

BEFORE THE IDAHO DEPARTMENT OF LANDS

IN THE MATTER OF:

The Application of Snake River Oil and Gas, LLC to Integrate the Spacing Unit Consisting of the NE ¼ of Section 9 and the NW ¼ of Section 10, Township 8 North, Range 5 West, Payette County, Idaho.

Snake River Oil and Gas, LLC, Applicant.

Docket No. CC-2024-OGR-01-002

ORDER FOR INTEGRATION

PROCEDURAL BACKGROUND

On August 24, 2024, Applicant Snake River Oil and Gas, LLC (“SROG”) filed an application (“Application”) to integrate all uncommitted mineral interest owners in the spacing unit consisting of the NE ¼ of Section 9 and the NW ¼ of Section 10, Township 8 North, Range 5 West, Payette County, Idaho (“spacing unit” or “the unit”). SROG submitted revised Exhibits A and B to the Application on September 5, 2024. On August 30, 2024, SROG filed proof of mailings and Idaho Department of Lands (“IDL”) filed a Response to Application.

On September 4, 2024, IDL Oil and Gas Division Administrator Shannon Chollett (“Administrator”) filed an Order Referring Matter to the Idaho Office of Administrative Hearings (“OAH”). The OAH issued a Notice of Appointment of Administrative Law Judge on September 6, 2024. The parties attended a scheduling conference on September 11, 2024. The Administrative Law Judge set an in-person evidentiary hearing for October 10, 2024.

No response or objection by any uncommitted owner within the unit was received within fourteen days prior to the hearing. On October 1, 2024, SROG emailed a written request to all parties, including OAH and the Administrator, to approve or deny its Application for an order integrating the spacing unit based on review of the application and supporting exhibits in the record. On October 4,

2024, the Administrator filed an Order Withdrawing Matter from OAH and Vacating Hearing on the grounds there was no basis to hold an evidentiary hearing and no basis for the appointment of OAH.

FINDINGS OF FACT

1. On August 23, 2024, SROG filed an Application to integrate all uncommitted mineral interest owners in the spacing unit consisting of the NE ¼ of Section 9 and the NW ¼ of Section 10, Township 8 North, Range 5 West, Payette County, Idaho. The unit proposed to be integrated is approximately 320 acres.

2. This Order incorporates by reference the Application and all other documents on file in the record at IDL, including correspondence, notices, responses, and other documents.

3. SROG is the applicant and proposed Operator of the unit (“Operator”). SROG’s address as provided on the Application is:

Snake River Oil and Gas, LLC
P.O. Box 500
Magnolia, AR 71754-0500.

4. The Application contains a geologic statement regarding the likely presence of hydrocarbons in the spacing unit, which was established in the proceedings in Docket No. CC-2024-OGR-01-001, OAH Case No. 24-320-OG-01.

5. The drill site is located in NW ¼ of Section 10 and is leased from Mr. Larry James as stated in Exhibit A and Revised Exhibit A and B of the Application, received on September 5, 2024.

6. The Application contains a statement of proposed operations for the spacing unit, identifying Snake River Oil and Gas, LLC as the Operator.

7. The Application contains a proposed Joint Operating Agreement (“JOA”), based on a standard industry form as Exhibit D of the Application.

8. The Application contains a list of the names and addresses of proposed uncommitted mineral interest owners to be integrated, identified by their plat tract numbers, which corresponds

with those component parcels of each spacing unit to be integrated as depicted on Exhibit A of the Application and Revised Exhibit A, received on September 5, 2024.

9. The Application contains a Declaration of Richard Brown, attached to the Application as Exhibit C, which states SROG has support from approximately 83.6875% of the mineral interest acres in the spacing unit, including SROG as an owner by virtue of its status as a mineral lessee within the unit.

10. The Declaration of Richard Brown reports that the highest bonus payment paid to lease mineral interest owners in the subject spacing unit prior to filing the Application was \$150 per net mineral acre and that no owner in the unit is leased at greater than 1/8 royalty.

11. The Application contains a resume of efforts documenting the Applicant's good faith efforts by landmen Chris Matthews and Travis Boney to contact and reach an agreement with uncommitted owners on at least two separate occasions within a period of no less than sixty (60) days attached to the Application as Exhibit E; certified mailing receipts attached to the Application as Exhibit F; and a copy of the form letter mailed by the landmen to uncommitted mineral owners attached to the Application as Exhibit G. The letter and the evidence of mailing show that SROG attempted to give actual prior notice to each of the uncommitted mineral interest owners at their last known address of SROG's intent to develop the mineral resources in the spacing unit and a desire to reach an agreement with that owner. No mineral interest owners were unknown or could not be found and no publication was required.

12. The Application contains proposed terms of integration reflecting the options for participation in the spacing unit. The Application describes three participatory options whereby a mineral interest owner could either: 1) become a working interest owner and bear their proportionate cost of participating in a well as provided in a joint operating agreement; 2) become a nonconsenting working interest owner as provided in a joint operating agreement and ultimately receive their

proportionate share of the revenue from the well as a carried interest, after incurring up to a 300% risk penalty; and 3) become a mineral interest owner failing to make an election in response to the notice of the integration, in which case they shall be deemed to have leased their interest in exchange for a 1/8th royalty interest attributable to their net mineral acreage and a bonus equal to that paid by the operator to other mineral interest owners in the spacing unit prior to the issuance of any integration order.

13. On August 30, 2024, SROG sent a copy of the Application and notice of hearing date and deadlines to all known and locatable uncommitted owners by certified mail.

14. On August 30, 2024, IDL acknowledged receipt of SROG's Application and requested additional information regarding tax parcel numbers. IDL received the requested revised Exhibits A and B to the Application on September 5, 2024.

15. On October 1, 2024, SROG counsel Mike Christian notified the Administrator by email that no objection or response to the Application was filed with OAH or the Department by an uncommitted mineral owner by the deadline of September 26, 2024 and requested an Order approving or denying integration based on the Application and documents in the record.

ANALYSIS

The Administrator of the Idaho Department of Lands Oil and Gas Division has authority over these matters pursuant to I.C. §§ 47-314(7) and 47-328(3)(e). This matter is governed by the Idaho Oil and Gas Conservation Act (Chapter 3, title 47, Idaho Code); Idaho Administrative Procedure Act (Chapter 52, title 67, Idaho Code); Idaho Rules of Administrative Procedure (IDAPA 62.01.01); and the Rules Governing Conservation of Oil and Natural Gas in the State of Idaho (IDAPA 20.07.02).

The Oil and Gas Conservation Act applies to all matters affecting oil and gas development on all lands located in the state of Idaho. I.C. § 47-313. The Idaho Oil and Gas Conservation Commission ("Commission") is "authorized to make and enforce rules, regulations, and orders

reasonably necessary to prevent waste, protect correlative rights, to govern the practice and procedure before the commission, and otherwise to administer this act." I.C. § 47-315(8). The Department is the administrative instrumentality of the Commission, and the Administrator has authority over these proceedings pursuant to I.C. §§ 47-314(7), 47-320, and 47-328(3).

When applications are uncontested, the applicant may request, and the administrator may allow, approval without a hearing based on review of the merits of a verified application and the supporting exhibits. I.C. § 47-328(3)(d).

In the absence of voluntary integration, the department, upon the application of any owner in that proposed spacing unit, shall order integration of all tracts or interests in the spacing unit for drilling of a well or wells, for development and operation thereof and for the sharing of production therefrom.

I.C. § 47-320(1).

The Department, "upon the application of any owner in [a] proposed spacing unit, *shall order integration* of all tracts or interests in the spacing unit for drilling of a well or wells." I.C. § 47-320(1) (emphasis added). Based on the substantial evidence within the record and Application, the Administrator concludes that the Application clearly and substantially complies with all statutory elements of Idaho Code § 47-320(4). Based on substantial evidence in the record and the Application, the Administrator concludes that it is appropriate to integrate the uncommitted mineral interest owners named by Applicant for the development and operation of the unit.

The alternatives for the uncommitted mineral owners to participate in the unit are just and reasonable as the agreement is based on a standard industry form as provided by I.C. § 47-320(3)(a). The Applicant's proposed JOA contains reasonable terms to govern the relationship between the Applicant and uncommitted mineral interest owners who elect to become a working interest owner, elect to become a nonconsenting working interest owner, or fail to make an election.

Given that the drilling of the proposed well targets a conventional sand in an area of limited knowledge of and experience with subsurface geology entailing a higher degree of complexity and

risk; and the significant distance of the well site from well service contractors and the significant mobilization costs for transporting a drill rig; SROG shall be entitled to recover from the interest of any nonconsenting working interest owner three hundred percent (300%) of the nonconsenting working interest owner's share of the cost of drilling and operating the well.

ORDER FOR INTEGRATION

For the reasons stated above, pursuant to I.C. § 47-320 and based on the evidence in the record, the Administrator **HEREBY GRANTS** the Application for Integration in Docket No. CC-2024-OGR-01-002 according to the terms and conditions requested by the Applicant, as modified by any terms and conditions herein.

1. All separate tracts within the spacing units are **HEREBY INTEGRATED** for the purpose of drilling, developing, and operating a well in the spacing unit, and for the sharing of all production therefrom from the spacing unit, in accordance with the terms and conditions of this Order.
2. Snake River Oil and Gas, LLC is the designated operator of each well to be drilled in the spacing unit, and has the exclusive right to drill, equip, and operate each well within the spacing unit.
3. Operations on any portion of the spacing unit will be deemed for all purposes the conduct of operations upon each separately owned tract in the spacing unit.
4. Production allocated or applicable to a separately owned tract included in the spacing unit shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on that tract.
5. **IT IS HEREBY ORDERED** that from and after this date, all production from the spacing unit be integrated and allocated among the interest owners therein according to the proportion that each mineral interest owners' net mineral acreage bears to the total mineral acreage of the

spacing unit. All royalty interest in the spacing unit shall, the absence of any voluntary agreement, be deemed to be integrated as of the date of the above-captioned Order for Integration without the necessity of any subsequent separate order.

6. ALL UNCOMMITTED OWNERS IN THE SPACING UNIT ARE HEREBY NOTIFIED that they have thirty (30) days from and after the date of the issuance of this Order to make known to the operator, Snake River Oil and Gas, LLC, which of the following options they select for participation in the integrated spacing unit. This selection shall be made in writing, and addressed to:

Snake River Oil and Gas, LLC
P.O. Box 500
Magnolia, AR 71754-0500

Uncommitted mineral interest owners may either choose to participate as a working interest owner or a non-consenting working interest owner or a leased interest.

7. Failure to notify the operator, Snake River Oil and Gas, LLC, within thirty (30) days of this Order shall result in that owner's interest being deemed leased.
8. Consistent with I.C. § 47-320(3), the available participatory options are:
 - a. Participate as a working interest owner and pay the proportionate share of the actual costs of drilling and operating a well allocated to the owner's interest in the spacing unit. Working interest owners who share in the costs of drilling and operating the well are entitled to their respective shares of the production of the well. The Operator of the integrated spacing unit and working interest owners shall enter into the joint operating agreement approved in this Order.
 - b. Participate as a nonconsenting working interest owner, who refuses to share in the risk and actual costs of drilling and operating the well, but desires to participate as a working interest owner. Nonconsenting working interest owners will be entitled to

their respective shares of the production of the well, not to exceed one-eighth (1/8) royalty, until the Operator of the integrated spacing unit has recovered three hundred percent (300%) of the nonconsenting working interest owner's share of the cost of drilling and operating the well under the terms set forth in the joint operating agreement approved in this Order. After all the costs have been recovered by the consenting owners in the spacing unit, the nonconsenting owner is entitled to his respective shares of the production of the well, and shall be liable for his pro rata share of costs as if the nonconsenting owner had originally agreed to pay the costs of drilling and operating the well. The Operator of the integrated spacing unit and nonconsenting working interest owners shall enter into a joint operating agreement approved in this Order.

- c. If an owner fails to make an election within the thirty (30) days set forth in this Order, such owner's interest will be deemed leased under the terms and conditions in this Order. The owner shall receive one-eighth (1/8) royalty of any gas, oil, or natural gas liquids produced and a \$150 per net mineral interest acre bonus payment.

9. If one or more of the owners shall drill, equip, and operate, or operate, or pay the costs of drilling, equipping, and operating, or operating, a well for the benefit of another person as provided for in this Order, then such owners or owner shall be entitled to the share of production from the spacing unit accruing to the interest of such other person, exclusive of a royalty not to exceed one-eighth (1/8) of the production, until the market value of such other person's share of the production, exclusive of such royalty, equals the sums payable by or charged to the interest of such other person.

10. As provided in I.C. § 47-331:

- a. The operator shall make payments in legal tender unless written instructions for

payment in kind have been provided.

- b. Royalty shall be due on all production sold from the leased premises except for that consumed for the direct operation of the producing wells and that lost through no fault of the operator.
- c. If an operator fails to pay oil and gas royalties to the royalty owner or the owner's assignee within 120 days after the first production of oil and gas under the lease is marketed, or within 60 days for all oil and 90 days for all gas produced and marketed thereafter, the unpaid royalties shall bear interest at the maximum rate of interest authorized under I.C. § 28-22-104(1) from the date due until paid. Provided, however, that whenever the aggregate amount of royalties due to a royalty owner for a 12-month period is less than \$100, the operator may remit the royalties on an annual basis without any interest due.

11. As provided in I.C. § 47-332, each royalty payment shall be accompanied by an oil and gas royalty check stub that includes the following information:

- a. Lease or well identification;
- b. Month and year of sales included in the payment;
- c. Total volumes of oil, condensate, natural gas liquids or other liquids sold in barrels or gallons, and gas in MCF;
- d. Price per barrel, gallon, or MCF, including British thermal unit adjustment of gas sold;
- e. Severance taxes attributable to said interest;
- f. Net value of total sales attributed to such payment after deduction of severance taxes;
- g. Owner's interest in the well, expressed as a decimal to eight (8) places;
- h. Royalty owner's share of the total value of sales attributed to the payment before any deductions;

- i. Royalty owner's share of the sales value attributed to the payment, less the owner's share of the severance taxes;
 - j. An itemized list of any other deductions; and
 - k. An address at which additional information pertaining to the royalty owner's interest in production may be obtained and questions may be answered. If information is requested by certified mail, an answer must be mailed by certified mail within thirty (30) days of receipt of the request.
12. The operator must maintain, for a period of five (5) years, and make available to the owners upon request, copies of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of the amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records that the integrated owners may require to verify the gross production, disposition and market value.
13. As provided in I.C. § 47-332, whenever an owner of a royalty interest makes a written demand for an accounting of the oil and gas produced, but no more frequently than once every twenty-four (24) months, and makes written demand for delivery or payment of his royalty as may then be due upon the person or persons obligated for the delivery or payment of the royalty, and the obligated persons then fail to make the accounting demanded and the payment or delivery of the royalty due within a period of ninety (90) days following the date upon which the demand is made, then the royalty owner may file an action in the district court of the county wherein the lands are located to compel the accounting demanded and to recover the payment or delivery of the royalty due against the person or persons obligated. In such an action, the prevailing party shall be entitled to reasonable attorney's fees to be allowed by the court, together with the costs allowed to a prevailing party, pursuant to I.C. §

12-120.

14. No surface occupation by the operator is permitted on the lands of those deemed leased without a surface use agreement consistent to the lease terms.
15. A four-year primary term is approved, but no renewal term to extend the primary term is permitted.
16. Nothing in this Order alters any duty of care owed to uncommitted mineral interest owners and their property, and nothing in this Order shall be interpreted to relieve the operator of any such duty or to shift to uncommitted mineral interest owners any risk of injury arising from or related to any violation of law, environmental damage, injury to real property, personal injury, negligence, or nuisance by the operator.
17. Deemed leased owners retain any private right of action they have in the law against the operator for any future harms.
18. Proceeds attributable to production for unknown or unlocatable owners shall be paid into an interest-bearing account administered by a third party, escrow agent, or similar fiduciary; and shall be available for release for payment if the appropriate party is located.
19. This Order is applicable to any successor or assign of all parties subject to the order, except that this Order is only applicable to any successor or assign of operator when the current operator files a notice with the Administrator and obtains Administrator approval for the transfer.
20. This order will automatically terminate one (1) year following cessation of drilling operations if no production is established or two (2) years from the cessation of production from the unit.

PROCEDURES AND REVIEW

Pursuant to Idaho Code § 47-328(3)(e), this Order for Integration shall not be subject to any motion for reconsideration or further review, except for appeal to the Idaho Oil and Gas Commission.

This Order for Integration may be appealed to the Commission by the Applicant or any owner who filed an objection or other response to the application within the time required. An appeal must be filed with the Administrator within fourteen (14) days of the date of issuance of this Order. The date of issuance shall be three (3) days after the Administrator deposits the decision in the U.S. mail, or the date on which he remits a decision electronically. Such appeal shall include the reasons and authority for the appeal and shall identify any facts in the record supporting the appeal. Any person appealing shall serve a copy of the appeal materials on any other person who participated in the proceedings, by certified mail, or by personal service. Any person who participated in the proceeding may file a response to the appeal within five (5) business days of service of a copy of the appeal materials. The appellant shall provide the Administrator with proof of service of the appeal materials on other persons as required in this section. The Commission shall make a decision based on the record as set forth in the written submittals of only the appellant and any other participating qualified person, the Administrator's decision, and any oral argument taken by the Commission at an appeal hearing.

If no appeal is filed within the required time, this decision shall become the final order pursuant to I.C. § 47-328(6).

IT IS SO ORDERED.

DATED this 4th day of November, 2024.



Shannon Chollett
Oil and Gas Division Administrator

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 5th day of November, 2024, I caused to be served a true and correct copy of the foregoing by the following method to:

Office of Administrative Hearings
Merritt Dublin
816 W. Bannock St., Suite 203
P.O. Box 83720
Boise, ID 83720-0104
Hearing Officer

- U.S. Mail, postage prepaid
- Email: filings@oah.idaho.gov
merritt.dublin@oah.idaho.gov
elaine.maneck@oah.idaho.gov

Snake River Oil & Gas LLC
c/o Michael Christian
Hardee, Pinol & Kracke PLLC
1487 S. David Lane
Boise ID 83705
Counsel for Applicant

- U.S. Mail, postage prepaid
- Email: mike@hpk.law

Idaho Department of Lands
John Richards
300 N. 6th Street
Boise, ID 83720
Counsel for IDL

- Hand Delivery
- Email: jrichards@idl.idaho.gov

James Thum
Idaho Department of Lands
PO Box 83720
Boise ID 83720-0050
IDL Program Manager, Oil and Gas

- Hand Delivery
- Email: jthum@idl.idaho.gov

Kourtney Romine
Idaho Department of Lands
PO Box 83720
Boise ID 83720-0050
IDL Workflow Coordinator

- U.S. Mail, postage prepaid
- Email: kromine@idl.idaho.gov

Patti Nitz
Payette County Planning and Zoning
1130 3rd Ave. N. # 107
Payette, ID 83661
Payette County

- U.S. Mail, postage prepaid
- Email: pnitz@payettecounty.org

City of Fruitland
Attn: Stuart Grimes – City Administrator
P.O. Box 324
Fruitland, ID 83619
Unleased

- U.S. Mail, postage prepaid
- Email: sgrimes@fruitland.org

Fern Marie Robinette
1255 Allen Ave, Apt. 104
Fruitland, ID 83619
Unleased

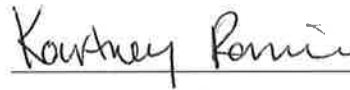
U.S. Mail, postage prepaid
Email:

Robert and Sue Hewett
1400 N. 8 Avenue
Payette, ID 83661
Unleased

U.S. Mail, postage prepaid
Email:

Anadarko Land Corp
Attn: Dale Tingen
1201 Lake Robbins Dr
The Woodlands, TX 77380
Unleased

U.S. Mail, postage prepaid
Email:



Kourtney Romine
IDL Workflow Coordinator