From:	Sharla Arledge on behalf of Comments
To:	Kourtney Romine; Mick Thomas
Subject:	FW: Comment on Title 47 Chapter 3 Proposed Changes
Date:	Wednesday, January 12, 2022 04:45:36 PM
Attachments:	20220112.SROG Comment on Draft Legislation.pdf

From: Michael Christian <mike@smithmalek.com>
Sent: Wednesday, January 12, 2022 4:42 PM
To: Comments <comments@idl.idaho.gov>
Subject: Comment on Title 47 Chapter 3 Proposed Changes

Please see attached letter.

Thank you.

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January 12, 2022

Via email: comments@idl.idaho.gov

Mick Thomas, Administrator
Minerals, Public Trust and Oil and Gas Division
Idaho Department of Lands
300 N. 6th St, Suite 103
Boise, Idaho 83702

Re: Draft Legislative Revisions

Dear Administrator:

Thank you for the opportunity to provide comment regarding the Department's second draft of proposed revisions to the Act. I appreciate the Department's continued work to improve the Act. On behalf of Snake River Oil and Gas, LLC ("Snake River"), I offer the following comments:

1. In the definition of "arms-length" in §47-310(38), delete "as well as when the contract was executed" from the end of subsection (c), as it excludes a contract that *is* arms-length at the time of production (not between affiliates) if the contract was originally executed between affiliates. At a minimum, the operator should be have the opportunity to prove that the contract terms in this situation (or in any contract between affiliates) are reasonable, i.e., within the range that would be acceptable as between ready, willing and able unaffiliated parties.

2. I reiterate the suggestion that the last sentence of §47-310(11) is inappropriate and should be deleted. The only other place in the Act where the term "market value" is used is §47-332, dealing with reporting. Actual market value may include the deductions described in the last sentence of §47-332, and its inclusion will only create confusion between lessors and lessees whose lease terms are different. The Department's summary of comments indicates that the Department recommends this text remain but does not explain the basis for its recommendation.

3. Snake River supports the combination of §§ 47-317 and 318 to eliminate confusion and redundancy, as was discussed at some length at the last Commission meeting. I refer you to the proposed redline submitted with my letter commenting on the Department's first draft of revisions for suggested language. The Act should not create the risk that an operator will integrate a spacing unit, invest millions of dollars drilling and completing a well, and then be ordered to change the configuration of the spacing unit to include an area where the percentage of mineral acres leased is then below the threshold for integration, thereby stranding the operator's investment in the well. If a well is in a legal location within a statutorily defined spacing unit (whether by default definition or by virtue of fieldwide spacing set by the Commission), the operator should not be automatically required to return to the Commission for additional hearings.

4. §47-316(i) still needs to be amended to cover an application to *establish* a spacing unit (if, for example, one wishes to establish a spacing unit with a non-standard configuration).

5. Snake River agrees with Commissioner Hinchcliff's comment at the last meeting, that a legal location for an oil well should be defined in terms of setback from the unit boundary, as is the case for gas wells.

6. Several of the changes included in Snake River's proposed redline of the Act included with my last letter were not addressed in the Department's summary of comments or otherwise addressed in the Department's second round of revisions. I would appreciate the opportunity to discuss those proposals with the Department.

Thank you for your consideration.

Very truly yours,

MICHAEL R. CHRISTIAN
ATTORNEY AT LAW

cc: Richard Brown, Snake River Oil and Gas, LLC