

RECEIVED
By ID Dept of Lands at 11:03 am, Feb 08, 2024

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

February 8, 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: ML 1-11 well, USWN 11-075-20025
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 ML 1-11 well, USWN 11-075-20025, for an additional 180-360 days from February 15, 2024, in order to perform more operations (described below) in an effort to return the well to production and recover hydrocarbon reserves, or alternatively preserve the well for use as a monitoring well to support the planned Class II disposal well or for use for natural gas storage. 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 August 15, 2023, the Department declared the ML 1-11 well inactive, and set a well plugging deadline of February 15, 2024 pursuant to IDAPA 20.07.02.501.02.

5. Snake River is evaluating with its working interest partners an operation to perforate the upper lobe of Sand 1 in the ML 1-11 well. Upon a decision to undertake the operation, 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)

6. Snake River has discussed with the Department the potential for the ML 1-11 to be utilized for gas storage, which Snake River has been actively evaluating. Currently there is no underground gas storage capacity in Idaho. Establishing gas storage in Idaho would foster development and enhance the ability of operators to maximize revenue from production, which in turn would benefit royalty and severance tax payments. Snake River considers the ML 1-11 to be a good candidate for gas storage. (IDAPA 20.07.02.501.02.a)

7. The ML 1-11 well is designated as a monitoring well to be used as part of the commissioning of the EPA’s permit to convert the DJS 2-14 well to a Class II injection well for produced water disposal. *See* EPA Final Permit ID-2D001-A, §§ C(4)(e)(ii), C(5). Snake River has discussed with the Department that the AFE for the requirements imposed in EPA’s permit 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. Snake River is separately pursuing a test of the Kauffman 1-9 well to reestablish oil production. 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. Under the terms of the Department’s decision extending inactive status for the Kauffman 1-9 well, that operation must be completed by May 1, 2024, although Snake River hopes to complete the operation well in advance of that date. (IDAPA 20.07.02.501.02.a)

8. 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 reserves, to utilize it for gas storage, or to utilize it in support of economical injection disposal of produced water, before requiring the ML 1-11 well to be plugged. (IDAPA 20.07.02.501.02.a)

9. The current plugging deadline for the ML 1-11 well is February 15, 2024. This request is being supplied before that date. (IDAPA 20.07.02.501, .501.03)

10. Snake River understands it will be in receipt of an individual bond for the ML 1-11 well in the amount of \$150,000.00 within the next two days. The original of the bond will be forwarded to the department immediately upon Snake River’s receipt of it. This request will be effective on the date the bond is delivered to the Department. (IDAPA 20.07.02.501.02.b)

11. The well is closed to the atmosphere by means of a double master valve configuration. 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)

Based on the above, Snake River requests an extension of inactive status for the ML 1-11 well for 180-360 days from February 15, 2024. If the proposed operation is undertaken and successfully returns the well to production, Snake River will perform a mechanical integrity test pursuant to IDAPA 20.07.02.501.04 and file a request to return the well to active status pursuant to IDAPA 20.07.02.501.05. If evaluation of the well for gas storage is continuing, Snake River will submit a request pursuant to IDAPA 20.07.02.501.03 to renew the extended inactive status period. Thank you for your consideration.

Very truly yours,
HARDEE, PINOL & KRACKE, PLLC



Michael Christian

cc: Snake River Oil and Gas, LLC