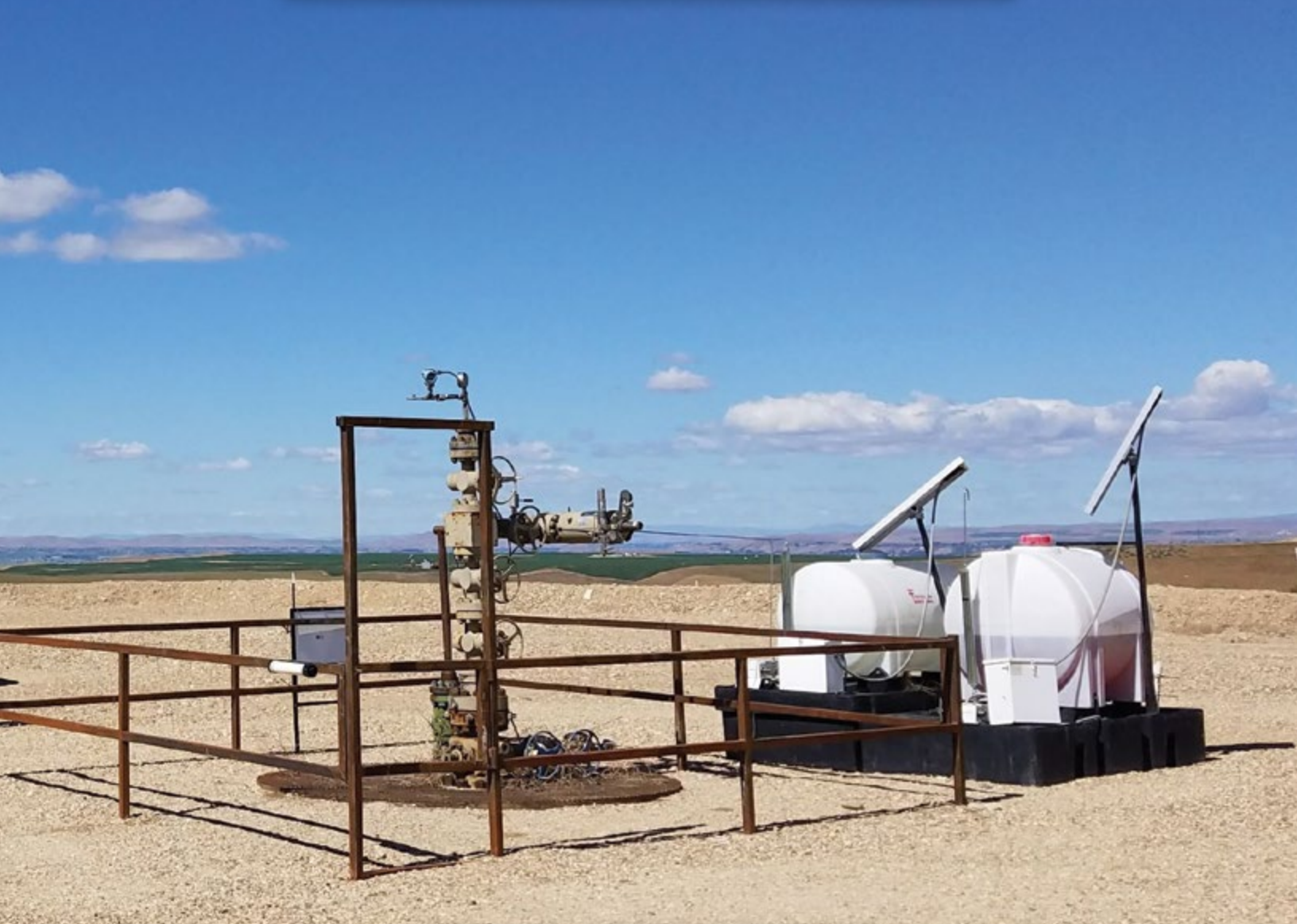


IDAHO OIL & GAS
CONSERVATION COMMISSION
Est. 1963



2018 ANNUAL REPORT



Highway 30 processing facility located in Payette County.

Welcome

The Idaho Department of Lands (IDL) Oil and Gas Division and the Oil and Gas Conservation Commission (OGCC) took clear and measurable steps in Fiscal Year 2018 to increase the extent of information available to the public and improve transparency in regulation.

We finalized the implementation of Data Explorer, our interactive, online data portal where the public and industry can access well information for all operating oil and gas wells in the state. Site visitors can now find well test reports, produced volumes, well logs and other documents pertaining to the well in one location online. The availability of the data meets requirements laid out in state statute with the passage of House Bill 301 as amended in 2017.

The IDL brought on a full-time field inspector in March 2018. The introduction of the new position enables us to be proactive in regulating the operational development of the oil and gas industry in Idaho. Other states sometimes struggle with aging infrastructure and operations compliance issues in general. The addition of an inspector, combined with a relatively new field, will go a long way to ensure Idaho continues to maintain high standards for water, soil and air quality in areas where oil and gas operations are taking place.

The OGCC took steps toward more accurate reporting of historical oil and gas production volumes. In spring 2018, the state's largest operator provided historical testing and produced volumes over the life of the field. The data provided the public a better understanding of gross volumes since 2014, and explained how reported volumes had changed to meet the different reporting requirements over that time span.

We are proud of our progress, and we will continue to stay focused on finding ways to improve Idaho's oil and gas regulatory program consistent with the duties entrusted to us in Idaho law.



A handwritten signature in cursive script that reads "Mick Thomas".

Mick Thomas

Oil & Gas Division Administrator

The Kauffman #1-9 well located in 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

OIL & GAS SECRETARY

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 eight 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 (OGCC).

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 restructured 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 passage of Senate Bill 1049 in 2013 resulted in a citizen commission appointed by the Governor consisting of five members with different backgrounds including knowledge in oil and gas, geology, water, a mineral rights owner and non-mineral rights owner.

House Bill 301 as amended in 2017 established a new Oil and Gas Conservation Commission to include the Idaho Department of Lands director, one county commissioner, and three Governor-appointed technical experts.

The OGCC regulates the exploration, drilling and production of oil and gas in Idaho to ensure the conservation of the resource, prevent waste, and protect surface and ground water resources. The OGCC also is charged with protecting correlative rights, which is the opportunity of each owner in a pool to produce their just and equitable share of oil and gas in a pool without waste.

The Idaho Department of Lands Oil and Gas Division Administrator serves as the Commission Secretary.

OIL & GAS CONSERVATION COMMISSION



CHAIRMAN
KEVIN DICKEY
PETROLEUM ENGINEER



VICE CHAIRMAN
MARC SHIGETA
PAYETTE COUNTY COMMISSIONER



DUSTIN MILLER
IDAHO DEPARTMENT
OF LANDS DIRECTOR



DR. RENEE LOVE
GEOLOGIST



JAMES CLASSEN
GEOLOGIST

Production

Oil and gas production reports can be found at ogcc.idaho.gov

Data is broken down by well, in some cases upper and lower completions within the same well.

FY2018					
WELL NAME	GAS MCF	CONDENSATE BBL	NGL'S BBL	OIL BBL	H2O BBL
Fallon #1-10	3300	42	0	0	163
Barlow #1-14	0	39	0	0	72
DJS Prop. #1-15	62,793	1,579	0	0	123
Kauffman #1-9 UT	141,485	16,992	0	0	73
Kauffman #1-9 LT	12,427	0	0	17,842	169
Kauffman #1-34	17,006	525	0	0	2,640
ML Investments #1-11 UT	633,546	11,129	0	0	2,072
ML Investments #1-11 LT	272,543	5,795	0	0	1,415
ML Investments #1-3	496,982	7,863	0	0	32,079
ML Investments #2-3	92,344	2,409	0	0	72
ML Investments #2-10	693,659	14,325	0	0	13,910
ML Investments #3-10	308,077	10,125	0	0	845
Hwy 30 Plant	0	0	66,663	0	0
TOTAL FY2018	2,730,862	70,742	66,663	17,842	53,398
TOTAL FY2017	4,610,549	137,808	106,768	13,811	93,732
Percent Change	69% (decrease)	95% (decrease)	60% (decrease)	29% (increase)	76% (decrease)

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.

NOTE: With the passage of HB 301aa in 2017, natural gas liquids were no longer allocated back the individual well.

Injection Wells

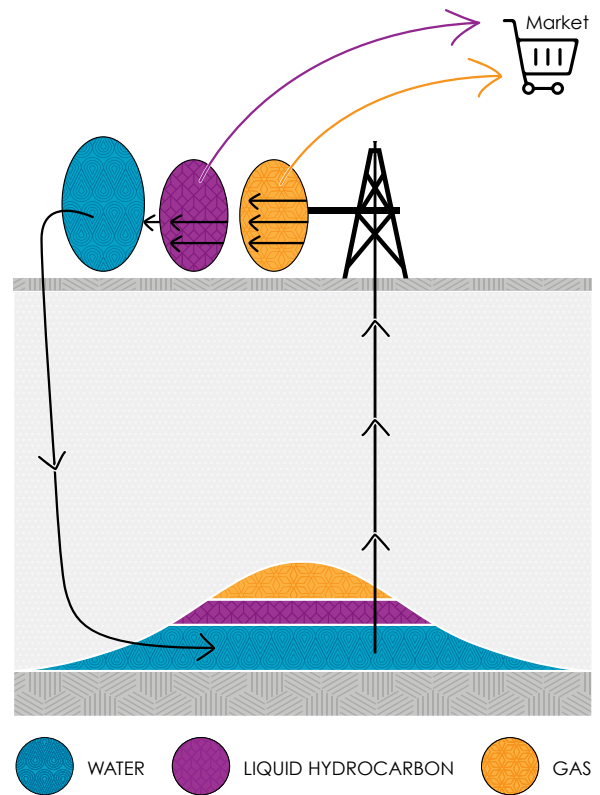
In the vast majority of oil and gas fields, there is water contained in the same formation as the targeted oil and gas reserves. This water is part of the original environment and over time has been repeatedly covered, pressed down and sealed deep under the surface as part of the oil and gas fields we have today.

When drawing oil and gas to the surface, this formation water comes up in the process. In Idaho, this water is predominantly fresh water, and is currently disposed of through surface evaporation. The cost of this surface evaporation is several dollars per barrel, and adds considerable expense to the cost of operation. In all other oil and gas producing states, this formation water is injected back into the ground from where it came at a cost of approximately one-tenth the cost that operators in Idaho pay.

In Idaho, current oil and gas resources are found in loosely consolidated sandstone formations and the hydrocarbons flow with relative ease to the well bore. The amount of water injected back into the ground would be equal to the amount of naturally occurring formation water that comes out of the well. The injection process can help maintain formation pressure, which conserves the resource and may extend the life of the field.

In order to help make Idaho oil and gas competitive with neighboring states, the Idaho Department of Water Resources asked the U.S. Environmental Protection Agency to assume primacy over Idaho's Class II injection well program. Transferring primacy

provided a turnkey solution to the state, while eliminating the cost incurred with administrating a Class II injection program. The transfer was finalized in July of 2018, and the operator has submitted a Class II injection application for an injection well in western Idaho.



IDAHO INJECTION WELLS MODEL: WATER, LIQUID HYDROCARBON AND GAS ARE HARVESTED FROM THE SAME RESERVOIR. LIQUID HYDROCARBON AND GAS ARE MARKETED. WATER RETURNS TO RESERVOIR.

Oil & Gas Activity

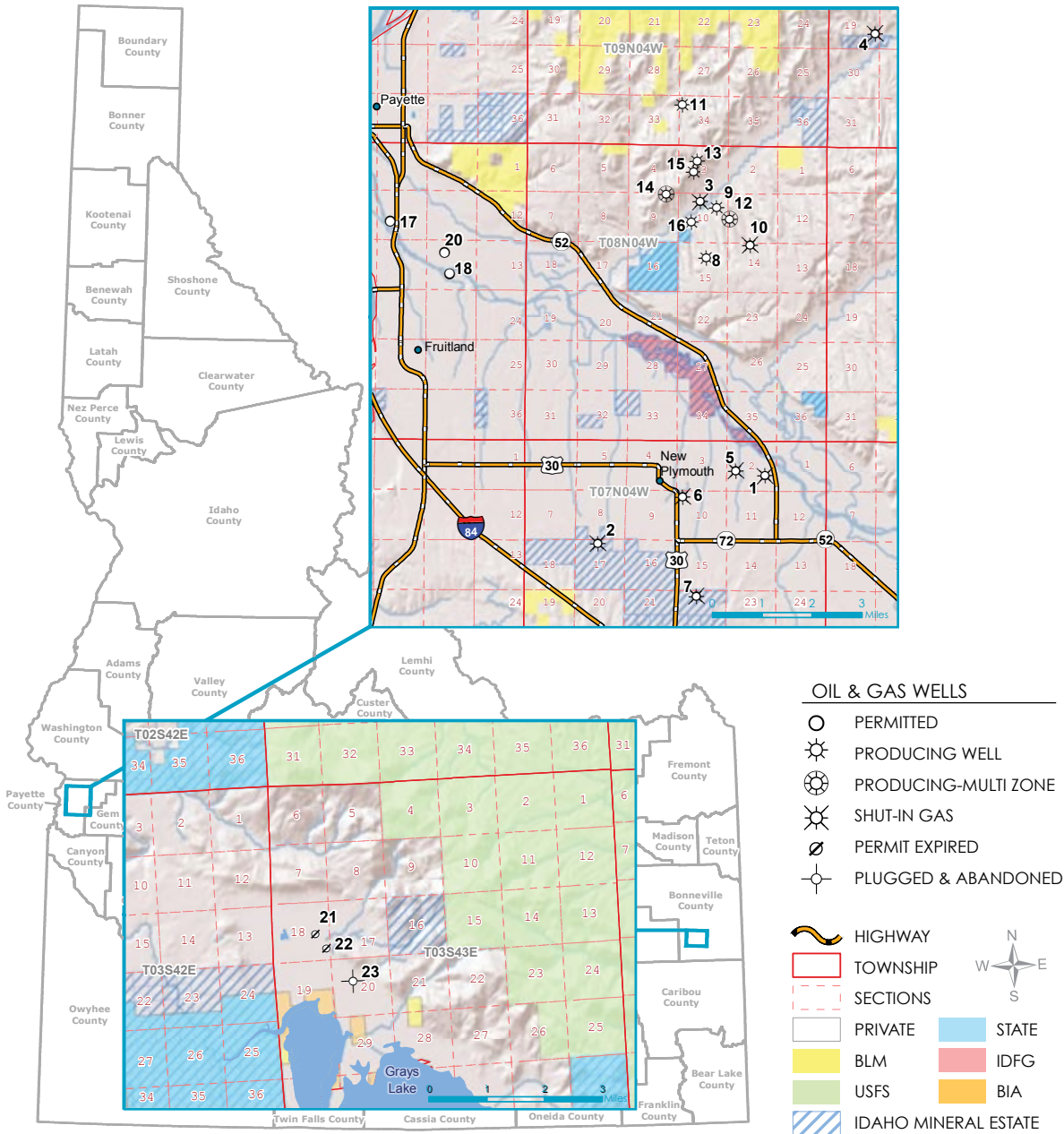
DRILLED OR PERMITTED | JULY 1, 2017 – JUNE 30, 2018

NO.	US WELL NUMBER	COUNTY	OPERATOR	WELL NAME & NUMBER	STATUS as of June 30, 2018
1	11-075-20004	Payette	AM Idaho, LLC	Espino #1-2	Shut in
2	11-075-20005	Payette	AM Idaho, LLC	State #1-17	Shut in
3	11-075-20007	Payette	AM Idaho, LLC	ML Investments #1-10	Shut in
4	11-075-20009	Payette	AM Idaho, LLC	Island Capitol #1-19	Shut in
5	11-075-20011	Payette	AM Idaho, LLC	Tracy Trust #3-2	Shut in
6	11-075-20013	Payette	AM Idaho, LLC	White #1-10	Shut in
7	11-075-20014	Payette	AM Idaho, LLC	Korn #1-22	Shut in
8	11-075-20020	Payette	AM Idaho, LLC	DJS Properties #1-15	Producing
9	11-075-20022	Payette	AM Idaho, LLC	ML Investments #2-10	Producing
10	11-075-20023	Payette	AM Idaho, LLC	DJS Properties #2-14	Shut in
11	11-075-20024	Payette	AM Idaho, LLC	Kauffman #1-34	Producing
12	11-075-20025	Payette	AM Idaho, LLC	ML Investments #1-11	Producing
13	11-075-20026	Payette	AM Idaho, LLC	ML Investments #1-3	Producing
14	11-075-20027	Payette	AM Idaho, LLC	Kauffman #1-9	Producing
15	11-075-20029	Payette	AM Idaho, LLC	ML Investments #2-3	Producing
16	11-075-20031	Payette	AM Idaho, LLC	ML Investments #3-10	Producing
17	11-075-20032	Payette	AM Idaho, LLC	Fallon #1-10	Completed
18	11-075-20033	Payette	AM Idaho, LLC	Barlow #1-14	Completed
19		Payette	AM Idaho, LLC	Barlow #2-14	Permit withdrawn
20	11-075-20035	Payette	AM Idaho, LLC	Fallon #1-11	Permit approved
21	11-019-20012	Bonneville	CPC Mineral, LLC	Udy #18-1	Permit Expired - Never Drilled
22	11-019-20013	Bonneville	CPC Mineral, LLC	Federal #18-2	Permit Expired - Never Drilled
23	11-019-20014	Bonneville	CPC Mineral, LLC	Federal #20-3	Plugged & Abandoned

Shut In = 6 months no production | Well permits can be found at ogcc.idaho.gov

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

Oil & Gas Wells SNAPSHOT



8 PRODUCING

2 PRODUCING IN 2 SEPARATE ZONES



8 SHUT IN GAS

2 DRILLED - COMPLETED

1 PERMITTED - WITHDRAWN



1 PERMITTED - APPROVED



2 EXPIRED PERMIT - NEVER DRILLED



1 PLUGGED & ABANDONED

Severance Tax

Severance tax is collected on all oil and gas produced as referenced in Idaho Statute 47-330. The tax is collected by the Idaho State Tax Commission and is distributed between the Oil and Gas Conservation Commission (60%), the county from which the oil and gas was produced (17.6%), cities within the county from which the oil and gas was produced (11.2%), and the Public School Income Fund (11.2%).

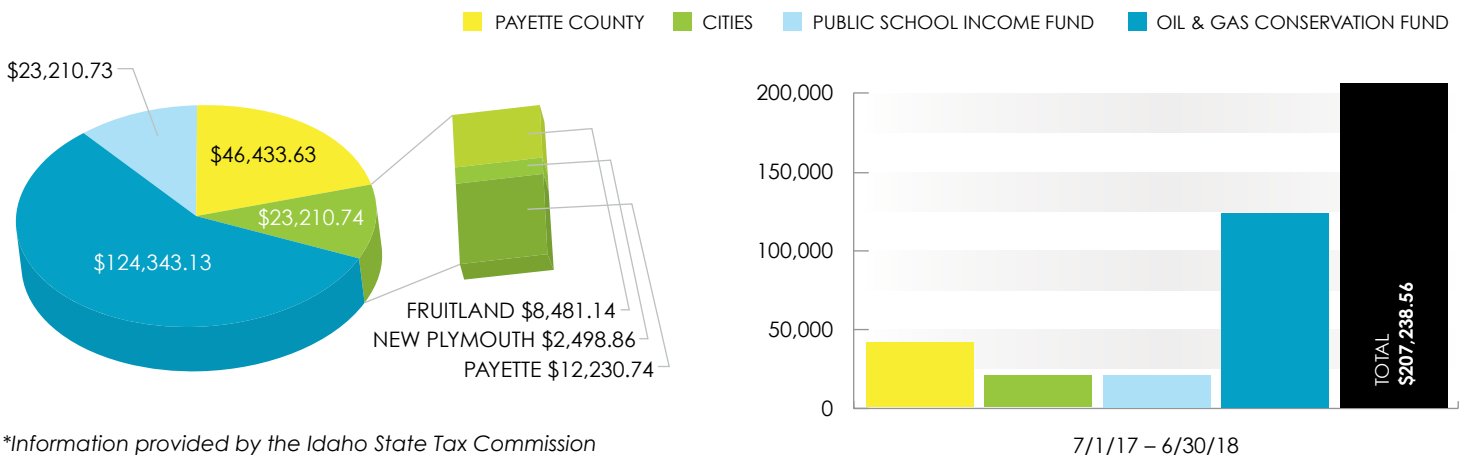
DISTRIBUTION OF OIL & GAS TAX REVENUE

RECIPIENT	PORTION	FY2014	FY2015	FY2016	FY2017	FY2018	TO DATE
Oil & Gas Conservation Fund	60%	383.12	1,472.54	42,335.42	235,283.51	124,343.13	403,817.72
Local Economic Dev. Acct.*	6.4% / 0%	40.87	157.07	4,515.78	25,096.90	-\$9,959.67	19,850.95
County*	11.2% / 17.6%	71.51	274.87	7,902.61	43,919.59	46,433.63	98,602.21
Cities in County	11.2%	71.52	274.88	7,902.60	43,919.59	23,210.74	75,379.33
Public School Income Fund	11.2%	71.51	274.87	7,902.60	43,919.59	23,210.73	75,379.30
TOTAL	100%	\$638.53	\$2,454.23	\$70,559.01	\$392,139.18	\$207,238.56	\$673,029.51

* With the passage of HB301aa in 2017, The Local Economic Development Account (LEDA) was added to the county distribution. HB301aa added the 6.4% from the LEDA to the county portion, resulting in a revised county portion of 17.6%. In September of 2017 (FY2018) the last quarter's payment for \$9,959.67 was transferred to Payette County.

SEVERANCE TAX FY2018

7/1/2017 TO 6/30/2018 TOTAL: **\$207,238.56**



*Information provided by the Idaho State Tax Commission

7/1/17 – 6/30/18

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.

TO DATE OIL AND
GAS PRODUCING
COUNTIES & CITIES
RECEIVED
\$174,000

OIL AND GAS REGULATORY PROGRAM JULY 1, 2017 - JUNE 30, 2018 Revenue and Expenditures by Fund Type

	REVENUE	EXPENDITURES
GENERAL FUND*		513,905.24
Oil & Gas Conservation Fund		
Permits and Fees	17,840.00	49,762.14
Severance Tax**	124,343.13	
TOTAL	\$142,183.13	\$563,667.38

TO DATE THE
PUBLIC SCHOOL
INCOME FUND
RECEIVED
\$75,000

*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

Cover Photo: The ML Investments #1-3 well located in Payette County.



IDAHO OIL & GAS CONSERVATION COMMISSION

300 North 6th Street, Suite 103, Boise, Idaho 83702

P.O. Box 83720, Boise, Idaho 83720-0050

ogcc.idaho.gov