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BEFORE THE IDAHO DEPARTMENT OF LANDS

In the Matter of the Application of Snake River Oil and Gas, LLC, for an Order Integrating Unleased Mineral Interest Owners in the Spacing Unit Consisting of the SE ¼ of Section 15, the E ½ of the SW ¼ of Section 15, and the NE ¼ of Section 22, Township 8 North, Range 5 West, Payette County, Idaho.

AGENCY Case No. CC-2025-OGR-01-005

OAH Case No. 25-320-OG-04

IDAHO DEPARTMENT OF LANDS' PREHEARING STATEMENT

The Idaho Department of Lands (“IDL”), by and through its counsel of record, Kayleen Richter, submits the following prehearing statement in accordance with the *Scheduling Order* dated November 4, 2025. This matter is scheduled for a contested case hearing on December 17, 2025, at 11:00 a.m. MDT located at the Fruitland City Hall Council Chamber. IDL concurrently submits its disclosure of witnesses, its exhibit list, and its proposed exhibits for hearing.

I. BACKGROUND

On September 30, 2025, Oil and Gas Division Administrator Shannon Chollett issued a *Final Order Establishing Spacing Unit* in Agency Case No. CC-2025-OGR-01-002 (“Spacing Unit Order”).¹ The *Spacing Unit Order* approved the creation of a spacing unit proposed by Applicant Snake River Oil and Gas (“SROG”) subject to the following conditions:

1. This order approving the spacing unit shall allow for only one well within the unit.

¹ One can access a copy of the Division Administrator’s *Spacing Unit Order* on the OGCC website here: https://ogcc.idaho.gov/wp-content/uploads/2025.10.03_Final-Order-CC-2025-OGR-01-002-amended-service-list.pdf.

2. The spacing unit be amended to 400 acres, consisting of the SE ¼ of Section 15, the E ½ of the SW ¼ of Section 15, and the NE ¼ of Section 22, Township 8 North, Range 5 West, Canyon County, Idaho, as further described at Exhibit A.
3. Setbacks shall be 330 feet from the closest exterior geographic boundary of the unit as described in I.C. § 47-317(3)(a)(i).
4. The spacing unit will expire 90 days after final plugging and reclamation has been completed, inspected, and approved by IDL.

Spacing Unit Order, 6.

On September 29, 2025, likely in anticipation of the *Spacing Unit Order* as the SROG spacing unit application was unopposed, SROG filed an application to integrate unleased mineral interest owners in the above described 400-acre unit (“Integration Application”). SROG attached Exhibits A-G in support of its *Integration Application*. SROG identified these exhibits as follows:

- Exhibit A: Plat map with uncommitted tracts numbered
- Exhibit B: Spreadsheet listing tract owners indexed to plat, and resume of efforts
- Exhibit C: Declaration of Richard Brown
- Exhibit D: Proposed form of JOA
- Exhibit E: Form of offer letter
- Exhibit F: Declaration of Wade Moore, III
- Exhibit G: Affidavit of Publication of notice of intent to develop

Integration Application, 9. On October 10, 2025, IDL responded to the *Integration Application* requesting that SROG provide additional information to clarify certain parts of the application as submitted. IDL requested that SROG submit “The Notice of Service list for the subject Docket, including addresses of noticed parties, and copies of the certified mail receipts as required by Idaho Code § 47-328(3)(b).” *Idaho Department of Lands Response to Integration Application*, 1. Between September 29, 2025 and October 20, 2025 SROG provided IDL with copies of its certified mailing receipts, certified pre-filing mailing receipts, an affidavit of publication for a post-filing notice of application, a mailing list for post-filing mailing, and certified post-filing mailing receipts.

On October 14, 2025, IDL received a letter from Shane DeForest responding to the *Integration Application*. In his letter Mr. DeForest expressed that his mineral rights had already been leased to “AM Idaho, LLC.” It is counsel’s understanding that AM Idaho, LLC is an entity

connected to an operator known as Alta Mesa, which was a predecessor to SROG. However, Mr. DeForest's property is identified as Tract #150 on SROG's resume of efforts with the status of "REFUSED." *Integration Application*, 46. SROG may wish to provide additional clarification regarding Mr. DeForest's property at hearing. To date, IDL has not received any additional public comment on this matter.

On October 23, 2025, the Division Administrator entered an *Order Referring Matter to the Office of Administrative Hearings* with attached Exhibit A (*Integration Application*), Exhibit B (application fee payment receipt), and Exhibit C (OAH Transmittal Sheet). In response, on October 24, 2025, the Office of Administrative Hearings ("OAH") issued a *Notice of Appointment of Hearing Officer*, appointing Administrative Law Judge W. Scott Zanzig as the hearing officer presiding over this matter. That same day Hearing Officer Zanzig issued a *Notice of Scheduling Conference* calling for a scheduling conference to be held on November 3, 2025.

On October 30, 2025, Citizens Allied for Integrity and Accountability, Inc. ("CAIA"), Julie Fugate, Darleen Walker, Sharon Harmon, Doris Craig, Larry Morris, Charlene Gomez, and John Sandquist filed their objections to the *Integration Application* through their counsel James M. Piotrowsi.

The scheduling conference proceeded as scheduled on November 3, 2025. The applicant, the objectors, and IDL all appeared represented by counsel. During the scheduling conference, the Hearing Officer set deadlines for prehearing submittals and scheduled an evidentiary hearing for this matter to be held on December 17, 2025 at Fruitland City Hall Council Chamber. The Hearing Officer issued a *Scheduling Order* memorializing these dates on November 4, 2025. On November 19, 2025, SROG moved the Hearing Officer to determine that CAIA is not a party to this proceeding. IDL does not object to SROG's motion. To date, IDL has not been served a copy of any response from CAIA to SROG's motion, if any was made.

II. LEGAL STANDARD

A. Procedural requirements for an application for integration of a spacing unit.

Idaho Code § 47-328(3) provides procedural requirements for an application for integration of a spacing unit including to whom and how the applicant must provide notice of the application and who may raise objections or responses to the application. An applicant must, within 7 days of filing the application, “send a copy of the application and supporting documents to all known and located uncommitted mineral interest owners, all working interest owners within the proposed spacing unit, and the respective city or county where the proposed unit is located.” Idaho Code § 47-328(3)(b). Such notice must also include the prospective hearing date on the application. *Id.* If any uncommitted or working interest owners cannot be located, “an applicant shall publish notice of any application for an order, notice of hearing and response deadline once in a newspaper of general circulation in the county in which the affected property is located and request the department publish notice on its website within seven (7) days of filing of the application.” *Id.*

Finally, once an application has been filed, “[o]nly an uncommitted owner in the affected unit may file an objection or other response to the application, and the uncommitted owner shall file at least fourteen (14) days before the hearing date provided in the notice.” *Id.* An owner is defined as “the person who has the right to drill into and produce from a pool and to appropriate the oil and gas that he produces therefrom[.]” Idaho Code § 47-310(27). Uncommitted owner is further defined as “an owner who is not leased or otherwise contractually obligated to the operator.” Idaho Code § 47-310(35).

B. Substantive requirements for integration of a spacing unit.

Pursuant to the Idaho Oil and Gas Conservation Act (“the Act”), the Idaho Oil and Gas Conservation Commission (“OGCC”), through IDL as its administrative instrumentality, has the authority and duty to “regulate the exploration for and production of oil and gas, to prevent waste of oil and gas, [and] to protect correlative rights.” I.C. §§ 47-314(6), 47-315(1). Prevention of waste is paramount under the Act. I.C. § 47-315(1). As it relates to gas production, waste is defined as “production of gas in quantities or in such manner as will unreasonably reduce reservoir pressure or unreasonably diminish the quantity of oil and gas that might ultimately be

produced[.]” I.C. § 47-310(36)(a). A correlative right is defined as “the opportunity of each owner in a pool to produce his just and equitable share of oil and gas in a pool without waste.” I.C. § 47-310(8).

Put differently, the Act requires IDL to regulate oil and gas development “in such a manner as to avoid the drilling of unnecessary wells or incurring unnecessary expense and in a manner that allows all operators and royalty owners a fair and just opportunity for production and the right to recover, receive and enjoy the benefits of oil and gas... while also protecting the rights of surface owners.” I.C. § 47-315(2).

Ordering the integration of tracts or mineral interests within a spacing unit is an integral component of oil and gas regulation. I.C. § 47-320. Integration allows separate tract or mineral interest owners within a unit to participate in the risks and rewards of the development and production of a pool. *Id.* “‘Forced integration’ ... is the remedy that permits development of the drilling unit in the event that the mineral-interest owners cannot agree to pool voluntarily.” *Gawenis v. Arkansas Oil & Gas Commission*, 464 S.W.3d 453, (Ark. 2015) (citation omitted). The state’s integration procedures “constitute a proper exercise of its police power” ... to protect “property rights by requiring a just, orderly, and efficient process for neighbors to extract common resources.” *Kerns v. Chesapeake Exploration, L.L.C.*, 762 Fed. Appx. 289, 297 (6th Cir. 2019) (citations omitted). “Each landowner’s property interest in the minerals remains intact; it is simply regulated.” *Id.* (citation omitted). To summarize, IDL must enable the development of hydrocarbon resources, protect and enforce the property rights of owners *and* producers; and, in doing so, prevent the waste of hydrocarbon resources. I.C. §§ 47-311, 47-312.

The Legislature’s instruction to IDL regarding its authority to regulate all integrated owners and producers includes the following directive:

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. The department, as a part of the order establishing a spacing unit, may prescribe the terms and conditions upon which the royalty interests in the unit shall, in the absence of voluntary agreement, be deemed to be integrated without the necessity of a subsequent separate order

integrating the royalty interests. Each such integration order shall be upon the just and reasonable terms and conditions set forth in this section.

I.C. § 47-320(1) (emphasis added). The “terms and conditions set forth in this section” include providing mineral interest owners with three options for participating in the drilling, equipping and/or operation of a well on the spacing unit: (1) as a working interest owner, (2) as a nonconsenting working interest owner, or (3) the base entitlement. I.C. § 47-320(3). The section also delineates the requirements for the contents of an application for an integration order, limiting the application to substantially containing the following:

- (a) The applicant's name and address;
- (b) A description of the spacing unit to be integrated;
- (c) A geologic statement concerning the likely presence of hydrocarbons;
- (d) A statement that the proposed drill site is leased;
- (e) A statement of the proposed operations for the spacing unit, including the name and address of the proposed operator;
- (f) A proposed joint operating agreement;
- (g) A list of all uncommitted owners in the spacing unit to be integrated under the application, including names and addresses;
- (h) An affidavit indicating that at least sixty-seven percent (67%) of the mineral interest acres in the spacing unit support the integration application by leasing or participating as a working interest owner;
- (i) An affidavit stating the highest bonus payment paid to a leased owner in the spacing unit being integrated prior to filing the integration application; and
- (j) A resume of efforts documenting the applicant's good faith efforts on at least two (2) separate occasions within a period of time no less than sixty (60) days to inform uncommitted owners of the applicant's intention to develop the mineral resources in the proposed spacing unit and desire to reach an agreement with uncommitted owners in the proposed spacing unit. Provided however, if any owner requests no further contact from the applicant, the applicant will be relieved of further obligation to attempt contact to reach agreement with that owner. At least one (1) contact must be by certified U.S. mail sent to an owner's last known address. If an owner is unknown or cannot be found, the applicant must publish a legal notice of its intention to develop and request that the owner contact the applicant in a newspaper of general circulation in the county where the proposed spacing unit is located. The resume of efforts should indicate the applicant has made reasonable efforts to reach an agreement with all uncommitted owners in the proposed spacing unit. Reasonable efforts are met by complying with this subsection.

I.C. § 47-320(4).

If an operator cannot show that it has the consent of, or has obtained leases from, at least sixty-seven percent (67%) of the mineral interest acres per Idaho Code § 47-320(4)(h), an

operator may still apply for an integration order if the operator meets certain additional conditions. Idaho Code § 47-320(6) states:

An operator who has not been able to obtain consent from sixty-seven percent (67%) of the mineral interest acres in the spacing unit may nevertheless apply for an integration order under this section if all of the conditions set forth in this subsection have been met. The department shall issue an integration order, which shall affect only the unit area described in the application, if it finds that the operator has met all of the following conditions:

- (a) The operator has obtained consent from at least fifty-five percent (55%) of mineral interest acres;
- (b) The operator has negotiated diligently and in good faith for a period of at least one hundred twenty (120) days prior to his application for an integration order; and
- (c) The uncommitted owners in the affected unit shall receive from the operator mineral lease terms and conditions that are no less favorable to the lessee than those set forth in section 47-331(2), Idaho Code.

I.C. § 47-320(6) (emphasis added). Idaho Code § 47-331(2) obligates a lessee to make royalty payments of no less than twelve and one-half percent (12.5%) of the oil and gas liquids “produced and saved” and requires royalty be due on “all production sold from the leased premises except on that consumed for the direct operation of the producing wells and that lost through no fault of the lessee.” I.C. § 47-331(2).

Finally, Idaho Code § 47-320 sets forth the effective term of an integration order, clarifies that the entry of an integration order does not restrict a mineral interest owner from pursuing certain damages claims against the operator, and provides that the procedures set forth in Idaho Code § 47-328 govern applications for integration, as outlined in section II.A. above. I.C. §§ 47-320(7), 47-320(8), 47-320(9).

III. ANALYSIS

Unless relevant conflicting evidence or testimony is presented at the evidentiary hearing, IDL’s position is that SROG’s application for the entry of an integration order should be granted. SROG’s application, the attached declarations and exhibits, and the additional certified mail information and receipts produced in response to IDL’s request present sufficient evidence to find and conclude that SROG has met the necessary statutory conditions triggering the requirement for IDL to issue an integration order.

A. SROG's application appears to meet the procedural requirements for integration of a spacing unit.

Upon review of SROG's application materials, including the affidavits of publication and the certified mail receipts, IDL believes that SROG has satisfied the procedural requirements of Idaho Code § 47-328.

B. SROG's application appears to meet the substantive requirements for integration of a spacing unit.

Upon review of SROG's application materials including the supporting exhibits and affidavits, IDL believes SROG has met the necessary statutory conditions set forth in Idaho Code § 47-320. On pages 1 through 8 of SROG's application, SROG marches through a narrative of its compliance with the application content requirements outlined in Idaho Code § 47-320(4). Unless otherwise mentioned below, IDL agrees with SROG's narrative explanation of its compliance with the substantive requirements for integration of a spacing unit. Further, IDL agrees that the evidence SROG relies on in support of its narrative does indeed support its compliance.

The application narrative (*Integration Application*, 3), the Declaration of Richard Brown (Exhibit C to *Integration Application*), and the tract list/resume of efforts (Exhibit B to *Integration Application*) demonstrate that SROG does not meet the requirement of 67% of acreage support. However, the same materials support that SROG has greater than 55% acres leased (at time of application, approximately 61.10%) in compliance with Idaho Code § 47-320(6)(a). *Integration Application*, 3. To support the assertion that it negotiated diligently with mineral interest owners for at least 120 days prior to the application in compliance with Idaho Code § 47-320(6)(b), SROG relies on the resume of efforts (Exhibit B to *Integration Application*), the Declaration of Richard Brown (Exhibit C to *Integration Application*), and the Declaration of Wade Moore, III (Exhibit F to *Integration Application*). *Integration Application*, 4. Finally, in its application narrative SROG requests that the uncommitted mineral interest owners receive terms and conditions no less favorable than those set forth in Idaho Code § 47-331(2), demonstrating compliance with Idaho Code § 47-320(6)(c). *Integration Application*, 6.

Although IDL's overall review of the application materials leads IDL to conclude that all appears to be in order, IDL does have a couple of concerns that SROG may wish to address at hearing. First, in paragraph 5 on page 2 of the Declaration of Richard Brown (Exhibit C to the *Integration Application*), Mr. Brown states:

The highest bonus payment made to lease mineral interest owners in the subject spacing unit prior to filing this integration application is \$150 per net mineral acre. Only one large acreage mineral interest owner in the unit is leased at greater than 1/8 royalty. All the other one hundred and seventy-five (175) plus leases in the spacing unit have a 1/8 royalty.

Integration Application, 66 (emphasis added). This paragraph appears to demonstrate compliance with Idaho Code § 47-320(3)(c)(i) (requiring an operator to compensate owners with a minimum one-eighth (1/8) royalty). Idaho Code § 47-320(3)(c)(iii) requires that an operator of an integrated unit "shall pay such owner the highest bonus payment per acre that the operator paid to another owner in the spacing unit prior to the filing of the integration application." IDL notes that in SROG's application narrative, SROG purports to demonstrate compliance with Idaho Code § 47-320(4)(i) by explaining that "**Exhibit C**, the Declaration of Richard Brown, sets forth that the highest bonus paid in the subject spacing unit by Applicant prior to filing the application is \$150.00 per net mineral acre." *Integration Application*, 3 (emphasis in original). Without additional information regarding the "one large acreage mineral interest owner in the unit [who] is leased at greater than 1/8 royalty" IDL has reservations regarding whether SROG has sufficiently shown the mineral interest owners will receive the "highest bonus payment per acre" that SROG "paid to another owner in the spacing unit prior to the filing of the integration application."

Second, while reviewing the application IDL recognized that SROG intends to compensate mineral interest owners with a bonus of \$150.00 per net mineral acre *See e.g., Integration Application*, 3. However, IDL did not find mention of how SROG intended to compensate any mineral interest owner in the unit who owns less than one (1) acre. At hearing, SROG may wish to provide additional information on this point.

IV. CONCLUSION

IDL recommends that the Hearing Officer find and conclude that SROG's application meets the relevant statutory requirements and that an integration order should be entered consistent with the terms, conditions, and statutory requirements set forth in Idaho Code §§ 47-320, 47-331, and 47-328. Integration of the mineral interests in this spacing unit would enable the development of hydrocarbon resources, protect and enforce the property rights of owners and producers, and would prevent the waste of hydrocarbon resources.

DATED this 3rd day of December 2025.

IDAHO DEPARTMENT OF LANDS



Kayleen R. Richter

Attorney for Idaho Department of Lands

CERTIFICATE OF SERVICE

I hereby certify that on this 3rd day of December 2025, 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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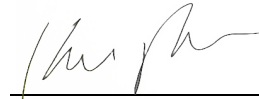
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