EPB00073_02-28-2015.pdf">https://tax.idaho.gov/reports/EPB00073_02-28-2015.pdf</a>	\$ -
2015	January 1, 2015 to January 31, 2015	1,157.00	<a href="https://tax.idaho.gov/reports/EPB00073_01-31-2015.pdf">https://tax.idaho.gov/reports/EPB00073_01-31-2015.pdf</a>	\$ 46,280.00
2015	December 1, 2014 to December 31, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_12-31-2014.pdf">https://tax.idaho.gov/reports/EPB00073_12-31-2014.pdf</a>	\$ -
2015	November 1, 2014 to November 30, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_11-30-2014.pdf">https://tax.idaho.gov/reports/EPB00073_11-30-2014.pdf</a>	\$ -
2015	October 1, 2014 to October 31, 2014	651.6	<a href="https://tax.idaho.gov/reports/EPB00073_10-31-2014.pdf">https://tax.idaho.gov/reports/EPB00073_10-31-2014.pdf</a>	\$ 26,064.00
2015	September 1, 2014 to September 30, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_09-30-2014.pdf">https://tax.idaho.gov/reports/EPB00073_09-30-2014.pdf</a>	\$ -
2015	August 1, 2014 to August 31, 2014	507	<a href="https://tax.idaho.gov/reports/EPB00073_08-31-2014.pdf">https://tax.idaho.gov/reports/EPB00073_08-31-2014.pdf</a>	\$ 20,280.00
2015	July 1, 2014 to July 31, 2014	386.66	<a href="https://tax.idaho.gov/reports/EPB00073_07-31-2014.pdf">https://tax.idaho.gov/reports/EPB00073_07-31-2014.pdf</a>	\$ 15,466.40
		<b>\$ 2,961.23</b>		<b>\$ 118,449.20</b>

2014	June 1, 2014 to June 30, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_06-30-2014.pdf">https://tax.idaho.gov/reports/EPB00073_06-30-2014.pdf</a>	\$ -
2014	May 1, 2014 to May 31, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_05-31-2014.pdf">https://tax.idaho.gov/reports/EPB00073_05-31-2014.pdf</a>	\$ -
2014	April 1, 2014 to April 30, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_04-30-2014.pdf">https://tax.idaho.gov/reports/EPB00073_04-30-2014.pdf</a>	\$ -
2014	March 1, 2014 to March 31, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_03-31-2014.pdf">https://tax.idaho.gov/reports/EPB00073_03-31-2014.pdf</a>	\$ -
2014	February 1, 2014 to February 28, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_02-28-2014.pdf">https://tax.idaho.gov/reports/EPB00073_02-28-2014.pdf</a>	\$ -
2014	January 1, 2014 to January 31, 2014	0	<a href="https://tax.idaho.gov/reports/EPB00073_01-31-2014.pdf">https://tax.idaho.gov/reports/EPB00073_01-31-2014.pdf</a>	\$ -
2014	December 1, 2013 to December 31, 2013	0	<a href="https://tax.idaho.gov/reports/EPB00073_12-31-2013.pdf">https://tax.idaho.gov/reports/EPB00073_12-31-2013.pdf</a>	\$ -

2014	November 1, 2013 to November 30, 2013	0	<a href="https://tax.idaho.gov/reports/EPB00073_11-30-2013.pdf">https://tax.idaho.gov/reports/EPB00073_11-30-2013.pdf</a>	\$	-
2014	October 1, 2013 to October 31, 2013	131.53	<a href="https://tax.idaho.gov/reports/EPB00073_10-31-2013.pdf">https://tax.idaho.gov/reports/EPB00073_10-31-2013.pdf</a>	\$	5,261.20
2014	September 1, 2013 to September 30, 2013	0	<a href="https://tax.idaho.gov/reports/EPB00073_09-30-2013.pdf">https://tax.idaho.gov/reports/EPB00073_09-30-2013.pdf</a>	\$	-
2014	August 1, 2013 to August 31, 2013	507	<a href="https://tax.idaho.gov/reports/EPB00073_08-31-2013.pdf">https://tax.idaho.gov/reports/EPB00073_08-31-2013.pdf</a>	\$	20,280.00
		<b>\$ 638.53</b>		<b>\$</b>	<b>25,541.20</b>

**OIL & GAS - Regulatory Program**  
**General Fund (GF) and Dedicated Fund (DED)**  
**Expenditures FY2011 - FY2016**

Run Date: 10/07/2016

The Regulatory Program is responsible for activities such as: (1) Inspection of well sites & processing facilities, (2) Reviewing and approving applications, and (3) Integration hearings, etc.

FUND	FISCAL YEAR	EXPENDITURE OBJECT	GL AMOUNT
DED	2011	OPERATING EXPENSES	\$ 9,525
<b>FY2011 TOTAL:</b>			<b>\$ 9,525</b>
DED	2012	OPERATING EXPENSES	\$ 1,532
<b>FY2012 TOTAL:</b>			<b>\$ 1,532</b>
GF	2013	CAPITAL OUTLAY	\$ 2,048
DED	2013	OPERATING EXPENSES	\$ 1,230
GF	2013	OPERATING EXPENSES	\$ 23,527
GF	2013	PERSONNEL COSTS	\$ 4,375
<b>FY2013 TOTAL:</b>			<b>\$ 31,180</b>
GF	2014	OPERATING EXPENSES	\$ 64,445
GF	2014	PERSONNEL COSTS	\$ 1,633
<b>FY2014 TOTAL:</b>			<b>\$ 66,078</b>
GF	2015	CAPITAL OUTLAY	\$ 24,489
DED	2015	OPERATING EXPENSES	\$ 722
GF	2015	OPERATING EXPENSES	\$ 62,986
GF	2015	PERSONNEL COSTS	\$ 99,129
<b>FY2015 TOTAL:</b>			<b>\$ 187,327</b>
GF	2016	OPERATING EXPENSES	\$ 93,262
GF	2016	PERSONNEL COSTS	\$ 132,890
<b>FY2016 TOTAL:</b>			<b>\$ 226,152</b>
<b>FY2011 - FY2016 TOTAL:</b>			<b>\$ 521,794</b>

*DED = Dedicated Fund*  
*GF = General Fund*