

# **Independent - Enterprise**

## **Discussion remains civil at town hall meeting**

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FRUITLAND — In the first part of our coverage of the Idaho Oil and Gas Conservation Commission’s first Payette County town hall since 2019, Administrator Mick Thomas explained some of the recently approved changes to oil and gas exploration and extraction rules to a full house at Fruitland City Hall on April 12. He said changes include minimum royalty payments for those integrated into a unit, new rules on how operators may sell company property, and requirements that monthly production, gathering facility data, gas processing plant data, monthly transportation and storage and monthly end purchaser data be reported on forms prescribed by the Idaho Department of Lands.

Prior to fielding questions from attendees, Thomas explained the integration process like this:

“Essentially, here is a unit. Let’s say that 640 acres; The operator comes to us and says, ‘We think ... there is a pool [of a certain size] within this unit. And they give us a lot of geologic evidence confirming that pool is completely encased in this unit’ or demonstrating why the unit needs to be expanded under present mapping

From there, state officials verify the operators’ work before verifying whether the operator has documented the needed 67% of land owners within the unit have voluntarily leased the mineral interests to their lands.

“Nationwide, that’s how it works,” said Thomas. “If they can’t get 67%, then they have to go through an extra due diligence process [over the next six months] and they have to try harder to get these folks. If they cant, then we can consider an integration where 55% of the mineral interest acreage is leased.”

In every case, a majority of owners is required, with Thomas noting that is also nationwide. Thomas noted that owners in opposition cannot simply stop those wishing to support extraction from doing so, as trying to prevent the latter from using their property for their own benefit would be unconstitutional.

“The correlative rights of the majority are paramount.”

As such, under statutes approved by the Idaho Legislature this year, integrated owners get paid at the same rate the state is paid by operators: A minimum of 1/8 royalties. With that in mind, Thomas added that such owners can volunteer to lease mineral rights and negotiate a higher royalty rate with the operator.

Among attendees was local sports coach and businessman, retired NFL player Jordan Gross. He pointed out a lack of clarity in House Bill 120, in whether mineral owners are paid from gross or net profits.

“We’re in an integrated tract, we’re currently going through that process with you,” said Gross. “We’re actually going through the just and reasonable terms ... Our neighbors, the majority says we’re doing business with Snake River [Oil and Gas], and that’s what we’re doing, right? Our interest is piqued and I have dove in pretty heavily with our legal representation about what kind of deal we’re getting.”

Gross said he has learned that the state has land in the same unit he is integrated into, and that they get 12.5% of gross proceeds before processing while he has observed he is getting 12.5% of net proceeds.

“We did more records requests on the checks that the state’s got, to try and cover our tracks. A whole bunch of information ironically from the city of Fruitland came back clear ... and the state was redacted with the amounts received, and the breakdown on the pay stubs.”

Thomas told Gross that integrated owners are supposed to get the same amount in royalties as the state, under the new “just and reasonable factors” guidelines passed this year.

Another attendee asked about their right to reject an operator’s request to place surface pipelines along their properties. Thomas said that while operators could push to place such lines, they typically avoid negative publicity by not pushing for such arrangements.

Nonetheless, he urged concerned citizens to keep in touch with their elected officials to express such concerns.

“It would be a pretty high bar for any operator to come to me and say ‘No, we have to run a line right across [somebody’s] property, right? Money can move things around, it can be done.’”

A further concern was raised by a resident who asked how many wells can be placed in any given pool.

“They try to put their well in the best spot first to extract the hydrocarbon the most efficiently,” Thomas said. “In Idaho, you are only allowed to use one well per pool to maximize the effective draining of the pool.”

He said that in his time, he has yet to see a scenario where two wells were needed to drain a pool.

In 2022, the state got \$240,000 in royalties and \$77,000 in taxes. The city of Fruitland received \$110,000 in royalties, while Payette County’s coffers received \$83,000.

With this in mind, Thomas added that most operators work on a profit margin of up to 5%.

Noteworthy is that according to Fruitland City Administrator Stuart Grimes, the city's mineral rights to four parcels in the north end of town were force pooled. These include the present site of the city's water treatment plant.

Thomas said he expects a "good chunk" of money from extraction activities to go into the state's General Fund. He further noted that the Idaho Constitution requires officials to maximize revenues for the state's endowment fund.

With that in mind, Thomas said the state can intervene during evidentiary hearings in cases where an immediate danger to the environment is present. He also said that House Bill 120 changes surface bond requirements for operators from a flat \$6,000 to a minimum of \$6,000.

"An appropriate bond can be determined through the integration process by the hearing officer. If there's damage to a home or a well, let's say a water well which is more realistic ... I know the county right now is evaluating ordinances to build in some detail for that protection. The hasn't gone into effect yet, but I know they've been talking about it as of the county commissioner meeting I was at on Monday."

In the event of water well damage, Thomas said operators may opt to rebuild or drill a new well. He did say, though, that in the event of damages, an operator does not typically end up buying out affected properties.

An example of a State Farm homeowners' insurance policy obtained by the newspaper on Wednesday states that "contaminants or pollutants resulting from any natural resource extraction activities" and "the cost to extract contaminants or pollutants from land, water, or air, or the cost to remove, restore, or replace contaminated or pollutant land" are not covered. Such exclusions are typical in general liability and property insurance policies, according to the National Association of Insurance Commissioners website.

In an email to the newspaper on Saturday, Shelley Brock, board president of Citizens Allied for Integrity and Accountability, said at least 93 Payette County residents have

formally objected to forced integration in recent years. She added all of them are members of her organization and that “the list continues to grow.”

Julie Fugate, a Citizens Allied board member, was present at the meeting. In an email to the newspaper on Thursday, Fugate said that the description Thomas gave of Snake River Oil and Gas was not entirely accurate.

“It is so frustrating to me when I hear this is a “new” company,” wrote Fugate. Richard Brown brought oil and gas here many years ago. He was a partner when it was called Alta Mesa. It is the same staff — Wade Moore, [Brown’s] right hand man; Michael Christian-attorney. Just a ‘new’ name.”

In a follow-up email on Saturday, Fugate added that her neighborhood is home to seven wells.

“California recently increased its setbacks to 3200’ for homes and schools, as a result of the harm caused by this industry. The Fallon well is within 3200’ of dozens of homes,” wrote Fugate. “The three Barlow wells are within 3200’ of hundreds of homes. Soak that in.”

In an email to the newspaper Tuesday, Ysabel Bilbao, a spokesperson for Snake River Oil and Gas, sought to clarify some of the points Thomas made.

“Snake River Oil + Gas carries extensive bonding and insurance,” wrote Bilbao. “We maintain \$600,000 in bonds for wells, \$10,000,000 in well insurance, \$550,000 in road bonds, \$25,000,000 in bonds and insurance for our Highway 30 treating facility and pipelines.”

And how are royalty amounts calculated?

“Royalties are based on the net mineral acreage owned by the landowner in a unit. The more acres someone owns in a unit, the more their royalties will be. Although it would be

inappropriate for us to share individuals royalty amounts, many owners receive checks up to thousands of dollars per month. Owners of very small parcels obviously will receive smaller royalties. As they are based on revenue, royalties also fluctuate based on commodity prices.”

Bilbao also sought to clarify Snake River staff’s involvement in the former Alta Mesa.

“Richard Brown never worked for Alta Mesa nor did he ever have any ownership or management involvement with Alta Mesa. His ownership in Snake River came before Alta Mesa’s involvement in Idaho. When Alta Mesa acquired the large interest of Bridge Resources in 2012, Mr. Christian and his prior law firm did provide legal services to it. He was never an employee of [Alta Mesa].”

She said the company is proud of having provided “quality jobs” in the area to allow employees to choose where they raise their families.

Despite the concerns raised, attendees remained civil in their conduct during the meeting. Thomas expressed gratitude to Fruitland city officials for permitting the use of city hall facilities for this town hall.