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Idaho Oil and Gas Conservation Commission
c/o Mick Thomas, Division Administrator, Minerals, Navigable Waters, Oil & Gas
Idaho Department of Lands
300 N. 6th St., Suite 103
Boise, ID 83702

Dear Administrator Thomas:

Pursuant to Idaho Code § 47-328(4), Snake River Oil and Gas, LLC (“Snake River”) hereby appeals to the Idaho Oil and Gas Conservation Commission the determination in the Department’s letter dated August 2, 2023 denying Snake River’s request to return the Kauffman #1-9 well to active status. This appeal is based on the following:

1. A permit to drill was issued by the Department for the Kauffman #1-9 well on June 24, 2014. The well was spudded on July 31, 2014. An amended permit to allow a multiple-zone completion was issued by the Department on September 19, 2014. Completion reports were filed for the upper and lower zones between February and November 2016. The well was productive for both oil and gas. The well permits and completion reports are available in the Department’s online well file, at <https://ogcc.idaho.gov/well-files/uswn-11-075-20027-kauffman-1-9/>.

2. The Kauffman #1-9 well targeted two sands: An upper sand (“Sand 1”) that produced primarily gas, and a lower sand (“Sand 2”) that produced gas from its upper zone and oil from its lower zone. Production occurred through two tubing strings, initially designated the UT and the LT. Sand 1 was eventually depleted of gas. Oil eventually rose from the lower zone of Sand 2 and began being produced from its upper zone. Production of oil from the well eventually became uneconomical because of a combination of loss of well pressure, the increased volume of produced water in relation to the volume of oil produced, and the high cost to dispose of produced water.

3. Snake River shut the well in, paid shut in royalties, and pursued more economical water disposal options. Those efforts are ongoing. As the Commission is likely aware, while the State of Idaho had been delegated primacy by EPA for administration of an Underground Injection Control (“UIC”) program, Idaho did not have approved rules for the permitting and

operation of Class II injection wells. The Department engaged in an extensive effort with EPA to return primacy over Class II injection wells to EPA, and Snake River's predecessor operator eventually filed an application with EPA to permit a Class II injection well by converting a depleted gas well, the DJS Properties #2-14 well, to use as an injection disposal well. Snake River eventually acquired the interest of the predecessor operator in the wells and facilities in the area, and it was substituted as the applicant for the Class II permit. The processing of that permit application was lengthy. A final permit for a Class II injection disposal well was issued by EPA on November 3, 2022, and it became effective December 19, 2022, four days after the Department declared the Kauffman #1-9 well to be inactive. The permit includes substantial requirements to be completed before the injection well can be commissioned and accept produced water for reinjection. Snake River is continuing to work on completing those requirements and reducing their expense, as well as continuing to explore other interim options for produced water disposal, such as permitting and construction of evaporative ponds.

4. By letter to Snake River dated December 15, 2022, the Department declared the Kauffman #1-9 well to be inactive.

5. A mechanical integrity test was successfully performed on the Kauffman #1-9 well on December 16, 2022.

6. By letter dated December 21, 2022, Snake River requested that the Kauffman #1-9 well be returned to active status, to allow it time to complete the requirements for commissioning a Class II disposal well to handle produced water from the Kauffman #1-9 and other wells. A copy of that letter is attached.

7. By letter dated August 2, 2023, the Department denied Snake River's request. The letter states in pertinent part:

SROG's request to return the Kauffman # 1-9 to active status has been reviewed by IDL for approval, modification, or denial as required by IDAPA 20.07.02.501.05. Additionally, IDL has reviewed the annual reports and all other filings for the well and has considered the uncertain probability of the factors that SROG would deem necessary for the well to be economically viable. Finally, IDL recognizes that in the event SROG determines that the Kauffman # 1-9 can be economically viable, the Idaho Oil and Gas Conservation Act and IDAPA 20.07.02 provide procedure and methods for converting the inactive well to an active well.

Acting with the discretion authorized by Idaho law, SROG's request to return the Kauffman # 1-9 to active status is denied. SROG must plug and abandon the Kaufmann # 1-9 on or before January 31, 2024, in compliance with IDAPA 20.07.02.502 and complete surface reclamation in compliance with IDAPA 20.07.02.510.

8. IDAPA 20.07.02.501.05 provides:

Converting Inactive Wells to Active Wells. The owner or operator must apply to the Department to change the status of a well from inactive to active. The Department shall review the request for approval, modification, or denial. A mechanical integrity test may be required by the Department if the well has been worked over or if a test has not been conducted for five (5) years or longer. If approved, the well may again be covered by a blanket bond.

9. It is the opinion of Snake River's professional geology and well operations personnel and advisers that Sand 2 still contains substantial hydrocarbon reserves, based on previously reported production in 2018 (available at <https://ogcc.idaho.gov/monthly-and-annual-reports/>). Production was stopped largely due to a loss of well pressure, and secondarily due to the increase in produced water relative to oil production volumes, not because the oil reserves were depleted.

10. On or about August 14, 2023, Richard Brown of Snake River discussed with the Department's Oil and Gas Program staff a proposal for reentering the Kauffman #1-9 well and undertaking a modified gas lift procedure to reestablish oil production. Briefly, the procedure would involve injecting gas into the LT tubing to increase pressure and reestablish oil production through the UT tubing. A summary of the procedure is attached. If successful, Snake River would ultimately move to a conventional gas lift operation with gas injection into the wellbore to continue oil production. Snake River believes it can control water production through moderation of production rates until the injection disposal well is commissioned and production rates can be increased.

11. Snake River believes that the substantial remaining reserves in Sand 2 can be economically produced through (a) initially, increasing and supporting well pressure through gas lift and moderating production rates to limit associated water production, and (b) establishing economic water disposal, primarily through commissioning of the recently permitted Class II injection well and potentially also through permitting and construction of an evaporative pond facility in the interim. In the longer term, establishing a water flood unit to support well pressure and production may also be appropriate. However, Snake River believes that the Kauffman #1-9 well can be produced at economic rates immediately using the modified gas lift procedure. It expects that upon return of the well to active status, it can reenter the well and reestablish production within 30 days.

12. During Richard Brown's conversation with Department staff on August 14, 2023, the Department advised him that Snake River should pursue further discussion of the proposed gas lift operation as part of an appeal of the Department's August 2, 2023 decision denying Snake River's December 21, 2022 request. Snake River confirmed on August 15, 2023 that the Department expected this process rather than a new request pursuant to IDAPA 20.07.02.501.05 to return the well to active status based on the new proposed gas lift operation.

13. Snake River has not had the opportunity to present the proposed gas lift procedure fully to the Department for technical evaluation and is filing this appeal in an exercise of caution.

August 16, 2023

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While it believes it is proper to return the Kauffman #1-9 well to active status for the reasons discussed above, Snake River believes the most appropriate path is for it to submit a new request to the Department pursuant to IDAPA 20.07.02.501.05 for conversion of the well to active status based on its new proposal to conduct the gas lift procedure and reestablish oil production.

For the above reasons, Snake River requests that the Department's determination set forth in the Administrator's August 2, 2023 letter be reversed and the Kaufmann #1-9 well be returned to active status, subject to a reasonable time frame for carrying out the proposed operation and returning the well to production.

Alternatively, if the Commission determines that the proposed plan submitted by Snake River with this appeal should be evaluated by the Department, then this matter should be remanded to the Department for determination as a new request to return the well to active status pursuant to IDAPA 20.07.02.501.05. Similarly, if the Department determines that the proposal for a gas lift operation should be treated as a new request to return the well to active status, Snake River will withdraw this appeal, submit additional information to the Department as requested, and await the Department's determination regarding the new request.

Very truly yours,
HARDEE, PINOL & KRACKE, PLLC



Michael Christian

Attachments: 1. December 1, 2022 letter
2. Summary of proposed operation

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

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December 21, 2022

Mick Thomas
Division Administrator, Minerals, Navigable Waters, Oil & Gas
Idaho Department of Lands
300 N. 6th St., Suite 103
Boise, ID 83702

Re: Kauffman #1-9 (USWN 11-075-20027); Request to return well to active status

Dear Administrator Thomas:

On behalf of Snake River Oil and Gas, LLC, pursuant to IDAPA 20.07.02.501.05, I am writing to request to return the status of the Kauffman #1-9 well (USWN 11-075-20027) to active. The reasons for this request are:

1. The well is capable of production but shut in due to the lack of economic produced water disposal. Shut in payments have been made pursuant to the terms of the lease associated with the well.
2. Snake River has been diligently pursuing permitting of a Class II injection well for the disposal of produced water, by conversion of the existing DJS Properties #2-14 well. Notice of issuance of an aquifer exemption and issuance of a permit for the injection well (Final Permit ID-2D001-A) was issued by EPA Region 10 on November 3, 2022. The permit became effective on December 19, 2022. Snake River is diligently pursuing completion of the steps required under the permit for commissioning of the well as permitted and receipt of produced water for reinjection.
3. In accordance with IDAPA 20.07.02.501.05, a mechanical integrity test was successfully performed on the Kauffman #1-9 well on December 16, 2022. A copy of the results of that test are attached. I understand the testing method was approved by the Department.
4. Snake River believes that it will satisfy the Class II permit requirements and the DJS Properties #2-14 well will be available for receipt of produced water from the Kauffman #1-9 and other area wells within 12-18 months.

December 21, 2022

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Based on the above, Snake River requests that the Kauffman #1-9 well be returned to active status for 18 months (or, if produced water disposal by injection becomes available sooner and the well resumes production, in accordance with IDAPA 20.07.01.501).

Please let me or Snake River know if you have any questions or need additional information to evaluate this request.

Very truly yours,
HARDEE, PINOL & KRACKE, PLLC



Michael Christian

Attachment: Kauffman #1-9 MIT results
cc: Richard Brown, Snake River Oil and Gas, LLC

GAS LIFT CONVERSION PROCEDURE
SNAKE RIVER OIL AND GAS
Kauffman 1-9 LT
Payette County, Idaho
11-075-20027
08/15/2023

1. Confirm choke assembly is in gauge condition on both tubing strings.
2. Hold Safety meeting. ALL SLICKLINE OPERATIONS ON LONG STRING.
3. Move in and rig up slickline unit.
4. Make 1 5/8" DD bailer run and tag bottom. Record Top of fluid.
5. Make 1.875" gage ring run and tag XN nipple.
6. Run nipple brush and clean XN profile.
7. Make blind box run and tag fluid level.
8. Run and set PX plug in XN nipple.
9. Run and set prong.
10. Punch hole in tbg b/w upper and lower packer.
11. Pull out of the hole, rig down, and release wireline.
12. Flow test well.
13. Monitor fluid recovery and composition.

Upon well work completion, set electric compressor and two-phase separator with emulsion treater. Tie in water tankage. Install chemical atomizer on injection line for corrosion inhibitor and paraffin solvent.

Alta Mesa Services, LP
Kauffman #1-9
Payette Co., Idaho

GL: 2,606'

Original RKB: 14' above ground level

All depths reference RKB unless otherwise noted.

Conductor

13-3/8" 54.5 ppf K-55 LTC @ 134'

Redimix cement

Surface Casing

9-5/8" 40 ppf K-55 LTC @ 1,126'MD

Hole Size: 12-1/4"

Lead: 134 sxs (90 bbis) type III cement + ad.

3.65 ft3/sk 14.22 gal/sk 10.4 ppg

Tail: 70 sxs (17 bbis) type III cement + ad.

1.36 ft3/sk 6.42 gal/sk 14.8 ppg

Top Job: 70 sxs (15 bbis) Calprem cemet + ad.

1.15 ft3/sk 5 gal/sk 15.8 ppg

Top Job 2: 50 sxs (14 bbis) Calprem cement + ad.

1.82 ft3/sk 9.72 gal/sk 13.2 ppg

Cemented to surface

MW 8.8 ppg WBM

FIT = 10 ppg EMW

LONG TUBING STRING DETAILS:

Landed paker's in 8K compression

15.68' LS 2 3/8 eue pin x 2 3/8 cs pin, 1.68'

46.90 LS 1 joint 2 3/8" cs, 31.22'

54.95' LS 2 3/8 cs pup joint, 8.05'

4000' x 3/8" SS cap string installed
on UT 4/3/18 (paraffin inhibition)

4464.23' LS 141 joints 2 3/8" cs, 4409.28'

4465.07 LS 2 3/8 cs box x 2 3/8 eue pin, .84'

4469.20' LS 2 3/8 eue x 2 3/8 nue pup, 4.13'

4475.45' LS 7" Hydro 2 dual bore pkr, 6.25'

4477.52 2 3/8 eue box x 2 3/8 cs pin, 2.07'

4508.82' 1 jt 2 3/8 cs, 31.30'

4512.61' LS 2 3/8 cs pup joint, 3.79'

4513.46' LS 2 3/8 cs box x 2 3/8 eue pin, .85'

4513.96' LS 2 3/8 eue box x 2 7/8 eue pin, .50'

4533.95' LS 2 7/8 Blast joint, 19.99'

4535.78' LS 7" T-2 on-off tool w/ 2.31 "X" seal nipple, 1.83'

4543.43' LS WL set Arrowset pkr, 7.65'

Set @ 4530' according to WLM (9-25-16)

4543.93' 2 7/8 box x 2 3/8 pin, .50'

4546.03' LS 2 3/8 N-80 Pup joint, 2.10'

4547.26' LS 2 3/8 XN nipple/ 1.87 profile, 1.23'

4548.56 LS 2 3/8 Magnum dual disk, 1.30'

4549.06' LS WL Re-entry guide, .50'

EOT @ 4549'

Production Casing

7" 26ppf J-55 BTC @ 5,010

Hole Size: 8-3/4"

Lead: 367 sxs (119 bbis) Class G cement +. Ad

1.82 ft3/sk 9.72 gal/sk 12.7 ppg

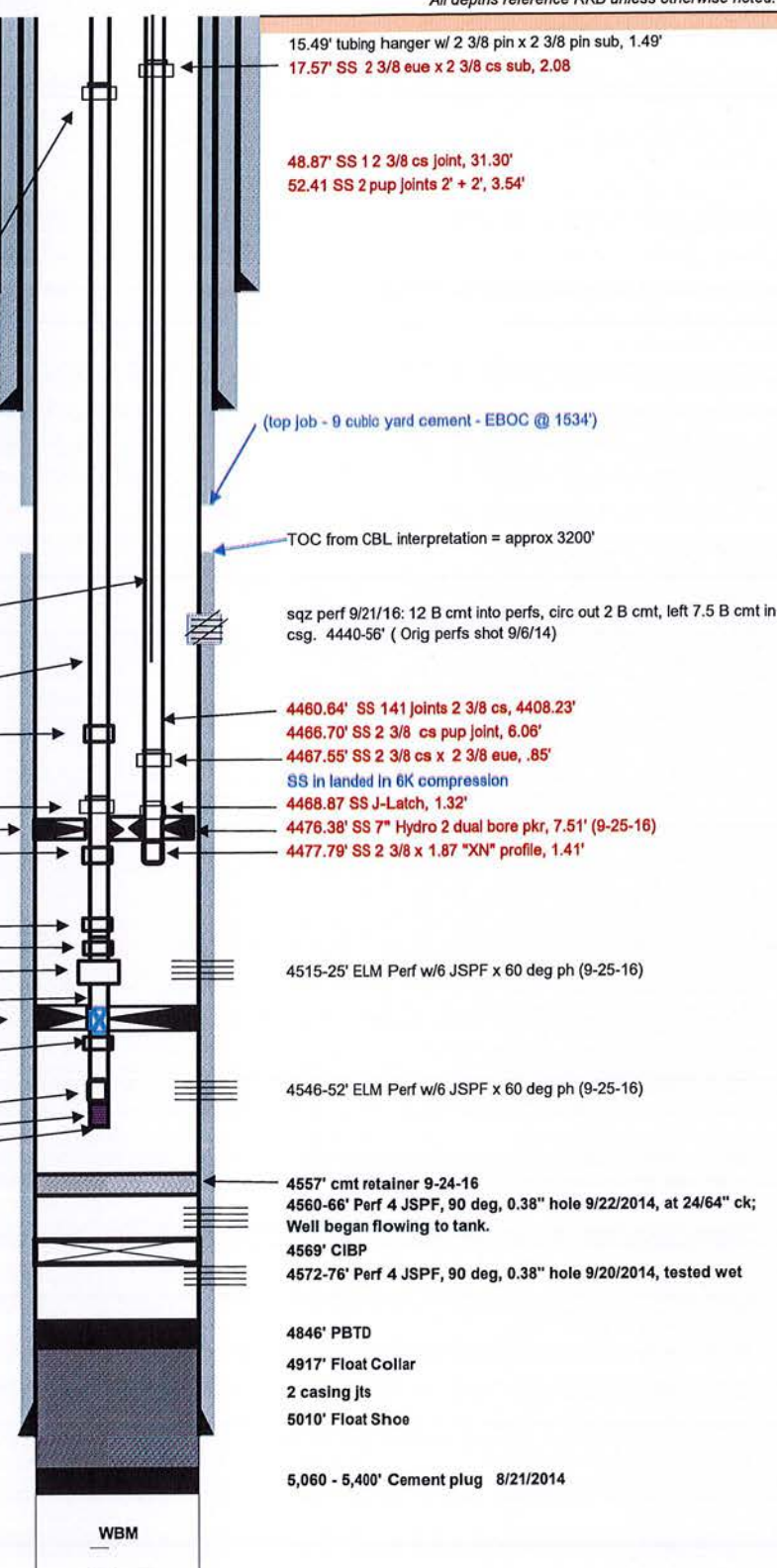
Tail: 311 sxs (64bbis) Class G cement + ad.

1.16 ft3/sk 4.9 gal/sk 16 ppg

MW @ TD 9.8 ppg OBM

Did not cement to surface, pumped top job w/9

cu yds neat cmt.



Total Depth: 5,687' TVD/ 5,755'MD

Well Name & No.: Kaufman 1-9	Field: Willow
County or Parish: Payette	State: Idaho
Total Depth (MD): 5,755'	(TVD): 5,687'
Date Completed: 8/25/2014	Latest Revision Date: 10/19/2016