

STATE BOARD OF LAND COMMISSIONERS

August 20, 2024

Regular Agenda

Subject

Adoption of Pending Fee Rule, IDAPA 20.03.16 *Rules Governing Oil and Gas Leasing on Idaho State Lands*

Question Presented

Shall the Land Board adopt the pending fee rule for IDAPA 20.03.16?

Background

The Idaho Department of Lands (Department) administers an oil and gas leasing program on behalf of the State Board of Land Commissioners (Land Board) for state endowment lands and lands owned by other state agencies. These activities are authorized by Idaho Code Title 47, Chapter 8 – Oil and Gas Leases on State and School Lands. The adoption of related rules is authorized by Idaho Code § 47-802.

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled to be repealed and replaced in 2024 for review during the 2025 legislative session.

The Department received Land Board approval on January 16, 2024 to enter negotiated rulemaking.

Discussion

The Department's outreach for negotiated rulemaking included the following:

- Published the Notice of Negotiated Rulemaking in the Idaho Administrative Bulletin.
- Created a rulemaking webpage to post documents, scheduling information, and comments (<https://www.idl.idaho.gov/rulemaking/docket-20-0316-2401/>).
- Posted rulemaking notices to Townhall Idaho.
- Provided notice of negotiated rulemaking to stakeholders through email and direct communication.

Negotiated rulemaking meetings were held on March 28 and April 10, 2024. A total of one non-Department affiliated people attended these meetings.

Some discussion occurred regarding updating and clarification of rule language to reflect current industry language and practices. Written comments were received from the Idaho Conservation League and Snake River Oil and Gas. The Idaho Conservation League expressed concerns over the removal of certain rule sections relating to lease provisions. The Department chose not to remove the sections. Snake River Oil and Gas primarily suggested

changes to rule language to better the leasing of pooled or unitized acreages. The Department agreed the changes were appropriate.

A summary of negotiated rulemaking and submitted written comments is included as Attachment 1. No comments were received after publication of the Proposed Fee Rule (Attachment 2).

If approved by the Land Board, the Department will submit the Notice of Adoption of Pending Fee Rule (Attachment 3) to the Office of the Administrative Rules Coordinator for the 2025 legislative session.

Recommendation

Adopt the pending fee rule for IDAPA 20.03.16 *Rules Governing Oil and Gas Leasing on Idaho State Lands*.

Board Action

Attachments

1. Negotiated Rulemaking Summary
2. Notice of Rulemaking – Proposed Fee Rule with Rule Text
3. Draft Notice of Adoption of Pending Fee Rule

Negotiated Rulemaking Summary

IDAPA 20.03.16, Rules Governing Oil and Gas Leasing on Idaho State Lands

Docket No. 20-0316-2401

Following Executive Order 2020-01: Zero-Based Regulation, this rule chapter is scheduled for review during the 2025 legislative session.

IDAPA 20.03.16 provides guidance for oil and gas leasing on state lands. The proposed changes seek to comply with Executive Order 2020-01. The Department will begin the negotiated rulemaking process, including, but not limited to, legal and internal review of the rule, as well as review with stakeholders to ensure the rules provide appropriate guidance for lessees, interested parties, and the Department.

Negotiated rulemaking for these rules was approved by the Land Board on January 16, 2024. The Notice of Intent to Promulgate Rules – Zero-Based Regulation Negotiated Rulemaking was published in the Idaho Administrative Bulletin on March 6, 2024.

Stakeholder Outreach

The IDL's outreach for negotiated rulemaking included the following:

- Published the Notice of Negotiated Rulemaking in the Idaho Administrative Bulletin
- Created a rulemaking webpage to post documents, scheduling information, and comments (<https://www.idl.idaho.gov/rulemaking/docket-20-0316-2401/>)
- Posted rulemaking notices to Townhall Idaho
- Email and direct communication giving notice of negotiated rulemaking to stakeholders.

Negotiated Rulemaking Public Meetings

Negotiated rulemaking meetings were held on March 28 and April 10, 2024. A total of one, non-Department affiliated person attended these meetings.

Some discussion occurred regarding updating and clarification of rule language to reflect current industry language and practices.

Written Comments

Written comments were received from the Idaho Conservation League (ICL) and Snake River Oil and Gas. ICL expressed concerns over the removal of certain rule sections relating to lease provisions. Snake River Oil and Gas primarily suggested changes to rule language to better the leasing of pooled or unitized acreages.

These comments have been posted for public review.

Concluding Negotiated Rulemaking

IDL concluded the negotiated rulemaking process and submitted the rule changes for publication as a proposed rule in the July 3, 2024, edition of the Idaho Administrative Bulletin. Key documents from the rulemaking record are available at <https://www.idl.idaho.gov/rulemaking/docket-20-0316-2401/>, including research materials, and the proposed rule text in legislative format to allow the reader to easily identify changes.

Response to Comments on Negotiated Rule

IDAPA 20.03.16, Rules Governing Oil and Gas Leasing on Idaho State Lands

Comment	Rule Section	Response
Comment Highlight: “In order to preserve these important human health and environmental protections, we ask that Rule Subsections 58.02,03,06, and 08 be retained. Doing so retains the original intent of the Rules and avoids a scenario in which applicable Lease language is revised without public input to remove these protections.” Please visit rulemaking webpage for full comment.	50.01-04, 08-10	IDL reviewed and these sections were retained, with minor revisions for clarity.
Comment Highlight: “Rule 22.02.b and .c contain the concept of extension of the lease beyond the primary term through continuing operations or production. I think Rule 55.03.b needs to be made consistent with 22.02. The draft revised rules at 55.03.b as currently written obligate the lessee to drill continuously without reference to the primary or extended term. Continuous drilling isn't possible at the beginning of the lease, because the lessee still needs to conduct geophysical operations in order to determine where to drill. 22.02 and 55.03 also lack the concept of operations on or production from pooled or unitized acreage.” Please visit rulemaking webpage for full comment.	22.02.b,c 55.03.b	IDL reviewed and added language regarding pooled or unitized land to address this comment.

IDAPA 20 – IDAHO DEPARTMENT OF LANDS

20.03.16 – RULES GOVERNING OIL AND GAS LEASING ON IDAHO STATE LANDS

DOCKET NO. 20-0316-2401 (ZBR CHAPTER REWRITE, FEE RULE)

NOTICE OF RULEMAKING – PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Sections 58-104(6) and 58-105, Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing(s) concerning this rulemaking will be scheduled if requested in writing by twenty-five (25) persons, a political subdivision, or an agency, not later than July 17th, 2024.

The hearing site(s) will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

The Idaho Department of Lands initiated this rulemaking in compliance with [Executive Order 2020-01: Zero-Based Regulation](#) with the goal of simplifying and streamlining the rules for increased clarity and ease of use.

FEE SUMMARY: No changes have been made to any fees in this proposed rule. The exploration permit fee remains \$100 per linear mile or a minimum of \$100 per section. Nomination fees continue to be set by the State Board of Land Commissioners (Board), which a minimum of \$250 per tract. Processing fees continue to be set by the Board at a minimum of \$100 per each document.

FISCAL IMPACT: There is no negative fiscal impact on the state General Fund resulting from this rulemaking.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(1), Idaho Code, negotiated rulemaking was conducted. The Notice of Intent to Promulgate Rules - Negotiated Rulemaking was published in the March 6, 2024 Idaho Administrative Bulletin, [Vol. 24-3, pages 20-21](#).

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, the following is a brief synopsis of why the materials cited are being incorporated by reference into this rule: Not Applicable.

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance with technical questions concerning the proposed rule, contact Mike Murphy at (208) 334-0290 or mmurphy@idl.idaho.gov.

Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before July 24, 2024.

DATED this 3rd day of June, 2024.

Mike Murphy, Minerals Program Manager
Idaho Department of Lands
300 N. 6th Street, Suite 103
P.O. Box 83720 Boise, Idaho 83720-0050
Phone: (208)334-0290
Fax: (208)334-3698
rulemaking@idl.idaho.gov

THE FOLLOWING IS THE PROPOSED TEXT OF FEE DOCKET NO. 20-0316-2401
(ZBR Chapter Rewrite.)

20.03.16 – RULES GOVERNING OIL AND GAS LEASING ON IDAHO STATE LANDS

000. LEGAL AUTHORITY.

This Chapter is adopted under the legal authorities of Sections 58-104(1), 58-104(6), 58-104(9), 58-105, ~~and~~ 58-127, Idaho Code, ~~and~~; Section 58-307, Idaho Code; Title 47, Chapter 7, Idaho Code; Title 47, Chapter 8, Idaho Code, ~~and~~; ~~and~~ Title 67, Chapter 52, Idaho Code. (3-18-22)()

001. ~~TITLE AND SCOPE.~~

~~01. Title. These rules are titled IDAPA 20.03.16, “Rules Governing Oil and Gas Leasing on Idaho State Lands.”~~ (3-18-22)

~~02. Scope.~~ These rules apply to the ~~e~~E~~x~~ploration and extraction of ~~o~~O~~i~~l and ~~g~~G~~a~~s resources situated in state-owned ~~m~~M~~i~~neral ~~l~~L~~a~~nds. (3-18-22)()

~~03. Other Laws.~~ In addition to these rules, the ~~l~~L~~e~~ssee must comply with all applicable federal, state and local laws, rules, and regulations. ~~The violation of~~ Violating any applicable law, rule, or regulation may constitute a ~~breach of any violation of the l~~lease issued in accordance with these rules. (3-18-22)()

002. ADMINISTRATIVE APPEALS.

~~01. Appeal to Board.~~ All decisions of the Director are appealable to the Board. An aggrieved party desiring to take such an appeal must, within thirty (30) days after notice of the Director’s decision, file with the Director a written notice of appeal setting forth the basis for the appeal. (3-18-22)

~~02. Hearing.~~ The Board will hear the appeal at the earliest practical time, or in its discretion, appoint a hearing officer to hear the appeal, within sixty (60) days after filing of the notice of appeal. The hearing officer will make findings and conclusions that the Board may accept, reject or modify. The decision of the Board after hearing or upon a ruling concerning the hearing officer’s findings and conclusions is final. (3-18-22)()

~~03. Judicial Review.~~ Judicial review of the final decision of the Board will be in accord with the Administrative Procedure Act, Title 67, Chapter 52, Idaho Code, by filing a petition in the district court in Ada County, or the county where the Board heard the appeal and made its final decision, within thirty (30) days after notice of the Board’s decision. Service of the Board’s decision may be by personal service or by certified mail to the ~~l~~L~~e~~ssee. (3-18-22)()

003. -- 009. (RESERVED)

010. DEFINITIONS.

The terms Mineral Lands, Mineral, and Mineral Right are defined in Section 47-701, Idaho Code. The terms Casual Exploration and Motorized Exploration are defined in Section 47-703A, Idaho Code. The term Legal Subdivision is defined in Section 58-809, Idaho Code. In addition to the identified definitions in Idaho Code, the following definitions apply to these rules: ()

~~01. Board.~~ The Idaho State Board of Land Commissioners or its ~~authorized representative designee~~, or where appropriate, the state of Idaho. (3-18-22)()

- 02.** **Commission.** The Idaho Oil and Gas Conservation Commission. (3-18-22)
- 03.** ~~Collateral Surety Bond and Corporate Surety Bond. See Subsections 080.04.a. and 080.04.b.~~ (3-18-22)
- 043.** **Department.** The Idaho Department of Lands. (3-18-22)
- 054.** **Director.** The Director of the Idaho Department of Lands or ~~his authorized representative~~ their designee. (3-18-22)()
- 06.** ~~Discretion. Exercising authority to make a decision, choice or judgment without being arbitrary, capricious or illegal.~~ (3-18-22)
- 075.** **Exploration.** Activities related to the various geological and geophysical methods used to detect and determine the existence and extent of hydrocarbon deposits. (3-18-22)
- 086.** **Final Board Approval.** Approval of a HLease occurs after the HLease is signed by the Governor, ~~the~~ Secretary of State, ~~and the~~ Director, on behalf of the Board, after approval of the HLease by a majority of the Board. All approved HLeases must first be signed by the Lessee and then by the above-entitled state officials. (3-18-22)()
- 097.** **Lease.** A written agreement between the Department and a pPerson containing the terms and conditions upon which the Person will be authorized to use sState HLands. (3-18-22)()
- 10.** ~~Legal Subdivision. See Subsection 071.04.~~ (3-18-22)
- 1108.** **Lessee.** The pPerson to whom a HLease has been issued and his successor in interest or assignee(s). More than one (1) pPerson may be entered as an applicant on the application form but only one (1) pPerson ~~shall will~~ be designated in the application for HLease or assignment as the HLessee of record with sole responsibility for the HLease under these rules. (3-18-22)()
- 1209.** **Lessor.** The Board on behalf of the state of Idaho. (3-18-22)
- 13.** ~~Motorized Exploration Equipment. The equipment used in exploration that may appreciably disturb or damage the land or resources thereon as defined in Section 47-703(a), Idaho Code.~~ (3-18-22)
- 140.** **Natural Gas Plant Liquids.** Hydrocarbon compounds in raw gas that are separated as liquids at gas processing plants, fractionating plants, and cycling plants. Includes ethane, liquefied petroleum gases (propane and the butanes), and pentanes plus any heavier hydrocarbon compounds. Component products may be fractionated or mixed. (3-18-22)
- 151.** **Oil and Gas.** ~~Oil and gas means o~~ Oil or gas, or both. (3-18-22)()
- 162.** **Person.** An individual, corporation, partnership, limited liability company, association, trust, unincorporated organization or other legal entity qualified to do business in the state of Idaho, and any federal, state, county, or local unit of government. (3-18-22)()
- a.** ~~An individual of legal age;~~ (3-18-22)
- b.** ~~Any firm, association or corporation that is qualified to do business in the state of Idaho;~~ (3-18-22)
- c.** ~~Or any public agency or governmental unit, including without limitation, municipalities.~~ (3-18-22)
- 173.** **Production in Paying Quantities.** That gross income from oil and/or gas produced and saved (after deduction of taxes and royalty) that exceeds the cost of operation. (3-18-22)

184. State Lands. Lands, including the beds of navigable waters within Idaho in which the title to ~~m~~Mineral ~~r~~Rights is owned by the state of Idaho, that are under the jurisdiction and control of the Board or any other state agency. (3-18-22)(____)

195. Tract. An expanse of land representing the surface expression of the underlying ~~m~~Mineral estate, which includes oil and gas rights owned by the State, that: (3-18-22)(____)

a. May be identified by its public land survey system of rectangular surveys that subdivides and describes land in the United States in the public domain and is regulated by the U.S. Department of the Interior, Bureau of Land Management; (3-18-22)

b. Is of no particular size; (3-18-22)

c. Is a maximum size of six hundred forty (640) acres or one section, unless otherwise determined by the Director; (3-18-22)

d. May be irregular in form; (3-18-22)

e. Is contiguous; (3-18-22)

f. May lie in more than one township or one section; (3-18-22)

g. May have a boundary defined entirely or in part by natural monuments such as streams, divides, or straight lines connecting prominent features of topography; (3-18-22)

h. May include the ~~m~~Mineral estate beneath navigable waters of the State; and (3-18-22)(____)

i. May be combined with other ~~t~~Tracts to form a ~~l~~Lease. (3-18-22)(____)

~~011. — 014. (RESERVED)~~

015. CONTROL OF STATE LANDS.

~~The Director will regulate and supervise pursuant to law and these rules all state lands within the custody and control of the Board. State lands subject to the custody and control of other state agencies will be regulated and supervised by the respective agency in accord with state laws and rules; provided that any lease for oil and gas thereon complies with these rules.~~ (3-18-22)

016. WITHDRAWAL OF LANDS.

~~At any time prior to final Board approval of a lease, the Board reserves the right to withdraw state lands entirely from oil and gas leasing if consistent with its constitutional and statutory duties and in the state's best interests.~~ (3-18-22)

~~017. -- 019. (RESERVED)~~

020. QUALIFIED APPLICANTS AND LESSEES.

Any ~~p~~Person who ~~is not then in default of any contract~~ does not have a contract in default with the state of Idaho or any department or agency thereof is a qualified applicant and ~~l~~Lessee. ~~No member of the Board or employee of the Department~~ Neither Board members nor Department employees may take or hold such ~~l~~Lease. (3-18-22)(____)

021. EXPLORATION.

01. Written Permit Required. Any appreciable surface disturbing activity, including, ~~but not limited to, m~~ Motorized ~~e~~Exploration, on ~~s~~State ~~l~~Lands is prohibited, except ~~by~~ when a written exploration permit is received for exploration for a period of time as determined by the Director. This permit is in addition to any permit required by the Commission. (3-18-22)(____)

02. Permit Conditions. The Director will determine when the exploration permit expires. The permit ~~will~~ contains ~~such~~ conditions ~~as~~ that the Director determines will protect the existing surface uses and resources of the

~~s~~State. The permit applicant must pay ~~in advance~~ the fee required by Section 120 in advance of the permit being issued. (3-18-22)()

022. LEASE ACQUISITION PROCESS.

01. Acquiring a Lease. A ~~H~~lease may be acquired for the exclusive right and privilege to explore for and produce ~~e~~Oil and ~~g~~Gas by oral auction, online auction, or such other method of competitive bidding, which is authorized by the Board, in its and, based on the Board's discretion, determined to be in the state's best interest, of the state, and The Lease will be awarded to the winning bidder at close of auction. The winning bidder at auction will be issued the ~~H~~lease by the Department on the first day of the month following Final Board Approval. The Board and Department reserve the right to reject any or all nominations or bids, and expressly disclaim any liability for inconvenience or loss caused by errors that may occur concerning lease offerings. (3-18-22)()

02. Lease Provisions. (3-18-22)

a. Advance Annual Rental. The Lessee must pay to the state of Idaho an advance annual rental for each lease of three dollars (\$3) per acre with a minimum of two hundred fifty dollars (\$250) per ~~H~~lease. (3-18-22)()

~~b.~~ Diligent Drilling. Diligent and continuous drilling operations means no delay or cessation of drilling for a period greater than one hundred twenty (120) days, unless extended in writing by the Director. The Director must receive a written request for an extension at least ten (10) days prior to the expiration of the one hundred twenty (120) day period. (3-18-22)

~~eb.~~ Notification at End of Lease Period. The Lessee must notify the Director in writing prior to the expiration of the final year of his ~~H~~lease that drilling or reworking operations has commenced on the leased premises, or on lands pooled or unitized therewith, and will extend beyond the expiration date of the ~~H~~lease. Advance ~~A~~annual ~~R~~rental, in the amount required by per Section 022.a, for any additional and each succeeding year, must be received by the Department prior to the Lease's expiration date and entitles the Lessee to hold the ~~H~~lease only as long as drilling or rework operations are pursued in accord with these rules. There will be no refund of unused rental. (3-18-22)()

~~dc.~~ Abandonment. During any additional or succeeding year of any ~~H~~lease, cessation of production for a period of six (6) months, or cessation of continuous operations as provided in Section 055.03.b, is considered as an abandonment. The ~~H~~lease will then automatically terminate at its next anniversary date unless the Director determines that such cessation of production or continuous operations is justified or the well meets the requirements of a shut in well under Subsection 022.02.ed. (3-18-22)()

~~e.~~ Suspension of Production. The Director may grant a suspension of production not to exceed one (1) year upon a written application showing that the lessee is unable to market oil or gas from a well located on the leased premises capable of oil and gas production in paying quantities due to a lack of suitable production facilities or a suitable market for the oil or gas and such conditions are outside the reasonable control of lessee and the lease is not being otherwise maintained in force and effect. If such well is shut in and the Director approves the application for suspension of production requirements prior to the expiration or termination of the lease, then the lease will be extended in accordance with the terms of Section 47-801, Idaho Code, for a period of one (1) year if the lessee timely submits an application in a form approved by the Director and, upon approval of said application, pays a shut-in royalty in the amount equal to double the annual rental provided for by these rules for each well capable of producing oil or gas in paying quantities. The lessee must remit the shut-in royalty payment while the lease is otherwise maintained in force and effect. Payment of shut-in royalty after the expiration or other termination of the lease will not revive or extend the lease. The Lessee may request continuation of this suspension of production, provided such request is received in writing by the Director at least thirty (30) days prior to the expiration date of the period of suspension. (3-18-22)

d. Suspension of Production. The Director may grant a suspension of production after receiving a Lessee's written application. The Lessee must show: that they are unable to market Oil and Gas from a well located on the leased premises, which is capable of Oil and Gas Production in Paying Quantities, due to a lack of suitable production facilities, of a lack of a suitable market for Oil and Gas, and that such conditions are outside of the

reasonable control of the Lessee, and; that the Lease is being otherwise maintained in force and effect. The suspension of production cannot exceed one (1) year. The Lessee may request an extension of the suspension of production by submitting a written request to the Director at least thirty (30) days before the suspension period expires. If the well is shut in, and the Director approves the application for suspension of production prior to the expiration or termination of the Lease, then the Lease will be extended, per Section 47-801, Idaho Code, for a period of one (1) year if: (i) the well is shut in; (ii) the Lessee timely submits an application in a form approved by the Director, and; (iii) upon approval of said application, pays a shut-in royalty in the amount equal to double the annual rental, per Subsection 022.02.a, for each well capable of producing Oil or Gas in paying quantities. The Lessee must remit the shut-in royalty payment while the Lease is otherwise maintained in force and effect. Payment of shut-in royalty after the expiration or other termination of the Lease will not revive or extend the Lease. ()

e. Water Rights. The Lessee will comply with all state laws and rules regulating the appropriation of water rights. No water rights developed or obtained by the Lessee in conjunction with operations under a Lease may be sold, assigned, or otherwise transferred without the Director's written approval. Upon surrender, termination, or expiration of the Lease, the Lessee must take all actions required by the Director to assign to the Board all water rights, including applications and permits, subject to applicable laws regarding the transfer or assignment of permits to appropriate water. ()

03. Nominating a Tract for Auction. A ~~Tract~~ may be nominated for auction either by the Department or by application to the Department. Nomination must be made at least ninety (90) days prior to a Department-defined close of auction date, ~~or by Department nomination at least ninety (90) days prior to a Department-defined close of auction date.~~ Any qualified ~~Person~~ may nominate a ~~Tract~~ for lease auction by submitting a Department nomination form to the Department; and paying the nomination fee, in an amount which is determined by the Board, ~~during regular business hours on the Department nomination form.~~ Each nominated tract must be a maximum size of ~~six hundred forty (640) acres or one section.~~ The nominating person may propose that multiple tracts be included in a single lease. Each nomination for a ~~Tract~~ for auction is deemed an offer by the nominating ~~Person~~ to ~~Lease~~ the ~~Tract~~ for the advance annual rental amount, as defined in per Subsection 022.02.a. above. (3-18-22)()

04. Withdrawing a Tract for Auction. ~~Any person nominating a tract for auction~~ A Tract nomination may be withdrawn ~~their nomination by the nominator~~ if a written request for ~~such~~ withdrawal is received by the Department at least ten (10) business days prior to the auction's opening date ~~of auction.~~ The nomination fee will not be refunded. (3-18-22)()

05. Auction Conditions. The Department will determine the conditions associated with the auction, which may including, but not limited to, the following include: when, or if, a ~~Tract~~ will be offered for auction; whether the ~~Tract~~ is to be removed from the auction; whether multiple ~~Tracts~~ will be combined in a single ~~Lease~~ ~~at the discretion of the Department;~~ and any disclaimers, additional information, and any other such terms and conditions associated with the auction of the ~~Tracts~~. Any such terms and conditions, disclaimers, and additional information will be posted on the Department's website. (3-18-22)()

06. Lease Information for Auction. For each lease to be auctioned, the Department's website will provide ~~on the website the following:~~ a lease number designated by the Department; the legal description; the lease length; the number of acres; a minimum bid ~~per acre;~~ a lease template; any lease stipulations; any other lease information; a specific date designated for the beginning and ending dates that a bidder may conduct due diligence; and a specific date ~~designated for the opening of auction;~~ and a close of auction date, time, and location of the auction. A notice of lease auction will be published at least once per week for the four (4) consecutive weeks prior to the date of auction in a newspaper in general circulation in the county in which the nominated lease is located and in a newspaper in general circulation in Ada County. (3-18-22)()

07. Auction Procedure. The Department will determine the procedures associated with the auction, ~~including, but not limited to place of auction, time of auction, and~~ such as the bidder registration procedure. Additional auction procedures are as follows: (3-18-22)()

a. Bid Increments. The minimum bid increment is one dollar (\$1). (3-18-22)

b. Winning Bid. At close of auction, the winning bid ~~for a Lessee is the number of dollars bid multiplied by the number of acres in the lease, with fractions of an acre rounded up to the next whole acre~~ will be the

highest dollar amount offered by an auction participant. If, at close of auction, a bid for a lease has not been submitted ~~by a bidder~~, then the lease will be awarded to the nominating applicant. ~~The entry of a bid~~ Entering a bid constitutes an enforceable contractual obligation. (3-18-22)()

c. Amount Due. The amount due for a lease is the winning bid, plus the first year's annual rental amount, ~~as~~ per Subsection 022.02.a., plus the nomination fee. If the nominator of the Tract(s) submits the winning bid ~~was submitted by the nominator of the tract(s), then~~ the nomination fee ~~will already have been~~ will not be included in the amount due since the fee was already submitted to the Department ~~and will not be included in the amount due. The nominator~~ If the nominator is not the winning bidder, they will be refunded the nomination fee ~~if they are not the winning bidder~~. (3-18-22)()

d. Transfer of Funds. Unless otherwise required in the notice of auction, the winning bidder for each lease has five (5) full business days after the close of auction to complete the transfer of funds to the Department. Failure of the winning bidder to transfer funds within the specified period ~~specified~~ constitutes a breach of contract, and the state may pursue any action or remedy at law or in equity against the winning bidder. (3-18-22)()

08. Execution of Lease. The completed lease ~~will~~ must be executed by the winning bidder within thirty (30) days from the date of mailing after the close of auction, or from the date of receipt if personally delivered to the applicant or ~~his~~ their agent by the Department, ~~within thirty (30) days from the date of receipt~~. An individual who executes a lease on behalf of another Person must submit a power of attorney outlining such delegated authority. (3-18-22)()

023. -- 044. (RESERVED)

045. ROYALTIES.

01. Royalty Payments. Unless otherwise specified by the Board, the Lessee will pay to the state of Idaho, in money or in kind, ~~to the state at its option~~ a royalty of no less than twelve and one-half percent (12.5%) of the oil and/or gas or natural gas plant liquids produced and saved. The Lessee will make payments in cash unless the state sends written instructions for payment in kind ~~are received from the state~~. Royalty is due on all production from the leased premises except that which was consumed for the direct operation of the producing wells ~~and that or~~ lost through no fault of the Lessee. (3-18-22)()

02. Royalty Not Reduced. ~~Where~~ If royalties are paid in cash, then costs of marketing, transporting and processing oil and/or gas or natural gas plant liquids, or all of them produced, are borne entirely by the Lessee, and such cost will not reduce the Lessor's royalty directly or indirectly. If the Director elects to take royalty in kind, ~~the state will reimburse~~ the Lessee will be reimbursed for reasonable additional storage and transportation costs. (3-18-22)()

03. Oil, Gas, and Natural Gas Plant Liquids Royalty Calculation and Reporting. All royalty owed to the Lessor, ~~hereunder~~ and not paid in kind, ~~at the election of the lessor~~ will be paid to the Lessor in the following manner: (3-18-22)()

a. Payment of royalty on production of oil is due and must be received by the Lessor on or before the 65th day after the month of production; (3-18-22)()

b. Payment of royalty on production of gas and natural gas plant liquids is due and must be received by the lessor on or before the 95th day after the month of production; (3-18-22)()

c. All royalty payments must be completed in the form and manner approved by the Department including, ~~but not limited to~~, the gross amount and disposition of all oil, gas, and natural gas plant liquids produced and the market value of the oil, gas, and natural gas plant liquids; (3-18-22)()

d. Lessee must maintain, and make available to the Lessor upon request, copies of all documents, records or reports confirming the gross production, disposition, and market value, This including includes 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 Lessor may require

to verify the gross production, disposition, and market value; and

(3-18-22)()

e. Each royalty payment must be accompanied by a check ~~stub, schedule, summary or other remittance advice showing, by the assigned lessor lease number, the amount of royalty being paid on each lease stub that includes: all information required by Idaho Code § 47-332; a schedule, summary, or other remittance advice showing the Lease number; and the amount of royalty being paid on the Lease.~~

(3-18-22)()

04. Overriding Royalty. ~~All assignments of overriding royalty without a working interest made directly by the lessee and not included with an assignment of lease must be filed with the Department with the processing fee within ninety (90) days from the date of execution; provided that it is the lessee's responsibility, and not the Department's, to process such assignments by third parties. Any assignment that creates an overriding royalty exceeds the royalty previously payable to the state by greater than five percent (5%), is deemed a violation of the terms of the lease unless such an assignment expressly provides that the obligation to pay such excess overriding royalty is suspended when the average production of oil per well per day, averaged on a monthly basis, is fifteen (15) barrels or less. Any assignment of overriding royalty without a working interest made directly by Lessee, from Lessee's working interest, and not included with an assignment of this Lease, must be filed with the Department, along with the processing fee, per Subsection 120.03, within ninety (90) calendar days from the date of execution of the valid assignment. It is Lessee's responsibility, not the Department's, to process and administer any overriding royalty. Any assignment that creates an overriding royalty that cumulatively exceeds the royalty payable to Lessor by greater than five percent (5%), is deemed a violation of this Lease, unless that assignment expressly provides that the obligation to pay the excess overriding royalty is suspended when the average production of oil per well per day, averaged on a monthly basis, is fifteen (15) barrels or less at sixty (60) °F at atmospheric pressure, or: the average Production of gas per day, averaged on a monthly basis, is 60,000 cubic feet (1,700 m3) or less at fourteen and seventy-three hundredths (14.73) pounds per square inch absolute and the standard temperature base of sixty (60) °F. A reservation or assignment of an overriding royalty will not relieve Lessee of any of Lessee's obligations for payment of Royalties to Lessor. Any reservation or assignment of overriding royalty by Lessee must terminate upon the termination of this Lease.~~

(3-18-22)()

046. -- 049. (RESERVED)

050. LAND USE, SURFACE RIGHTS AND OBLIGATIONS.

01. Use and Occupancy. ~~Notwithstanding other leases for other uses of state lands, the lessee is entitled to use and occupy as much of the surface of the leased lands as may be required for all purposes reasonably incident to exploration, drilling and production and marketing of oil and gas produced from the leased land, including the right to construct and maintain all works, buildings, plants, waterways, roads, communication lines, pipelines, reservoirs, tanks, pumping stations or other structures necessary to full enjoyment and development; provided that lessee's operation does not unreasonably interfere with or endanger operations under any lease, license, claim, permit or other authorized, lawful use.~~

(3-18-22)

021. Prevention of Injury or Damage. The Lessee, its assignees, agents, and/or contractors must take all reasonable precautions to prevent injury or damage to persons, real and personal property, and to prevent waste or damage to the oil, gas, and other surface and subsurface natural resources and the surrounding environment including ~~but not limited to~~, vegetation, livestock, fish and wildlife and their natural habitat, streams, rivers, lakes, timber, and forest and agricultural resources. The Lessee, ~~his~~ its assignees, agents, and/or contractors will compensate the Board, ~~his~~ its surface lessees, grantees, or contract purchasers for any damage resulting ~~by reason of from~~ their operations or any damage resulting from their failure to take all reasonable precautions to prevent injury or damage to persons, real and personal property, and to prevent waste or damage to the oil, gas, and other surface and subsurface natural resources and surrounding environment, as set forth above. The Lessee, its assignees, agents, and/or contractors must comply with all environmental laws, rules, and regulations as they pertain to its operation.

(3-18-22)()

032. Blowout or Spill. The Lessee must report to the Director any blowout, fire, uncontrolled venting, or oil spill on the leased land within twenty-four (24) hours and confirm this report in writing within ten (10) days.

(3-18-22)()

04. Fences. The lessee may not at any time fence any watering place upon leased lands where it is the only accessible and feasible watering place upon the lands within a radius of one (1) mile, without first having

~~secured the written consent of the Director.~~

~~(3-18-22)~~

053. Timber Removal. The ~~H~~Lessee may not unreasonably interfere with the removal of timber purchased prior or subsequent to the issuance of an ~~e~~Oil and ~~g~~Gas ~~H~~Lease. The ~~H~~Lessee may remove any timber required for ingress or egress or as otherwise necessary for operations. The ~~H~~Lessee must pay the current stumpage price, as determined by the Director for any timber cut or removed ~~on a current stumpage price basis as determined by the Director, and, Such~~ proceeds ~~therefrom accrue~~ go to the state agency that has custody and control over the leased lands.

~~(3-18-22)~~()

064. Potable Water Discovery. If the ~~H~~Lessee finds only potable water in any well drilled for ~~e~~Exploration or production of oil and gas, and the water is of such quality and quantity as to be valuable and usable for agricultural, domestic, or other purposes, the Board may acquire the well with whatever casing is installed in the well at the casing's fair market value ~~of the casing upon the assumption by its surface lessee, grantee, or contract purchaser of surface lessee, grantee, or contract purchaser assuming~~ all future liabilities and responsibilities for the well, with the approval of the ~~e~~Commission, and if such acquisition is in compliance with Section 058; provided that the surface lessee, grantee, or contract purchaser also complies with applicable laws and rules of the Department of Water Resources.

~~(3-18-22)~~()

075. Reclamation. The ~~H~~Lessee must reclaim all ~~s~~State ~~H~~Lands disturbed by its ~~e~~Exploration and operations so that they are, at least, consistent with previous use by the surface owner. This may including include segregating and protecting topsoil and regrading to approximate previous contour. If the Director has determined that substantial removal of topsoil has occurred ~~as determined by the Director,~~ the ~~H~~Lessee will replace the topsoil and revegetate to the extent necessary to minimize erosion.

~~(3-18-22)~~()

086. Entry by Director. The Director is permitted, at all reasonable times, to go in and upon the leased lands and premises to inspect the operations and ~~the~~ products obtained and to post any lawful notice. The Director may, at any time, require that reasonable tests, surveys, samples, etc., be taken to assure compliance with these rules, in accord with ~~his~~ their instruction, without cost to the state of Idaho, to assure compliance with these rules. The Director may at any reasonable time and at state expense, inspect and copy ~~at his own expense~~ all of ~~H~~Lessee's books and records pertaining to a ~~H~~Lease under these rules. ~~Upon failure of lessee If the Lessee fails~~ to take timely, corrective measures, as ordered by the Director, ~~or the~~ Board, ~~or the e~~ Commission, bond forfeiture may occur and the Director may shut down ~~H~~Lessee's operations if ~~he~~ the Director determines they are unsafe or are causing or may cause waste or pollution to oil, gas, or other resources, or; or the Director may terminate the ~~H~~Lease and cause damage or unsafe conditions to be repaired or corrected, at the expense of the ~~H~~Lessee ~~and forfeiture of bond in accordance with these rules.~~

~~(3-18-22)~~()

~~09. Other Uses.~~ Subject to Subsection 050.01, ~~the Director may issue leases for other uses of state lands leased under these rules. All lessees have the right of reasonable ingress and egress at all times during the term of the lease.~~

~~(3-18-22)~~

10. Disposal of Leased Lands. The Board reserves the right to sell or otherwise dispose of the surface of the leased lands; provided that any sale of surface rights made subsequent to execution of the lease is subject to all terms and provisions of the oil and gas lease during its life including extensions and continuations under Section 040.

~~(3-18-22)~~

051. DILIGENT EXPLORATION REQUIRED.

~~The lessee must perform diligent exploration during the entire term of a lease. Diligent exploration means that the lessee provides continuing efforts as a reasonably prudent operator toward achieving production, including, without limitation, performing geological and geophysical surveys and/or the drilling of a test well.~~

~~(3-18-22)~~

0521. -- 054. (RESERVED)

055. OPERATIONS UNDER THE LEASE.

01. Best Practices. The ~~H~~Lessee will, at all times, conduct exploration, development, drilling and all operations as a reasonably prudent operator and will conform to the best practice and engineering principles in use in the oil and gas industry.

~~(3-18-22)~~()

~~02. Compliance with Rules.~~ The lessee will comply with all rules of the oil and gas commission, including amendments promulgated pursuant to Title 67, Chapter 52, Idaho Code, and any violations of the commission's rules or other applicable state laws and rules may constitute a violation of the lease under these rules. (3-18-22)

~~032. Designation of Operator.~~ In all cases where A designation of operator must be submitted to the Director prior to operations commencing when the operations are not conducted by the Hessee but and are to be conducted under authority of an approved operating agreement, assignment or other arrangement, a designation of operator must be submitted to the Director prior to commencement of operations. Such a The designation authorizes the operator, or his their local representative, to act for the Hessee and to sign any papers or reports required under these rules. The Hessee must immediately report all address changes and termination of an operator's authority to the Director all changes of address and termination of the authority of the operator. (3-18-22)()

~~04. Legal Representative.~~ When required by the Director, the lessee must designate a local representative empowered to receive service of civil or criminal process and notices and orders of the Director issued pursuant to these rules. (3-18-22)

~~053. Diligence.~~ The lessee will, subject to the right to surrender the lease, diligently drill and produce such wells as are necessary to protect the Board from loss by reason of production on other properties, or with the consent of the Director, compensate the Board for failure to drill and produce any such well. All wells under lease must be drilled, maintained and operated to produce the maximum amount of oil and/or gas that can be secured without injury to the well. (3-18-22)()

a. Lessee must diligently explore for the entire Lease. Diligent exploration means that the Lessee continually provides effort, as a reasonably prudent operator would, to achieving production on the leased premises or on lands pooled or unitized therewith, such as performing geological and geophysical surveys and/or drilling a test well. ()

b. Following Lessee's diligent exploration, Lessee must engage in continuous drilling operations on the leased premises or on lands pooled or unitized therewith during the remaining Lease term or any extension of the Lease pursuant to Section 022.02.b. until Production in Paying Quantities is achieved This means there is to be no delay or cessation of drilling for more than one hundred twenty (120) days, unless an extension is granted by the Director in writing. The Director must receive a written request for the extension at least then (10) days prior to the one hundred twenty (120) day period ending. ()

c. All wells under a Lease must be drilled, maintained, and operated to produce the maximum amount of oil and/or gas possible, without injury to the well. The Lessee will, subject to the right to surrender the Lease, diligently drill and produce as many wells as necessary to protect the Board from loss resulting from production on other properties. The Lessee may, with the Director's written consent, compensate the Board for failure to drill and produce such wells. ()

~~064. Loss Through Waste or Failure to Produce.~~ The If there is loss through waste or failure to drill and produce protection wells on the leased lands, the Director will determine the value of production accruing to the Board where there is loss through waste or failure to drill and produce protection wells on the leased lands and the compensation due to the Board as reimbursement for such loss. Payment for such losses must be made within sixty (60) days after the date of billing. The value of production resulting from a loss through waste or failure to take corrective measures to protect a well is calculated at ninety percent (90%) of the last year's actual production royalty or a minimum royalty of five dollars (\$5) per acre or fraction thereof, whichever is greater. (3-18-22)()

~~075. By-Products.~~ Where production, use of conversion of eOil and gGas under a Hease, is susceptible of producing a valuable by-product(s) or by-products, including, without limitation, commercially demineralized water, carbon dioxide, or helium, the Hessee must submit to the Director all available information concerning the potential by-product(s). The Department may conduct tests or studies, at its expense, and may issue reasonable orders to produce and preserve such by-product(s). (3-18-22)()

~~086. Geothermal Information.~~ Prior to abandoning any well, the Hessee must submit to the Director

all available information concerning geothermal resource potential. The Department may conduct tests or studies, at its expense, prior to the abandoning of any well to determine geothermal resource potential. Except as provided in Subsection ~~040.05~~ 022.02.d., the Lessee must promptly plug and abandon any well on the leased land that is not used or useful, in accord with these rules, ~~and the Commission's rules of the commission,~~ and any applicable rules and regulations of the Department of Water Resources. When drilling in a known geothermal resources area, the ~~applicant~~ Lessee may need a geothermal resource well permit from the Department of Water Resources. (3-18-22)()

056. WATER RIGHTS.

~~The lessee will comply with all state laws and rules regulating the appropriation of water rights. No water rights developed or obtained by the lessee in conjunction with operations under a lease may be sold, assigned or otherwise transferred without written approval of the Director. Upon surrender, termination or expiration of the lease, the lessee must take all actions required by the Director to assign to the Board all water rights, including applications and permits, subject to applicable laws regarding the transfer or assignment of permits to appropriate water.~~ (3-18-22)

057. -- 059. (RESERVED)

060. ASSIGNMENTS.

01. Prior Written Approval. No Lease assignment is valid ~~until unless~~ approved by the Director in writing ~~by the Director, and no.~~ The assignment does not takes effect until the first day of the month following its approval. (3-18-22)()

02. Qualified Assignee. A Lease may be assigned to any qualified person ~~qualified to hold a state lease,~~ provided that in the event an assignment partitions leased lands between two (2) or more persons, neither the assigned nor the retained part created by the assignment may contain less than forty (40) acres or a government lot, whichever is less. (3-18-22)()

03. Responsibilities. In an assignment of the complete interest of the leasehold, the assignor and ~~his~~ their surety must continue to comply with the Lease and these rules until the effective date of the assignment. After the effective date of any assignment, the assignee and ~~his~~ their surety are bound by the Lease ~~and these rules~~ to the same extent as if the assignee were the original Lessee, notwithstanding any conditions in the assignment to the contrary; however, the assignor-lessee remains liable for rentals and royalties due and damages accruing prior to the effective date of the assignment. (3-18-22)()

04. Segregation of Assignment. If an assignment partitions leased lands between two (2) or more persons, it must clearly segregate the assigned and retained portions of the leasehold. Resulting segregated Leasees continue in full force and effect for the balance of the ten-year term of the original Lease or as further extended pursuant to these rules. (3-18-22)()

05. Joint Principal. Where an assignment does not segregate the record title to the Lease, the assignee, if the assignment so provides, may become a joint principal on the bond with the assignor. The application must be accompanied by a consent of assignor's surety to remain bound under the bond of record, if the bond by its terms does not contain such consent. If a party to the assignment has previously furnished a statewide bond, no additional showing by such party is necessary as to the bond requirement. (3-18-22)()

06. Form of Assignment. An assignment is a valid legal instrument, properly executed and acknowledged, setting forth the number of the Lease, a legal description of the land involved, the name and address of the assignee, the interest transferred and the consideration. A fully executed copy of the instrument of assignment must be filed with the application for approval pursuant to Subsection 060.07. An assignment may affect or concern more than one (1) Lease. (3-18-22)()

07. Application. The application for approval of an assignment must be submitted ~~in duplicate~~ on Department forms ~~of the Department or exact copies of such forms.~~ The "lessee/assignee of record" must be designated in accordance with Subsection 010.11. If payments out of production are reserved, a statement must be submitted stating the amount, method of payment, and other pertinent items. The statement must be filed with the Department no later than fifteen (15) days after the filing of the application for approval of an assignment. (3-18-22)()

08. **Denial.** The Director may deny an application for assignment if the Lessee or the assignee is delinquent in payment of rentals or royalties or ~~otherwise~~ has otherwise violated these rules. (3-18-22)()

09. **Fee.** All applications for approval of assignment must be accompanied by the fee required by Section 120. (3-18-22)

061. -- 069. (RESERVED)

070. **SURRENDER - RELINQUISHMENT.**

01. **Procedure.** The Lessee may surrender its Lease, or any surveyed subdivision of the area covered by such Lease, by filing a written relinquishment with the Department, ~~provided that a~~ A partial relinquishment ~~does~~ may not reduce the remaining acreage in the Lease to less than forty (40) acres or a government lot, whichever is less. The Director may waive the minimum acreage ~~provision of this rule~~ requirement if ~~he finds~~ it is found to be justified on the basis of exploratory and development data derived from activity on the leasehold. (3-18-22)()

02. **Effective Date.** A relinquishment takes effect thirty (30) days after it is received by the Department. ~~Thereafter~~ After effective relinquishment, the Lessee is relieved of liability under these rules except for the continued obligation of the Lessee and ~~his~~ their surety to: (3-18-22)()

- a. Make payments of all accrued rentals and royalties; (3-18-22)
- b. Place all wells on the relinquished land ~~to be relinquished~~ in a condition for suspension of operations or abandonment; (3-18-22)()
- c. Comply with all of the Commission's rules ~~of the commission~~ for plugging of abandoned wells; (3-18-22)()
- d. Comply with applicable laws and rules of the Department of Water Resources; and (3-18-22)
- e. Reclaim the surface and natural resources in accord with these rules. (3-18-22)

03. **Partial Surrender.** In the event of a partial surrender ~~of the land covered by such lease~~, the annual rental ~~thereafter payable~~ rate will be reduced proportionately. (3-18-22)()

071. **TERMINATION - CANCELLATION OF LEASE.**

01. **Cause.** Except as otherwise provided in these rules, the Director may terminate the Lease for any substantial violation of ~~these rules, the lease, or the rules of the commission, ninety (90) days after notice of the violation has been given to lessee by personal service or by certified mail to the lessee, unless~~ the Lease ninety (90) days after notice of the violation has been given to Lessee by personal service or certified mail, in which case notice is deemed served upon mailing, unless; (3-18-22)()

- a. The violation has been corrected; or (3-18-22)
- b. The violation is one that cannot be corrected within the notice period and the Lessee has in good faith commenced ~~within the notice period to~~ correcting the violation, within the notice period, and diligently proceeds diligently to complete corrective action, within ~~a~~ the time period set by the Director. ~~If sent by certified mail, such notice will be deemed served upon mailing.~~ (3-18-22)()

02. **Surrender After Termination.** Upon the expiration or termination of the Lease, the Lessee will quietly and peaceably surrender possession of the premises to the state. ~~Thereafter, lessee's obligations under these rules that have accrued prior to the date of expiration or termination continue in full force and effect. Such surrender does not relieve the Lessee of liabilities that may have accrued in connection with the Lease prior to the surrendering.~~ (3-18-22)()

03. Other Wells. Default by the Lessee in ~~the performance of performing~~ any of the Lease's conditions or provisions ~~of the lease~~ concerning a well(s) ~~or wells~~ on any Legal subdivision of the leasehold do not affect the right of the Lessee to continue the possession or operation of any other well(s) ~~or wells~~, that are situated upon any other Legal subdivision of the leasehold. ~~The term "legal subdivision" as herein used means a subdivision as established by the United States land survey that most nearly approximates in size the area allocated to one well under any approved well spacing program; provided that if no special program has been approved, "legal subdivision" means the parcel upon which such well is located, but in any event not less than forty (40) acres surrounding such well.~~ Where such a default involving one (1) or more well(s) results in cancellation, and the Lessee has other wells on the Lease, which are not in default, such cancellation will result in the division of the defaulting acreage from the Lease and resultant reduction in the size of the Lease held by the Lessee. (3-18-22)()

04. Equipment Removal. Upon the expiration of the Lease, ~~or its earlier termination~~, or surrender pursuant to these rules, the Lessee must, ~~within a period of ninety (90) days~~, remove from the premises all materials, tools, appliances, machinery, structures. The Lessee must do so within ninety (90) days or within the extension that may be granted because of adverse climatic conditions. Equipment subject to removal but not removed ~~within the ninety (90) day period or any extension that may be granted because of adverse climatic conditions during that period within the allotted time~~, may, at the option of the Director, become property of the state of Idaho, or the Director may cause the property to be removed at the Lessee's expense. (3-18-22)()

072. -- 079. (RESERVED)

080. BOND REQUIREMENTS.

01. Minimum Bond. Prior to ~~entry with m~~ Motorized exploration ~~equipment up~~ on leased lands, the surface of which has been sold or leased, the Lessee must submit to the Director a corporate surety bond or collateral bond in the amount of one thousand dollars (\$1,000) in favor of the state of Idaho conditioned upon the payment of all damages to the surface that result from the Lessee's operation. Prior to entry upon the leased land with drilling equipment or prior to commencing any construction in preparation for drilling upon leased lands, the Lessee must submit to the Director a corporate security bond or collateral bond in the amount of six thousand dollars (\$6,000) in favor of the state of Idaho ~~bond will be~~ conditioned upon compliance with the Lease, these rules, ~~the removal of all materials, etc. per Subsection 071.04~~, and the payment of all damages to the land surface and all improvements thereon, including crops, which result from the Lessee's operation, regardless of whether the lands under this Lease have been sold or leased by the Board for any other purpose. This bond is in addition to the drilling bond pursuant to the eCommission's rules. This rule notwithstanding, the ~~oil and gas~~ Lessee may be required, on a case-by-case basis, to post a bond ~~in excess of that exceeds~~ six thousand dollars (\$6,000) to protect a surface lessee's or surface owner's interests, pursuant to per Section 47-708, Idaho Code. (3-18-22)()

02. Statewide Bond. In lieu of the aforementioned bonds, the Lessee may furnish a good and sufficient "statewide" bond conditioned as above in the amount of fifty thousand dollars (\$50,000) in favor of the state of Idaho to cover all Lessee's Lease and operations carried ~~on out~~ under these rules. (3-18-22)()

03. Period of Liability. The period of liability of any bond is not to be terminated until all obligations under the Lease and these rules have been fulfilled and the bond is released in writing by the Director. (3-18-22)()

04. Form of Performance Bond. (3-18-22)

a. Corporate surety bond means an indemnity agreement executed by or for the Lessee and a corporate surety licensed to do business in the state of Idaho on an an Department ~~Oil and Gas~~ Lease ~~B~~ond form, supplied by the Department conditioned in accord with Subsection 080.01; and payable to the state of Idaho. (3-18-22)()

b. Collateral bond means an indemnity agreement executed by or for the Lessee and payable to the state of Idaho, pledging cash deposits, negotiable bonds of the United States, state or municipalities, or negotiable certificates of deposit of any bank doing business in the United States. Collateral bonds are subject to the following conditions: The Department obtains possession and deposits such with the state treasurer. The Department will value collateral at its current market value, not face value. Certificates of deposit are made payable to the "State of Idaho or

the lessee.” Amount of an individual certificate may not exceed the maximum amount insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or their successors. Banks issuing such certificates waive all rights of set-off or liens that they have of may have against such certificates. Any such certificates are automatically renewable. The certificate of deposit must be of sufficient amount to ensure that the Department would be able to liquidate such certificates prior to maturity, upon forfeiture, for the amount of the required bond including any penalty for early withdrawal. (3-18-22)()

05. Bond Cancellation. Any surety company or indemnitor canceling a bond must give the Department at least sixty-days’ (60) notice prior to cancellation. The Department will not release a surety or indemnitor from liability under existing bonds until the Lessee has submitted to the Department an acceptable replacement bond. Such replacement bond must cover any liability accrued against the bonded principal on the Lease covered by the previous bond. (3-18-22)()

06. Surety License. If the license to do business in Idaho of any surety is suspended or revoked, the Lessee must find a substitute for such surety within thirty (30) days after notice by the Department. If the lessee fails to secure a substitute surety, ~~he they~~ must cease operations ~~upon~~ under the Lease. The substitute surety must be licensed to do business in Idaho. (3-18-22)()

07. Form. All bonds furnished must be on the Department bond form ~~or exact copy of it.~~ (3-18-22)()

081. -- 089. (RESERVED)

090. UNIT OR COOPERATIVE PLANS OF DEVELOPMENT OR OPERATION.

01. Unit Plan. For the purpose of properly conserving the natural resources of any ~~e~~oil and ~~g~~gas pool, field, or like area, the Lessee may, with the Director's written consent ~~of the Director~~, commit the leased lands to a unit, cooperative or other plan of development or operation with other state, federal, Indian, or privately-owned lands. (3-18-22)()

02. Contents. An agreement to unitize must: describe the separate ~~t~~tracts comprising the unit; disclose the apportionment of the production of royalties and costs to the several parties; disclose the name of the operation; and contain adequate provisions for the protection of the interests of all parties, including the state. The agreement must: be signed by or ~~in~~ on behalf of those ~~p~~persons ~~or entities~~ having effective control of the geologic structure; ~~be~~ submitted to the Director with the application to unitize; ~~and. The agreement is~~ effective only after approval by the Director. (3-18-22)()

03. Interested Parties. The owners of any right, title, or interest in the ~~e~~oil and ~~g~~gas resources to be developed or operated under an agreement may be regarded as interested parties to a proposed unitization agreement. Signature of a party with only an overriding royalty interest in unnecessary. (3-18-22)()

04. Collective Bond. In lieu of separate bonds for each Lease committed to a unit agreement, the unit operator may furnish and maintain a collective corporate surety bond or a collateral bond, conditioned upon faithful performance of the duties and obligations of the agreement, the Lease that is subject to the agreement and these rules. The liability under the bond will be for such amount the Director determines to be adequate to protect the state's interests ~~of the state~~. If the unit operator is changed, a new bond or consent of surety to the change in principal under the existing bond must be filed within thirty (30) days of assignment. (3-18-22)()

05. Lease Modification. The terms of any Lease included in any cooperative or unit plan of development or operation may be modified by the Director with approval of the Lessee, except that a unit agreement must have final approval by the Director for a state cooperative plan or the final approval by the secretary of interior for a federal cooperative plan prior to extending any Lease into its eleventh year and each year thereafter. A Lease so extended expires two (2) years after the unit plan expires provided the Lessee continues to pay the annual rental, ~~as outlined in per~~ Subsection ~~041.03~~ 022.02.a. (3-18-22)()

06. Rentals. Rentals and royalties on Lleases so extended are at the rates specified in these rules. Advanced rental must be paid on or before the extended Lease’s anniversary date. Any unused portion of annual

rental will not be refunded.

(3-18-22)()

07. Evidence of Agreement. Before issuance of a ~~Lease~~ for lands within an approved unit agreement, the ~~Lease~~ applicant must file with the Department evidence that ~~he has~~ they have entered into an agreement with the unit operator for the development and operation of the lands in a ~~Lease~~, or a statement giving satisfactory reasons for the failure to enter into such agreement. If such statement is acceptable, the applicant will be permitted to operate independently but be required to perform its operations in a manner that the Director deems to be consistent with the unit operations.

(3-18-22)()

08. Segregation Prohibited. A ~~Lease~~ may not be segregated if any part thereof is included in a cooperative plan until the pool or field has been defined. Once defined, those areas outside the unit area or pool boundary can be surrendered as provided in Section 070.

(3-18-22)()

091. -- 094. (RESERVED)

095. LIABILITY INSURANCE; SPECIAL ENDORSEMENTS.

01. Liability Insurance Required. ~~Prior to entry upon the leased lands for any reason other than casual exploration or inspection pursuant to Section 021, the lessee must secure and maintain during the term of this lease, public liability, property damage, and products liability insurance in the sum of four hundred thousand dollars (\$400,000) for injury or death for each occurrence; in the aggregate sum of two million dollars (\$2,000,000) for injury or death; and in the sum of four hundred thousand dollars (\$400,000) for damages to property and products damages caused by any occupancy, use, operations of any other activity on leased lands carried on by the lessee, its assigns, agents, operators or contractors. The lessee must insure against explosion, blow out, collapse, fire, oil spill and underground hazards and submit evidence of such insurance to the Director. If the land surface and improvements thereon covered by the lease have been sold or leased by the state of Idaho, the owner or lessee of the surface rights and improvements will be an additional named insured. The state of Idaho is a named insured in all instances. This policy or policies of liability insurance must contain the following special endorsement:~~

~~"The state of Idaho, the Idaho State Board of Land Commissioners, the Director of the Department of Lands, the Department of Lands, (or other state agency exercising custody and control over the lands), and (herein insert name of owner or lessee of surface rights, if applicable) and the officers, employees and agents of each and every of the foregoing are additional insureds under the terms of this policy: Provided, however, these additional insureds shall not be insured hereunder for any primary negligence or misconduct on their part, but such additional insureds shall be insured hereunder for secondary negligence or misconduct, which shall be limited to failure to discover and cause to be corrected the negligence or misconduct of the lessee, its agents, operators or contractors. This insurance policy shall not be canceled without thirty (30) days prior written notice to the Idaho Department of Lands. None of the foregoing additional insureds is liable for the payment of premiums or assessments of this policy."~~

~~No cancellation provision in any insurance policy is in derogation of the continuous duty of the lessee to furnish insurance during the term of this lease. Such policy or policies must be underwritten to the satisfaction of the Director. A signed complete certificate of insurance, with the endorsement required by this paragraph, must be submitted to the Director prior to entry upon the leased land with motorized exploration equipment after award of a lease and may be required prior to such entry under Rule 021. Prior to entry upon the leased lands for purposed other than Casual Exploration or inspection, the Lessee is required to purchase and maintain suitable insurance for the duration of the Lease.~~

(3-18-22)()

02. Certificate of Insurance. ~~At least thirty (30) days prior to the expiration of any such policy, a signed complete certificate of insurance, with the endorsement required by Subsection 095.01, showing that such insurance coverage has been renewed or extended, must be filed with the Director. No work under this Lease will commence prior to the Department's receipt of a certificate, signed by a licensed insurance agent, evidencing existence of insurance as required above. Further, such certificate must reflect that no change or cancellation in such coverage will become effective until after the Department receives written notice of such change or cancellation.~~

(3-18-22)()

096. HOLD HARMLESS.

~~The state of Idaho, the Board, the Director, the Department, and any other state agency that may have custody or~~

~~control of the leased lands, and the owner of the surface rights and improvements, if not the state of Idaho, or state lessee of surface rights, if there be one, the officers, agents and employees of each of the foregoing, are free from any and all liabilities and claims for damages and/or suits for or by reason of death or injury to any person or damage of property of any kind whatsoever, caused by a negligent or otherwise wrongful act or omission of the lessee, its assigns, agents, operators, employees or contractors; and lessee covenants and agrees to indemnify and to save harmless the state of Idaho, the Board, the Director, the Department, or other state agency, or the lessee of surface rights if there be one, and their officers, agents, and employees from all liabilities, charges, expense, including attorney fees, claims, suits or losses caused by a negligent or otherwise wrongful act or omission of the lessee, its assigns, agents, operators, employees or contractors. The lessee's signature to a lease under these rules constitutes express agreement to this rule.~~ (3-18-22)

~~097~~6. -- 099. (RESERVED)

100. TITLE.

The state of Idaho does not warrant title to the leased lands or the ~~o~~Oil and ~~g~~Gas resources that may be discovered thereon; the ~~l~~Lease is issued only under such title as the state of Idaho may have as of the Lease's effective date ~~of the lease~~ or thereafter acquires. (3-18-22)()

~~**101. IMPOSSIBILITY OF PERFORMANCE.**~~

~~Whenever, as a result of any act of God, or law, order or regulation of any governmental agency, it becomes impossible for the lessee to perform or to comply with any obligation under the lease or these rules, other than payment of rentals or royalties, the Director in his discretion, may by written order excuse lessee from damages or forfeiture of the lease, and the lessee's obligations may be suspended and the term of the lease may be extended provided that the Director finds that good cause exists.~~ (3-18-22)

~~**102. TAXES.**~~

~~The lessee pays, when due, all taxes and assessments of any kind lawfully assessed and levied against the lessee's interest or operations under the laws of the state of Idaho.~~ (3-18-22)

~~103~~1. -- 119. (RESERVED)

120. FEES.

01. Exploration Permit. One hundred dollars (\$100) per linear mile or a minimum of one hundred dollars (\$100) per section. (3-18-22)

02. Nonrefundable Nomination Fee. The nomination fee is set by the Board at a minimum of two hundred fifty dollars (\$250) per ~~t~~Tract. (3-18-22)()

03. Processing Fee. The processing fee is set by the Board at a minimum of one hundred dollars (\$100) per each document. (3-18-22)

04. Fee Adjustment. The Board may annually adjust these fees without formal rulemaking procedures. (3-18-22)

121. -- 999. (RESERVED)

IDAPA 20 – IDAHO DEPARTMENT OF LANDS

20.03.16 - RULES GOVERNING OIL AND GAS LEASING ON IDAHO STATE LANDS

DOCKET NO. 20-0316-2401

NOTICE OF RULEMAKING - ADOPTION OF PENDING RULE

EFFECTIVE DATE: This rule has been adopted by the agency and the Idaho State Board of Land Commissioners and is now pending review by the 2025 Idaho State Legislature and must be approved by concurrent resolution of the Legislature to go into effect, in accordance with Section 67-5224(2)(c), Idaho Code. The pending rule will become final and effective on July 1, 2025, after approval by the Legislature.

AUTHORITY: In compliance with Section 67-5224, Idaho Code, notice is hereby given that this agency has adopted a pending rule. The action is authorized pursuant to Section 47-802, Idaho Code.

DESCRIPTIVE SUMMARY: The following is a concise explanatory statement of the reasons for adopting the pending rule and a statement of any change between the text of the proposed rule and the text of the pending rule with an explanation of the reasons for the change:

The Idaho Department of Lands initiated this rulemaking in compliance with [Executive Order 2020-01: Zero-Based Regulation](#) with the goal of simplifying and streamlining the rules for increased clarity and ease of use. There are no changes to the pending rule, and it is being adopted as originally proposed. The complete text of the proposed rule was published in the July 3, 2024 Idaho Administrative Bulletin, [Vol. 24-7, pages 146 – 161](#).

FEE SUMMARY: Pursuant to Section 67-5224(2)(d), Idaho Code, this pending fee rule shall not become final and effective unless affirmatively approved by concurrent resolution of the Legislature. No changes have been made to any fees in this proposed rule. The exploration permit fee remains \$100 per linear mile or a minimum of \$100 per section. Nomination fees continue to be set by the State Board of Land Commissioners (Land Board), at a minimum of \$250 per tract. Processing fees continue to be set by the Land Board at a minimum of \$100 per each document.

FISCAL IMPACT: There is no negative fiscal impact on the state General Fund resulting from this rulemaking.

ASSISTANCE ON TECHNICAL QUESTIONS: For assistance on technical questions concerning this pending rule, contact Mike Murphy at (208) 334-0290 or at mmurphy@idl.idaho.gov.

DATED this 30th day of August, 2024.

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