



## OPINION

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### **Unique Opportunity Ahead**

*By Idaho Oil and Gas Conservation Commission*

*Chairman Chris Beck, Vice Chairman Margaret Chipman, Jim Classen, Ken Smith, and Sid Cellan*

This past year has been a time of expansion for Idaho's oil and gas activity, but also a time of reflection for Idaho's Oil and Gas Conservation Commission. As Commissioners we have the unique opportunity to build a comprehensive framework for oil and gas regulation and development.

Idaho's oil and gas industry is still in the wildcat stage, which is the exploration of oil and natural gas wells drilled in areas with no known or historic production records. Idaho's natural gas production began in 2013. Compare that to some of our neighboring oil and gas producing states: Colorado – 1861, Montana – 1920's, Wyoming – early 1940's, and Utah – 1948.

Here are some of the highlights in Idaho over the past year:

- Alta Mesa finished its oil and gas processing facility and pipeline infrastructure to wells it had previously drilled. These are multimillion-dollar investments; the pipelines alone were a \$35 million investment.
- Six wells are now producing. Five went on line between August and October of 2015 with gas and condensate going to the processing facility. Additional permitted and drilled wells may be on line in 2016.
- Just a few weeks ago Alta Mesa began drilling two new wells.

Commission members take our responsibilities seriously. We are looking to and talking with more mature oil and gas producing states. We want to use the best statutes, rules and practices while avoiding difficult lessons learned by others. As part of this process, Commissioners recently went to Utah to observe Board of Oil, Gas and Mining hearings. The delegation spent time talking with Board members and staff and will continue to use them as a resource. Idaho Department of Lands staff is discussing with the Interstate Oil and Gas Compact Commission, made up of oil and gas producing states, the potential to have a peer review of Idaho's statutes and rules. Both legislators and industry are supportive of our efforts.

Senator Abby Lee (R) District 9 - "I believe oil and gas production can bring huge benefits to the people of my district and to the people of Idaho if we have the right policies in place. I am pleased the Commission and Department of Lands is concerned about developing the program the right way. It is

especially encouraging to know they are reaching out to other more mature oil and gas producing states to learn what has worked and what Idaho should consider.”

Idaho Petroleum Council President Suzanne Budge - “Fully developing the resource is of benefit to all – mineral interest owners get royalties, the state gets severance fees and in some cases royalties, Idaho gets high paying jobs, and energy is homegrown, leading to state self-sufficiency and more independence as it pertains to energy.”

There have been some staff changes this past year at the Idaho Department of Lands, with a new Bureau Chief in place and a hiring process underway for a new Oil & Gas program manager. With the combination of new IDL staff and the extensive research that is underway, the Commission and IDL will not bring forward any statute or rule changes this legislative session. We expect others might bring forward legislation to expedite time frames on applications and clarify informal adjudicative procedures.

Building a strong, comprehensive framework for oil and gas regulation and development will benefit the state, the industry, and local communities. What we hear from industry and citizens is the desire for predictability and consistency.

Idaho has already seen millions of dollars in oil and gas lease bonuses, and now royalties and severance taxes are being generated. Approximately \$11,000 in royalties has been received on endowment lands, with about half coming in with the new well production since August. The first couple months of new production also brought in \$15,000 in severance taxes, with more than \$9,000 going into the Oil and Gas Conservation fund. With lack of historical data, we don’t yet know how big of an industry this will be for Idaho.

As the Idaho Oil and Gas Conservation Commission moves forward in this new frontier, we are committed to executing our statutory responsibilities regulating the oil and gas industry in a way that brings predictability for industry, mineral rights owners and the people of Idaho, while ensuring the conservation of oil and gas and the protection of surface and groundwater.

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*The Idaho Oil and Gas Conservation Commission regulates the exploration, drilling and production of oil and gas resources to ensure the conservation of oil and gas and the protection of surface and groundwater. The IDL serves as the administrative arm of the Commission. <http://www.idl.idaho.gov/oil-gas/commission/index.html>*