LAW OFFICES

HARDEE, PIÑOL & KRACKE PLLC

1487 S. David Lane
Boise, Idaho 83705

TELEPHONE
(208) 433-3913
TELEFAX
(208) 342-2170

DANIEL R. HARDEE
GREG K. HARDEE
RICH M. PIÑOL
DAVID R. KRACKE
JOE M. HARRINGTON
JAKE HARDEE

Of Counsel:
BO DAVIES
MICHAEL CHRISTIAN

January 29, 2024

Via email: jthum@idl.idaho.gov

James Thum, Program Manager
Oil and Gas Program
Minerals, Navigable Waters, and Oil & Gas Division
Idaho Department of Lands
300 N. 6th St, Suite 103
Boise, Idaho 83702

Re: Kauffman #1-9 well, USWN 11-075-20027
Request to extend inactive well status

Dear James,

Pursuant to IDAPA 20.07.02.501.02, operator Snake River Oil and Gas, LLC requests an extension of inactive status for the Kaufmann #1-9 well, USWN 11-075-20027, for an additional 90 days from January 31, 2024, in order to perform more operations (described below and in the attached prognosis) in an effort to return the well to production and recover hydrocarbon reserves. A successful test would be followed by a request to return the well to active status pursuant to IDAPA 20.07.02.501.05. The basis for this request is as follows:

1. IDAPA 20.07.02.501.02 provides:

> Owner's or Operator's Responsibility for Inactive Wells. The owner or operator must plug and abandon an inactive well in accordance with Section 502 of these rules within six (6) months of being notified by the Department unless the owner or operator supplies the following information within the six-month time period:
>
> a. A written request to extend inactive status;
>
> b. An individual bond, as provided for in Subsection 220.03 of these rules, if the well was covered by a blanket bond; and

> c. A description of how the well is closed to the atmosphere with a swedge and valve, packer, or other approved method, and how the well is to be maintained.

2. IDAPA 20.07.02.501.03 provides: "The Department shall review the request for approval, modification, or denial, and shall set the duration of the extension if approved. An extension shall not exceed three (3) years and may be renewed upon request."

3. IDAPA 20.07.02.501.04 provides: "In addition to the requirements of Section 320 of these rules, inactive wells shall have a mechanical integrity test performed within two (2) years after the date of last use in order to retain inactive status."

4. On December 15, 2022, the Department declared the Kauffman 1-9 well inactive. On December 21, 2022, Snake River made a request to return the well to active status. The Department denied the request on August 2, 2023, and declared that the deadline to plug the well was January 31, 2023. Snake River appealed the Department's decision to the Commission on August 16, 2023, noting that it planned to perform a modified gas lift procedure on the well in an effort to return it to production. Following a hearing, the Commission issued an order dated September 19, 2023. The Commission denied Snake River's appeal but ordered (a) Snake River could submit a new request to return the well to active status under IDAPA 20.07.02.501.05 to perform the proposed procedure, or (b) it could submit a request to extend inactive status pursuant to IDAPA 20.07.02.501.02, in order to continue working toward a water disposal solution.

5. Thereafter, Snake River submitted a sundry notice to the Department to undertake the modified gas lift procedure on the Kauffman 1-9 well. The Department responded in an email on September 25, 2023, noting in part:

> Per the Order issued by the Idaho Oil and Gas Conservation Commission (OGCC) dated September 19, 2023 the Kauffman #1-9 well is in Inactive status, with the following conditions:
>
> 1. While the well remains in Inactive status, Snake River Oil & Gas may conduct operations, including the proposed workover on the Kauffman #1-9 well to determine if production can be re-established from the LT completion.
> 2. Production and sales of hydrocarbons may not occur until Snake River (SROG) files a request to the Department for the well to be returned to Active status, and the Department grants the request.

6. On or about October 12, 2023, a slickline unit was mobilized to the Kauffman 1-9 well to evaluate the upper perforations of the Sand 2 completion. A plug was set to isolate the lower Sand 2 perforations and test the upper Sand 2 perforations. The long tubing string was punched and field compression was used to attempt to lift fluids from the well. The test was not successful. For the remainder of the month, compression stages were adjusted to inject at a higher

pressure with no change in the well. In November 2023, a swab rig was mobilized to the well, and the well was swabbed for an extended period, without success. After evaluation, in early January 2024 a slickline unit was remobilized to the well, to check the plug and swab the well. Plugs were set in an attempt to isolate the upper perforations from the lower Sand 2 perforations. Swab tests were performed with no appreciable drop in fluid level. Sufficient fluid was recovered to ensure the operation was not swabbing down the fluid volume from the tubing-casing annulus. A mechanical integrity test was performed on the casing with no pressure rise on either tubing string. There was no communication. The isolation plug was recovered and did not indicate any significant pressure differential across the seals. Efforts continued until the slickline rig was finally released on January 8, 2024. Snake River is not convinced that operations in the upper perforations were isolated from the lower perforations. (IDAPA 20.07.02.501.02.a)

7. A plan has been compiled to evaluate the fluid from both the lower and upper perforations of Sand 2. This will require the mobilization of a workover rig. During this endeavor, if either set of perforations is deemed productive, gas lift valves will be installed while the rig is on location. A prognosis for this operation is attached. Snake River expects that a workover rig can be mobilized to the well site and the operation performed within 30-45 days, absent any issues with rig availability. (IDAPA 20.07.02.501.02.a)

8. Snake River has discussed with the Department that the AFE for the requirements imposed in EPA's permit to convert the DJS 2-14 well to a Class II injection well for produced water disposal came in at over $2,000,000, much higher than the originally anticipated cost for commissioning the well for injection. Snake River has continued to work to reduce the cost to meet the permit requirements. A successful test of the Kaufman 1-9 well establishing that substantial oil reserves can be produced will be a critical factor in finally determining whether to make the investment necessary to commission the Class II injection well. (IDAPA 20.07.02.501.02.a)

9. Idaho Code § 47-311 provides: "It is declared to be in 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." Idaho Code § 47-310(36)(b) defines "waste" as it applies to oil to include "underground waste" and "operating or producing of any well in a manner that causes, or tends to cause, reduction of the quantity of oil and gas ultimately recoverable from a pool under prudent and proper operations." Idaho Code § 47-312 provides that "waste as defined in this chapter is hereby prohibited." Idaho Code § 47-315(1) provides that "the duty to prevent waste is paramount." Snake River respectfully submits it is consistent with the Act's encouragement of production and prohibition of waste to permit it to make every prudent effort to recover available oil reserves before requiring the Kauffman 1-9 well to be plugged. (IDAPA 20.07.02.501.02.a)

10. The current plugging deadline for the Kauffman 1-9 well is January 31, 2024. This request is being supplied before that date. (IDAPA 20.07.02.501, .501.03)

11. The well is individually bonded in the amount of $150,000.00, the amount requested by the Department. The original of the bond was sent to the Department via overnight courier on January 23, 2023. (IDAPA 20.07.02.501.02.b)

12. The well is closed to the atmosphere by means of a double master valve configuration. On the short string, the capillary string has a packoff assembly with integral hanger. All assemblies are pressure rated above any anticipated bottom hole pressure that may be encountered. The well is maintained by monitoring the surface pressures on each tubing string as well as the pressure of the tubing/casing annulus. (IDAPA 20.07.02.501.02.c)

13. A mechanical integrity test of the Kauffman 1-9 well was successfully performed on December 16, 2022. The report of the test is on file with the Department. A mechanical integrity test was also successfully performed during operations in October 2023. (IDAPA 20.07.02.501.04)

If the proposed operation successfully returns the well to production, Snake River will file a request to return the well to active status pursuant to IDAPA 20.07.02.501.05. Thank you for your consideration.

Very truly yours,
HARDEE, PINOL & KRACKE, PLLC

Michael Christian

Attachment: Kauffman 1-9 workover procedure

cc: Snake River Oil and Gas, LLC

WORKOVER PROCEDURE
SNAKE RIVER OIL AND GAS
Kaufman 1-9
Payette County, Idaho
11-075-20027
01/26/2024

1. Move in and rig up capillary string spooler.
2. Pull cap string from short string. Rig down and move off spooler.
3. Move in and rig up workover rig and equipment. Spot water tanks.
4. Hold Safety Meeting.
5. Take on kill fluid then pump down both string with tubing capacity plug 20 bbls.
6. Test Casing to 800 psi.
7. Nipple down wellhead and install BOP.
8. Pick up on short string and remove hanger. Release from packer and pull out of the hole, laying down tubing.
9. Change to single string assembly on wellhead.
10. Release Hydraulic packer then get off AS-1X On/Off Tool. Pull out of the hole.
11. Lay down Hydraulic set packer then go back in the hole. Recover AS-1X and pull out of the hole.
12. Run test packer and set between 4530’ and 4540’.
13. Swab test lower perforations.
14. If lower perforations are productive, kill well, pull test packer, then proceed to Step 33.
15. If lower perforations are not productive, move in and rig up wireline unit.
16. Make junk basket/gage ring run.
17. Set CIBP at 4540’ and dump bail 10’ of cement on top.
18. Rig down and move off wireline.
19. Run redressed AS-1X with XN nipple below and X nipple above.
20. Set packer below 4460’.
21. Swab test well.
22. If swab test is successful, proceed with Gas Lift Valve installation.
23. Move in and rig up slickline unit.
24. Set PX plug in X Nipple. Rig down and move off slickline.
25. Release from AS-1X and pull out of the hole.
26. Run conventional gas lift valves.
27. Space out and latch back up to AS-1X. Nippled down BOP and install single tree.

28. Move in and rig up slickline unit.
29. Pull prong and PX plug.
30. Pull out of the hole, rig down, and release wireline.
31. Flow test well.
32. Monitor fluid recovery and composition. Go to step 36.
33. Run conventional gas lift valves on tubing with redressed AS-1X packer and Snap Latch packer to isolate upper perforations. Set packer between 4530' and 4540'.
34. Nippled down BOP and install single tree.
35. Place well on production.
36. Rig down and move off workover rig and equipment.

Once well work is complete, set compressor and two-phase separator with emulsion treater. Tie in water storage. Install chemical atomizer on injection line for corrosion inhibitor and paraffin solvent.

ESTIMATED WORKOVER COSTS

Workover Rig	$36,000
Mobilization	$31,000
Per Diem	$6,000
Spooler to pull Capillary String	$12,000
Wireline Services	$14,000
Gas Lift Equipment	$18,000
Water/Completion Fluids	$10,000
Vacuum Truck and Trucking	$10,000
Wellhead Components	$8,000
Engineering/Supervision	$14,000
Miscellaneous/Contingency (20%)	$32,000
Total Estimated Costs	$191,000