

BEFORE THE IDAHO OIL AND GAS CONSERVATION COMMISSION

In the Matter of Snake River Oil and Gas,  
LLC Application to Return Kauffman 1-9  
Well to Active Status

**FINAL ORDER**

Snake River Oil and Gas, LLC, Appellants.

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**BACKGROUND**

On December 15, 2022, the Idaho Department of Lands (“the Department”) issued a notice to Snake River Oil and Gas, LLC (“Snake River”), informing it that the Kauffman 1-9 well had been placed on inactive status because there had been no reported production from the well since October of 2018. AR<sup>1</sup> 1-3. Further, the notice stated that well inspections in September 2019, April 2020, November 2020, November 2021, April 2022, August 2022, and September 2022 confirmed that the well was “shut-in and not producing at the time of the inspections.” AR 1. The notice explained that, under Department regulations, any well that has been inactive for a period of twenty-four months “shall [be] declare[d]” inactive. AR 1 (citing IDAPA 20.07.02.501.01). Thus, because the well had not produced in nearly forty-eight months, an inactive declaration was required.

The Department’s notice explained Snake River’s options and responsibilities following the inactive declaration. AR 1-2. Specifically, the notice stated that Snake River could appeal the inactive declaration by

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<sup>1</sup> Citations to “AR \_\_” refer to the Bates-numbered administrative record.

December 29, 2022, for review by the Commission. *Id.* If no appeal were filed, the notice further explained that Snake River would either have to (i) plug and abandon the well within six months or (ii) file an application with the Department to return the well to active status. *Id.*

Snake River did not plug and abandon the well, and instead filed a request to return the well to active status on December 21, 2022. AR 4-5. That request explained that the Kauffman 1-9 could produce oil, but that it was not economically viable to do so because of the high cost of disposing of water produced by well operations. AR 4. Consequently, Snake River requested the Department to return the well to active status for a period of eighteen months, while it worked on permitting and constructing a Class-II injection well, which would allow it to economically dispose of water from Kauffman 1-9. AR 4-5.

The Administrator denied Snake River's request on August 2, 2023. AR 18-19. The Administrator noted that Snake River's request had made no commitments as to when it could bring a Class-II injection well online. AR 18. Without certainty about when Snake River would bring a Class II injection well online, there was no indication as to when Kauffman 1-9 would be economically viable and brought back into production. *Id.* However, the Administrator explained that Snake River could re-apply to return the well to active status in the future if it determined that production from Kauffman 1-9 could be economically viable. *Id.* Otherwise, the Administrator indicated that

Snake River would need to plug and abandon the well on or before January 31, 2024. *Id.*

Snake River subsequently filed this appeal on August 16, 2023. AR 20-23. In addition to the information supplied by Snake River in its initial request to return Kauffman 1-9 to active status, Snake River's appeal raised a new plan for economically producing oil from Kauffman 1-9 without using a Class-II injection well. AR 22. Specifically, Snake River stated that on August 14, 2023, it had discussed a plan with Department staff to reestablish production using "a modified gas lift procedure." *Id.* However, Snake River noted that it "has not had the opportunity to present the proposed gas lift procedure fully to the Department for technical evaluation." AR 22-23. Accordingly, Snake River expressed the position that "the most appropriate path is for it to submit a new request to the Department pursuant to IDAPA 20.07.02.501.05" based on the new proposal for a modified gas lift operation. AR 23. In the alternative, Snake River requested that this matter be remanded for the Department to consider the modified gas lift proposal as a new application under IDAPA 20.07.02.501.05. *Id.*

Pursuant to Idaho Code § 47-328(4) and (5), the Commission heard oral argument from Snake River on the appeal at a duly noticed meeting on September 14, 2023. In addition, the Commission received the written argument of Randy and Thana Kauffman on September 7, 2023. AR 37.

## APPEAL ANALYSIS

The Oil and Gas Conservation Act, Idaho Code Title 47, chapter 3, gives the Commission authority over this matter. The Commission is authorized to consider applications to return a well to active status. I.C. § 47-328(1) (“The commission shall have authority to hear . . . appeals from the administrator’s decision on an application”). The Commission as the agency head retains the ultimate authority to make the decision. *See* I.C. §§ 67-5244, 67-5245.

The Administrator denied the Snake River’s application because of uncertainty in Snake River’s ability to return Kauffman 1-9 to production. The Administrator recognized that Snake River *may* be able to produce oil at the well, but that it *had not* for the 48 months before the well was declared inactive, and that it was not clear whether economic production of oil at the well could be achieved based on Snake River’s lack of a guarantee as to when a Class II injection well could be brought online.

Snake River makes two arguments in response. First, it argues that its expert geologic staff believe that there are still significant hydrocarbon reserves for Kauffman 1-9 to pump, but that operations are merely not economical at this time. Thus, Snake River argues that requiring it to plug and abandon the well would be inconsistent with the public interest “to foster, encourage and promote the development, production and utilization of natural resources of oil and gas in the state of Idaho in such a manner as will prevent waste.” I.C. § 47-311. Second, Snake River argues that it could economically

bring Kauffman 1-9 into production by using a new “modified gas lift” proposal that has yet to be fully vetted by Department staff. The Commission is not persuaded that either argument offers a basis for reversing the Administrator’s Denial. However, the Commission agrees that Snake River should present its modified gas lift proposal to the Department through a new application to return Kauffman 1-9 to active status under IDAPA 20.07.02.501.05.

IDAPA 20.07.02.501.01 provides that “[t]he Department *shall* declare a well inactive after twenty-four (24) continuous months of inactivity[.]” (emphasis added). An inactive well is defined as “an unplugged well that has no reported production, disposal, injection, or other permitted activity for a period of twenty-four continuous months[.]” IDAPA 20.07.02.010.24. IDAPA 20.07.02.501.05, in turn, provides the Department discretion to approve, modify, or deny a request to return a well to active status.

Snake River did not dispute that Kauffman 1-9 had no reported production for more than twenty-four months. Instead, in its application to return Kauffman 1-9 to active status Snake River represented that production would resume once it could economically dispose of water using a Class II injection well. However, that application did not provide information as to when a Class II well could be brought online. Accordingly, the Administrator reasonably denied the application because Snake River did not indicate when the underlying issues halting production at Kauffman 1-9 would be solved.

That said, the Commission agrees with Snake River that it should submit its modified gas lift proposal to the Department as a new application to return Kauffman 1-9 to active status under IDAPA 20.07.02.501.05.<sup>2</sup> To the extent that there was confusion surrounding when Snake River could submit that application, resolution of this appeal will clear the table for any new requests that Snake River wishes to make. The Commission is also mindful of Snake River's January 31, 2024, deadline to plug and abandon Kauffman 1-9. To that end, the Department is instructed to work with Snake River to expeditiously process any applications prior to that date.

#### ORDER

Based on the analysis above and the Commission's review of the record below as set forth in the written submittals of the Appellants, and other qualified participating person, and the Administrator's written decision, and the oral argument taken by the Commission at the September 14, 2023, appeal hearing, the Commission DENIED Snake River's application to return Kauffman 1-9 to active status in accordance with the Idaho Oil and Gas Conservation Act and the Rules Governing Conservation of Oil and Natural Gas in the State of Idaho (IDAPA 20.07.02).

#### PROCEDURES AND REVIEW

This is the Commission's final order. The Commission's final order

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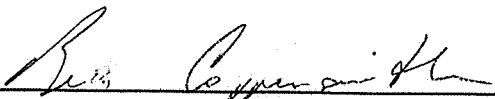
<sup>2</sup> In the alternative, if Snake River believes that it needs more time to develop plans for economic water disposal, it may choose to file a request to extend Kauffman 1-9's inactive status pursuant to IDAPA 20.07.02.501.02.

“shall not be subject to any motion for reconsideration.” Idaho Code § 47-328(5).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may appeal this final order and all previously issued orders in this case to district court by filing a petition in the district court of the county in which: (1) a hearing was held, (2) the final agency action was taken, (3) the party seeking review of the order resides, or (4) the real property or personal property that was the subject of the agency action is located.

An appeal must be filed within twenty-eight (28) days of the service date of this final order. *See* Idaho Code § 67-5273. The filing of an appeal to district court does not itself stay the effectiveness or enforcement of the order under appeal.

Dated this 7<sup>th</sup> day of September 2023.



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BETTY COPPERSMITH

Chairman

Idaho Oil and Gas Conservation Commission

## CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of September 2023, I caused to be served a true and correct copy of the foregoing by the method indicated below, and addressed to the following:

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