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July 3, 2019

AM Idaho, LLC
c/o Michael Christian via email
101 S. Capitol Blvd, Suite 930
Boise, ID 83702

SUBJECT: Integration and Spacing Docket CC-2019-OGR-01-002

Dear Mr. Christian,

This letter serves as acknowledgement that the Idaho Department of Lands (IDL) Oil & Gas Division received the above referenced integration and spacing application on June 24, 2019. As described in Idaho Code § 47-328(3)(a), "The department shall notify the applicant within five (5) business days of receipt of an application if additional information is required for the department to evaluate the application." After reviewing the application, IDL is requesting the following additional items which might help to clarify certain parts of the application as submitted.

1. Application Part A, Section 1. Size, Shape and Location of Unit. The application refers to a plat depicting the proposed unit configuration in Exhibit A, but the plat on page ten has no designation nor title block. Please provide a revised plat labeled as Exhibit A and a map key indicating the tracts to be integrated in blue, and that all white tracts are under lease, if they currently are under lease. Please also indicate the surface location, bottom hole location, Sand B penetration point, and approximate well path of the Fallon #1-10 well on the lease plat.
2. Application Part B, Section 4- States that the Declaration of Wade Moore contains the statement that the drill site is leased, as required by Idaho Code § 47-320(4)(d). However, that affirmative statement does not appear to be in Mr. Moore's Declaration.
3. Application Part B, Section 5- The fifth sentence, paragraph 2 refers to the "Fallow 1-10 well..." If this is intended to be the Fallon 1-10, please clarify.
4. Application Part B, Section 7- The Applicant refers to "the net mineral acres owned for each owner by tract." Net Mineral Acres is used as a term elsewhere in the application. Please provide a definition of the term "net mineral acres."
5. Application Part B, Section 11. Proposed Terms of Integration, 11(b) – "Nonconsenting working interest owners are entitled to their respective share of the production of the well, not to exceed one-eighth (1/8) royalty, until the operator of the integrated spacing unit has recovered up to three hundred percent (300%) of the nonconsenting working interest owner's share of the cost of drilling and operating..."

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The 1/8 royalty to a working interest owner is not addressed in Idaho Code § 47-320(3)(b). Is this royalty amount proposed in addition to a working interest owner's proportionate share of the production after the 300% penalty? Please explain.

6. Application Part B, Section 11. Proposed Terms of Integration, 11(c) – “The owner shall receive one-eighth (1/8) royalty.” Idaho Code § 47-320(3)(c) states “The owner shall receive no less than one-eighth (1/8) royalty.” Section 11(c) also states that the operator “shall pay a leasing owner the same bonus payment per acre as the operator originally paid to other owners in the spacing unit prior to the issuance of the integration order.” Idaho Code § 47-320(3)(c) states that the operator “shall pay a leasing owner the highest bonus payment per acre that the operator paid to another owner in the spacing unit prior to the filing of the integration application.” Are these terms being proposed by the Applicant? Please explain.
7. Application Part B, Section 11. Proposed Terms of Integration, 11(d)- The operator “shall pay a leasing owner the same bonus payment per acre as the operator originally paid to other owners in the spacing unit prior to the issuance of the integration order.” Idaho Code § 47-320(3)(d) states that the operator “shall pay a leasing owner the highest bonus payment per acre that the operator paid to another owner in the spacing unit prior to the filing of the integration application.” Are these terms being proposed by the Applicant?
8. Geologic Statement, Declaration of David M. Smith, Parts 7 & 8 – Mr. Smith discusses the “...significant variability of the presence, thickness, porosity and permeability of sands in the target section.” Two wells, the Bridge Energy May #1-13 and the Ore-Ida Foods #1 Ore-Ida are compared to the target section for the Fallon #1-10. Please provide a stratigraphic cross-section for the equivalent interval shown in Exhibit 3 of the application, including the #1 Ore-Ida (USWN 36-045-90001), the Fallon #1-10, the Barlow #1-14 (USWN 11-075-20033) and the May #1-13 (USWN 11-075-20017) demonstrating the stratigraphic variability in the target interval indicated in the Fallon #1-10 from 3650' to 3950' measured depth (MD). Log scale should be from detail logs displayed at an interval of 5 inches equals one hundred feet (five-inch logs).
9. Geologic Statement, Declaration of David M. Smith, Part 12- “In March of 2018, we perforated the primary objective sand from 3815'-3835' MD, and tested the well at 3.8 MMcfgd, 119 Bcpd and 6 Bwpd with 1290# ftp on a 28/64" choke.” A Well Completion Report submitted to the Department April 16, 2018 with a Date of Test indicated as 3/11/2018 confirms this test information. A revised Well Completion Report submitted to the Department June 29, 2018 indicates that, for the same perforated interval and test date of 3/11/2018, the well tested 3.3 MMcfgd, 41 Bcpd and 0 Bwpd with 1290# ftp on a 28/64" choke. Please verify the correct initial production test information for the Fallon #1-10 well.
10. Application Exhibit 4a- The Net Pay Isopach and cross section labels are not consistent with the Geologic Statement nor with each other. The map does not have a

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scale or north arrow. The contour interval of the map is not indicated. The red horizontal line on the map labeled as "Arb Line D" is labeled as "West-East Arb Line" and referenced as "seismic cross sections" in the Geologic Statement. The "West-East Arb Line" is in 2-way seismic travel time while all references in the Geologic Statement are in depth. There are additional stratigraphic horizons on the Arb Line that are not labeled. Provide consistency between all displays and the Geologic Statement, with all references in depth.

11. Application Exhibit 4b- The Net Pay Isopach and cross section labels are not consistent with the Geologic Statement nor with each other. The map does not have a scale or north arrow. The contour interval of the map is not indicated. The red horizontal line on the map labeled as "Arb Line A" is labeled as "Southwest to Northeast Arb Line" and referenced as "seismic cross sections" in the Geologic Statement. The "Southwest to Northeast Arb Line" is in 2-way seismic travel time while all references in the Geologic Statement are in depth. The Arb Line display does not depict the unit boundaries as depicted on the Net Pay Isopach map. There are additional stratigraphic horizons on the Arb Line that are not labeled. Provide consistency between all displays and the Geologic Statement, with all references in depth.
12. Exhibit F, the Resume of Efforts, in support of Mr. Moore's Declaration does not demonstrate that the operator has negotiated diligently on at least two tracts (#4 and #6) regarding this application for a period of at least 120 days prior to filing this application for an integration order, as is required by I.C. 47-320(6)(b). The Resume of Efforts does not demonstrate that the operator has contacted the mineral interest owner on at least two tracts (#4 and #6) on two separate occasions within a period of time no less than sixty (60) days, as is required by I.C. 47-320(4)(j). If supplemental efforts have occurred, please identify those or provide additional information in support of the Resume of Efforts. Additionally, please affirmatively confirm that all efforts with dates prior to 2019 are related to the present application.

Per Idaho Code § 47-320 (4), an application requesting integration must contain certain information. IDL has not made a determination regarding the completeness of the application as it pertains to the necessary information as provided in statute. The above request for information is only to clarify certain aspects of the information submitted in the application.

If you have any questions, you can reach me at (208) 334-0243 or jathum@idl.idaho.gov. Thank you for your assistance.

July 3, 2019

Michael Christian, Smith + Malek representing AM Idaho, LLC

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Sincerely,

A handwritten signature in cursive script that reads "James Thum".

James Thum
Oil & Gas Program Manager
Oil & Gas Division – Idaho Department of Lands

Ecc: Wade Moore III, AM Idaho, LLC