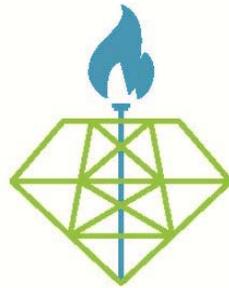




Winter in Boise, Idaho



IDAHO OIL & GAS CONSERVATION COMMISSION

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New Applications for Permit to Drill– ML Investments 2-3 and State 1-16

On October 28, 2015, Idaho Department of Lands (IDL) received an application for permit to drill the ML Investments 2-3 well in Payette County. On November 16, 2015, IDL received another application for permit to drill the State 1-16 (Big Willow Properties LLLP) well also in Payette County. This well is located in a section that includes state mineral ownership. Both applications also went to Payette County and IDWR for review and comments as well as posted on the IDL website for a 15 day comment period.

ML Investments 2-3 well was approved on November 24, 2015 and assigned US Well Number 11-075-20029. State 1-16 (Big Willow Properties LLLP) well was approved on December 3, 2015 and assigned US Well Number 11-075-20030.

Both applications are posted on the IDL Oil and Gas Regulatory Website along with their respective comments.

<http://www.idl.idaho.gov/oil-gas/regulatory/well-permits/index.html>

Producing Wells

The state of Idaho now has six producing wells:

<u>Well Name/ Number</u>	<u>US Well Number</u>	<u>Date Production Began</u>
State 1-17	11-075-20005	1/1/2014
ML Investments 1-10	11-075-20007	8/2/2015
ML Investments 1-11	11-075-20025	8/4/2015
Kauffman 1-9	11-075-20027	8/5/2015
ML Investments 2-10	11-075-20022	8/30/2015
Kauffman 1-34	11-075-20024	10/3/2015

Production Reports for the State 1-17 well can be found at the Idaho Geological Survey:
<http://www.idahogeology.org/DrawOnePage.asp?PageID=228>

Production reports for the other wells will not be available for public release until fall of 2016.

Of the 18 permitted wells in Idaho, all being in Payette County, six of the wells are currently producing. Nine wells are shut in pending a pipeline, and one is not yet drilled. The remaining two (ML Investments 1-3 and ML Investments 2-3) are currently being worked on.

On a separate note, the Smoke Ranch 1-20 permit expired on December 8, 2015 and no extension was asked for by Alta Mesa. That permit has now been cancelled and is no longer active.

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New Drilling Activity in Payette County



Left: Drill Rig at ML Investments 1-3

Bottom Right: Water Well Drill Rig after drilling the hole for conductor casing at ML Investments 2-3

Photos taken by: IDL RPA Bureau Chief Eric Wilson



The ML Investments 1-3 well was permitted in summer of 2014, and it was granted a six month extension in July of 2015. Alta Mesa began drilling this well in late November 2015 and Bureau Chief Eric Wilson witnessed the cementing of the surface casing. The production casing was cemented and similarly witnessed in mid--December.

The ML Investments 2-3 well, also started in late November 2015, with the conductor casing and cementation being completed. The conductor casing is about 100 feet deep, and as with many of the prior wells a water well drill rig was used. After the oil and gas drill rig is done with the ML Investments 1-3, it will move next door to the ML Investments 2-3 well and continue to drill the rest of that well.

Meet the Idaho Oil & Gas Conservation Commission—Commissioner Cellan



Commissioner Sid Cellan represents Landowners without Mineral Rights for the Commission. Mr. Cellan is owner and operator of Cellan Farms in Soda Springs and has been in the agriculture industry for 42 years. He served as President of the Idaho Grain Producers Association this past year and is currently serving as Past President. He is a member of the Lure Crop Advisory Board for Caribou County and a member of the Idaho Fish and Game Winter Feeding Advisory Board for the 5th District.

Mr. Cellan's hobbies include hunting, fishing, and collecting arrowheads. He especially enjoys spending time with his family.

Deputy Director-Diane French



Diane French is the new Deputy Director, Lands and Waterways Division for Idaho Department of Lands, starting in her new position November 8, 2015.

Within her new role, Diane administers both Resource Protection & Assistance as well as Endowment Leasing programs including Oil & Gas regulatory and Oil & Gas leasing.

Here are Diane’s thoughts regarding her promotion: “I am humbled and excited for this opportunity within a state agency that offers so much diversity in natural resource management. I am looking forward to the opportunity of developing Oil & Gas programs here in Idaho that promote conservation of resources and provide predictability for both industry developers and the citizens of Idaho.”

Diane has a strong background in natural resource management and supervision, promoting the protection and enhancement of long-term sustainable resources. Diane started her career with IDL in 2012 as a Lands Resource Specialist at the Southwest Area Office in Boise.

After one year, she took on the role of Program Manager for the Grazing, Agriculture, and Conservation endowment leasing programs at the Boise Staff Office. She detailed in the role of Southern Operations Chief, served on the 2015 Budget Review Committee, and is a current participant in the IDL Leadership Development Program.

She has taken an active role in improved decision making through stakeholder engagement and interagency collaborative projects including Greater Sage-grouse conservation projects, the Rangeland Drought and Wildfire Task Force, BLM/IDL Land Exchanges, and the Grazing Program Review and Business Plan. She will continue her role as a member of the Subcommittee Advisory Group for the Grazing Rate Methodology Review.

Prior to IDL, Diane worked as a soil technician for the Natural Resources Conservation Service in Idaho and Owyhee County, and as a biological technician for the US Fish and Wildlife Service and the US forest Service throughout Idaho. Diane graduated in 2008 from Oregon State University, College of Forestry, with a degree in Natural Resource Management & Conservation Policy.

Her first career was with United Airlines where she spent nearly 20 years in Airport Operations in Seattle as a Team Leader in employee supervision, project management, international carrier subcontracting, and customer service.

Update on Integration Applications

The first set of integration applications for Sections 14 and 19 in Payette County were withdrawn on October 30, 2015. On November 5, 2015, a new set was submitted with Docket Nos. CC-2015-OGR-01-003 and CC-2015-OGR-01-004. Responses from the mineral interest owners were received throughout November. At a December 17 OGCC Special Meeting, Tommy Butler was appointed to be the hearing officer for these integration proceedings.

Update on Application to Omit Federal Lands from Drilling Unit

On November 24, 2015, the BLM and Alta Mesa submitted a Joint Motion for Extension of Time in the Matter of Application to Omit Lands Owned by the Federal Government from the Drilling Unit Described as Section 3 Township 8 North, Range 4 West, B.M. Payette County, Idaho. Presiding Officer and Chairman to the Oil and Gas Conservation Commission, Chris Beck, approved the motion on December 1, 2015 and extended the filing deadlines to March 15, 2016. This application was submitted in November of 2013.

Severance taxes received so far in FY 2016

Idaho’s severance tax for oil and gas is 2.5% of the market value. These are distributed into the Oil and Gas Conservation Fund, the State Tax Commission refund account, the county in which the oil or gas was produced, the city in which the oil or gas was produced, the public school income fund and to the local economic development account. More information on the Oil and Gas severance tax can be found in Idaho Code § 47-330. The Idaho State Tax Commission releases a Comparative Statement for each month that shows the amount of taxes distributed. Those can be found at: <http://tax.idaho.gov/search-reports.cfm?ch=EPB00073>. Information on oil and gas can be found on pages 1, 2, and 7.

For Fiscal Year 2016*, the distribution of Oil and Gas Tax is as follows:

Conservation Fund	\$9,057.94
Tax Commission Refunds	\$0
City and County Share	\$3,381.62
Public Schools Fund	\$1,690.81
Local Economic Development	\$966.18

*as of November 2015

A trip to Utah

The Utah Board of Oil, Gas and Mining and the Utah Department of Natural Resources were gracious hosts to our small group from Idaho in December. Vice Chairman Margie Chipman and Commissioner Jim Classen were joined by Senator Abby Lee from District 9, Director Tom Schultz, Deputy Director- Lands & Waterways Diane French, Deputy Attorney General Kristina Fugate, and Public Information Officer Sharla Arledge. It was a full day of hearings on Wednesday, December 9th, two of which were oil and gas specific.

It was interesting to see the process the Utah Board follows and the level of participation of the Division staff. The Utah Board is made up of seven people: two knowledgeable in mining; two knowledgeable in oil and gas matters; one knowledgeable in ecological and environmental matters; one who is a private land owner who owns a mineral or royalty interest and is knowledgeable in those interests; and one member knowledgeable in geological matters. The Board has an attorney who advises them. Five of the seven board members were present and all were engaged in asking questions of industry representatives that went before them. The Board regularly makes decisions regarding projects worth billions of dollars.

The Division of Oil, Gas and Mining was represented at the hearing table by three staff members and its own attorney. Staff, through the attorney, asked detailed questions regarding geological data presented by industry representatives. In some instances staff had prepared memos with recommendations.

The Idaho delegation was able to spend time talking with Board members and staff during lunch and after the hearing and they have generously offered future assistance as we continue to research the next best steps for Idaho's growing Oil and Gas program.

The Board offered Idaho's Commission this advice:

1. Make sure companies aren't surprised; a lack of predictability will kill the industry. Everyone wants to know the rules of the game before they play and citizens appreciate predictability as well.
2. Make sure you have a fair hearing. Those involved want to be heard, they may not always be pleased with the decision, but can tolerate the decision if they were treated fairly.

The Commissioners have been given a copy of the Utah oil and gas statutes and rules to compare and contrast as OGCC and IDL moves forward in building a comprehensive framework for the regulation and development of the oil and gas industry that will benefit the state, the industry and local communities.

Right: Utah Board of Oil, Gas and Mining.

Photo taken by: IDL Public Information Officer Sharla Arledge



Left: (Front Row) Director Tom Schultz, Deputy Director Diane French, Idaho OGCC Commissioner Classen, (Second Row from the right) District 9 Senator Abby Lee, Idaho OGCC Vice Chairman Chipman and Deputy Attorney General Kristina Fugate

Photo taken by: IDL Public Information Officer Sharla Arledge

Oil and Gas Term- Casing

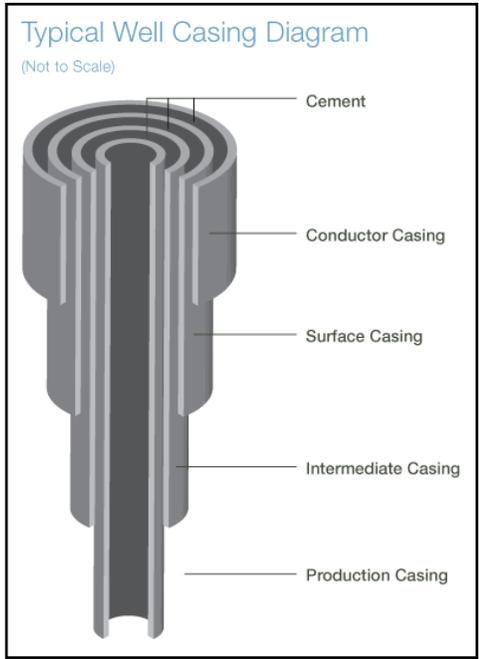
In order to complete a well, steel casings must be placed in the drill hole and cemented into place. This seals the well casing to the surrounding rocks, and prevents the uncontrolled vertical migration of fluids. The cement thus conserves oil and gas by preventing its loss to other zones that have been drilled through, and it protects fresh waters by preventing interaction between water aquifers and oil and gas production zones. The inside of the well casing can then be used to produce the oil and gas in a controlled manner. Casing is assembled from sections that are usually 40 feet long and screwed together, and several attached sections are called a string. Overlap between casing strings is required to ensure a good seal between the strings.

Conductor Casing - The conductor casing is the first string of casing run and it has the largest diameter. This casing extends from the land surface to a depth great enough to keep surface waters from entering the hole, prevent loose surface sediments from falling into the hole, and to provide anchorage for the diverter system prior to setting surface casing. This is usually the string onto which the casing head is installed. This string is cemented to the surface.

Surface Casing - The surface casing is the next casing string that is installed. The blow out prevention equipment is anchored to this casing, and the casing seals out fresh water zones that may be used for water wells. Surface casing also often extends down into a strong, impermeable layer to ensure isolation of downhole oil and gas activities from fresh water zones, and to provide a solid anchor for the blow out prevention equipment. This string is also cemented to the surface.

Intermediate Casing - An intermediate casing may be used between the surface casing and the final production casing. The casing is generally set in place after the surface casing and before the production casing. The purpose of intermediate casing is to seal the well bore below the surface casing and above the anticipated bottom hole depth. This can isolate unstable hole sections, lost-circulation zones, low-pressure zones, and production zones. Some wells require multiple intermediate strings, especially deep wells.

Production Casing- The production casing is the innermost casing string and is set through the producing interval. The primary completion components are installed in this casing. Production casing will also contain fluids if tubing leaks, and it will keep downhole activities such as well treatments and hydraulic fracturing isolated to the target intervals. A good primary cement job is very critical for this string to prevent the uncontrolled movement of deep fluids to the surface.



Merry Christmas

Previous newsletters and additional information can be found on the IDL oil and gas website: <http://www.idl.idaho.gov/oil-gas/regulatory/index.html>

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Other News

At the December 17, 2015, Oil and Gas Conservation Commission Special Meeting, the Commission approved the start of monthly meetings in January 2016 to take place on the third Thursday of each month at 10:00am (MT). Schedule for these meetings is posted on the IDL Oil and Gas Commission Website.

<http://www.idl.idaho.gov/oil-gas/commission/index.html>

Questions submitted by the attendees of the August 10th Oil and Gas Open House in Payette are now posted on the IDL Oil and Gas page at:

<http://www.idl.idaho.gov/oil-gas/index.html>

Income to the Oil and Gas Conservation Fund fiscal year to date is just over \$9,000. This revenue is generated by a severance tax on all oil and gas that is produced and sold, and the tax is paid quarterly. The gas processing plant started in August, and producing wells were gradually turned on through October. As a result, more income is expected at the end of the second quarter, which is also the end of calendar year 2016.

