Attachment 1
2/2/15

Juanita Budell

From: Joe Morton [jmorton@silverleafidaho.com]
Sent: Monday, February 02, 2015 10:39 AM
To: Juanita Budell
Subject: Rules Governing Conservation of Oil and Natural Gas

Juanita Budell

Please forward to the following committee members before today's hearing at 1:30PM

Chair Steve Bair **Vice Chair** Steve Vick
Dean L. Cameron Jeff C. Siddoway Bert Brackett Lee Heider Sheryl L. Nuxoll Michelle Stennett Cherie Buckner-Webb

Dear Honorable Senate Resource & Environment committee members,

My Name is Joe Morton – I live in Emmett Idaho on land that has been owned by my family for over 30 years – I speak on behalf of the many who can not attend this meeting today.

I have to believe that the vast majority of your constituents who elected each of you to office expect you to look out for their basic rights above the privileges of a few corporations. If you approve these Rules as drafted, your constituents will discover that you have ignored THEIR claims in favor of subsidizing Alta Mesa, a Houston Texas business --- and that their out-of-state land men who have entered our state will continue to be allowed to use deceptive, predatory tactics, on elderly people to secure mineral rights --- and then force 45% of those who rightfully own their minerals to give up their gas & oil at ANY market value.

On Friday January 29th, 2015 Natural Gas was traded on the ***Henry Hub*** price chart at $2.89. In September of 2005, the exact same Natural Gas which Alta Mesa seeks under our homes was sold for $14.84. This represents a DECREASE of over 500% in the past decade. (These statistics are from the U.S. Energy Information Administration website.)

Idaho Statute Title 47-330, is about the Oil & Gas Conservation Fund, it clarifies that the gas or oil is to be taxed based on the published ***Henry Hub spot price***.

Alta Mesa has registered 15 producing wells in Payette County with a status of "Shut in pending a pipeline", 1 well (State #1-17) producing since July 2013, and 2 active permits "NOT DRILLED".

The operation of State #1-17 in the City of New Plymouth has netted the state of Idaho a total of $1676.79 in tax revenue in the 1 1/2 years and since beginning of production.
http://tax.idaho.gov/reports/EPB00073_12-31-2014.pdf

At the same time, smaller amounts of money given to New Plymouth and Payette County have been quickly eaten up by road mitigation expenditures.

This state's low severance tax rate of a mere 2.5% is not going to fairly offset the EXPENSES incurred by cities and counties hosting gas development. Nor is it going to provide the huge benefit to the State treasury that the gas industry has been touting.

The theory that oil and gas is a natural resource in which the public has an interest and that this collective interest is greater than that of any individual landowner, is false when the expense incurred is being carried on the backs of the citizens.

you who are elected officials do not FIRST address Idaho Statute 47-330, the sole purpose of which is for industry to pay for the expenses of administration of the Oil & Gas Act "for the PRIVILEGE of extracting oil and gas in this state" --- and consider the PEOPLE of this state BEFORE the affairs of FOREIGN corporate entities --- then I submit to you that you have NOT served this state AND ITS PEOPLE as you were elected to.

Forced pooling constitutes a hardship on property and mineral owners who do not wish to lease now or have industrial gas activity on their land. Their legal OWNERSHIP of mineral rights is supposed to guarantee them the right of say --- but these rules on "Integration" allow OTHER people to determine what happens on MY property. ONE large acreage owner will be able to essentially TAKE the property rights of many landholders LIVING ON their smaller properties --- that is WRONG.

This situation not only stamps on people's rights, it places their mortgages, insurance, and property values in jeopardy --- at the whim of the gas industry. It's one thing if a person WISHES to lease and take their chances; FORCING people to lease puts the STATE in the role of exposing citizens to such risks.

I respectfully ask that you STOP the process of approving these rules as written. Send this Rule back for the purpose of revising sections 130 & 131, with the stipulation that it be revised to give the citizens of ALL districts in the State of Idaho fair representation of private property & mineral rights.

As a taxpayer of this state, I respectfully ask that you also prioritize your effort during this legislative session to revise the severance tax law so that it is fair and just, providing adequate monies to the counties and cities that are adversely impacted by the exploration and extraction process.

I also ask that you take steps to regulate out-of-state unlicensed landmen who are now free to use predatory practices to secure mineral rights

Please reflect on the following when voting on rules for oil & gas today.

"We then that are strong ought to bear the infirmities of the weak, and not to please ourselves." (Romans 15:1)

Respectfully Submitted,

Joe Morton

5722 Silverleaf Ext.
Emmett, Idaho 83617

Attachment 2
2/2/15

Senator Michelle Stennett

To: Senator Michelle Stennett
Subject: FW: Oil gas bill
Attachments: [Untitled].pdf

From: lindsay.zondag@usbank.com [mailto:lindsay.zondag@usbank.com]
Sent: Monday, February 02, 2015 12:45 PM
To: Senator Michelle Stennett
Subject: Oil gas bill

Hi Michelle

Here's a clause directly from one of our loan documents. One cannot remove oil or gas 'without the prior written consent of the Lender.' Per our mortgage representative, the mortgage deed has the same stipulation.

Lindsay Zondag
Relationship Manager
Private Client Services
PD-ID-K1SA
Direct - (208) 578-3674
FAX - (208) 725-5283

USBank

about or from the Property by any prior owners or occupants of the Property or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Deed of Trust. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws; and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Deed of Trust or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Deed of Trust, including the obligation to indemnify and defend, shall survive the payment of the Indebtedness and the satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Without otherwise limiting Grantor's covenants as provided herein, Grantor shall not, without Lender's prior written consent, remove or permit the removal of sand, gravel or topsoil, or engage in borrow pit operations, or use or permit the use of the Property as a land fill or dump, or store, burn or bury or permit the storage, burning or burying of any material or product which may result in contamination of the Property or the groundwater or which may require the issuance of a permit by the Environmental Protection Agency or any state or local government agency governing the issuance of hazardous or toxic waste permits, or request or permit a change in zoning or land use classification, or cut or remove or suffer the cutting or removal of any trees or timber from the Property.

At its sole cost and expense, Grantor shall comply with and shall cause all occupants of the Property to comply with all Environmental Laws with respect to the disposal of industrial refuse or waste, and/or the discharge, processing, manufacture, generation, treatment, removal, transportation, storage and handling of Hazardous Substances, and pay immediately when due the cost of removal of any such wastes or substances from, and keep the Property free of any lien imposed pursuant to such laws, rules, regulations and orders.

Grantor shall not install or permit to be installed in or on the Property, friable asbestos or any substance containing asbestos and deemed hazardous by federal, state or local laws, rules, regulations or orders respecting such material. Grantor shall further not install or permit the installation of any machinery, equipment or fixtures containing polychlorinated biphenyls (PCBs) on or in the Property. With respect to any such material or materials currently present in or on the Property, Grantor shall promptly comply with all applicable Environmental Laws regarding the safe removal thereof, at Grantor's expense.

Grantor shall indemnify and defend Lender and hold Lender harmless from and against all loss, cost, damage and expense (including, without limitation, attorneys' fees and costs incurred in the investigation, defense and settlement of claims) that Lender may incur as a result of or in connection with the assertion against Lender of any claim relating to the presence or removal of any Hazardous Substance, or compliance with any Environmental Law. No notice from any governmental body has ever been served upon Grantor or, to Grantor's knowledge after due inquiry, upon any prior owner of the Property, claiming a violation of or under any Environmental Law or concerning the environmental state, condition or quality of the Property, or the use thereof, or requiring or calling attention to the need for any work, repairs, construction, removal, cleanup, alterations, demolition, renovation or installation on, or in connection with, the Property in order to comply with any Environmental Law; and upon receipt of any such notice, Grantor shall take any and all steps, and shall perform any and all actions necessary or appropriate to comply with the same, at Grantor's expense. In the event Grantor fails to do so, Lender may declare this Deed of Trust to be in default.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Grantor shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Idaho law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Deed of Trust.

Attachment 3
2/2/15

EXHIBIT A

01. **Participation Terms**. Upon issuance of an integration order by the Commission, the operator of the integrated spacing unit must issue an elections form to all non-leased owners in the spacing unit by certified U.S. mail, return receipt requested. The election form must clearly identify the participation terms, the course of action if an owner does not respond to the election form, and a response deadline. The terms in Subsections 131.02, 03, and 04 of these rules are available to non-leased owners in an integrated spacing unit. ( )

02. **Working Interest Owner**. An owner who elects to participate as a working interest owner will pay the proportionate share of the actual costs of drilling and operating a well allocated to the owner's interest in the spacing unit. *Prior to the drilling operations,* working interest owners who share in the costs of drilling and operating the well are entitled to their respective shares of the production of the well. The operator of the integrated spacing unit and working interest owners must enter into a joint operating agreement approved by the Commission in the integration order. ( )

03. **Nonconsenting Working Interest Owner**. An owner who refuses to share in the risk and actual costs of drilling and operating the well is a nonconsenting working interest owner. Nonconsenting working interest owners are entitled to their respective shares of the production of the well, not to exceed one-eighth (1/8) royalty, until the operator of the integrated spacing unit has recovered up to three hundred percent (300%) of the nonconsenting working interest owner's share of the cost of drilling and operating the well under the terms set forth in the integration order. After all the costs have been recovered by the consenting owners in the spacing unit, the nonconsenting owner owns the proportionate share in the well, surface facilities, and production, and will be liable for further costs as if the nonconsenting owner had originally agreed to pay the costs of drilling and operating the well. The operator of the integrated spacing unit and nonconsenting working interest owners must enter into a joint operating agreement approved by the Commission in the integration order. ( )

04. **Lease**. An owner may enter into a lease with the operator of the integrated spacing unit under the terms and conditions in the integration order. The owner will receive one-eighth (1/8) royalty. The operator of an integrated spacing unit must pay a leasing mineral owner the same bonus payment per acre as the operator originally paid to other owners in the spacing unit prior to the issuance of the integration order. If an owner fails to make an election within the election period set forth in the integration order, such owner's interest will be deemed leased under the terms and conditions in the integration order. ( )

13~~12~~. -- 139. (RESERVED)

[Codified Section 140 is being moved and renumbered to Section 312.]

~~3~~140. UNIT OPERATION~~S~~ AGREEMENTS.
Any person desiring to obtain the benefits of Section 47-323, Idaho Code, relating to any method of unit, cooperative development, or operation of a field or pool or a part of either, shall file an application with the Department for approval of such agreement which shall have attached a copy of such agreement. Notice of the hearing of such application shall be given by publication of a legal notice in a newspaper of general circulation in Ada County, Idaho, and the county of the unit operation. ~~(3-29-12)~~( )

141. -- ~~149.~~ ~~(RESERVED)~~

[Codified Section 150 is being moved and renumbered to Section 411.]

~~151. -- 159. (RESERVED)~~

~~160. FIRE PROTECTION.~~
~~Dikes or firewalls shall be required where it is deemed necessary by the Department to protect life, health, or property. Such dikes or firewalls must be erected and continuously maintained in good condition around all permanent oil tanks or batteries that are within the corporate limits of any city, town, or village, or where such tanks are closer than one hundred fifty (150) feet to any highway or inhabited dwelling, or closer than one thousand (1,000) feet to any school or church. The capacity of the dike, or firewall, shall be one and one-half (1 1/2) times the capacity of the tank(s) that it surrounds. The reservoir so formed within the dike shall be kept free from vegetation, water, and~~

Penalties

Exhibit B

Utah

(d) (i) Each pooling order shall provide that each nonconsenting owner shall be entitled to receive, subject to royalty or similar obligations, the share of the production of the well applicable to the nonconsenting owner's interest in the drilling unit after the consenting owners have recovered from the nonconsenting owner's share of production the following amounts less any cash contributions made by the nonconsenting owner:

(A) 100% of the nonconsenting owner's share of the cost of surface equipment beyond the wellhead connections, including stock tanks, separators, treaters, pumping equipment, and piping;

(B) 100% of the nonconsenting owner's share of the estimated cost to plug and abandon the well as determined by the board;

(C) 100% of the nonconsenting owner's share of the cost of operation of the well commencing with first production and continuing until the consenting owners have recovered all costs; and

(D) an amount to be determined by the board but not less than 150% nor greater than 400% of the nonconsenting owner's share of the costs of staking the location, wellsite preparation, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or plugging back, testing, and completing, and the cost of equipment in the well to and including the wellhead connections.

Wyoming

(i) One hundred percent (100%) of each such nonconsenting owner's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus one hundred percent (100%) of each such nonconsenting owner's share of the cost of operation of the well commencing with first production and continuing until each such nonconsenting owner's relinquished interest shall revert to it under other provisions in this section, it being intended that each nonconsenting owner's share of such costs and equipment will be that interest which would have been chargeable to each nonconsenting owner had it initially agreed to pay its share of the costs of said well from the beginning of the operation; and

(ii) Up to three hundred percent (300%) of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash

contributions received and up to two hundred percent (200%) of that portion of the cost of newly acquired equipment in the well, to and including the wellhead connections, which would have been chargeable to the nonconsenting owner if he had participated therein.

Texas

§ 102.052. DRILLING AND COMPLETION COSTS. (a) As to an owner who elects not to pay his proportionate share of the drilling and completion costs in advance, the commission shall make provision in the pooling order for reimbursement solely out of production, to the parties advancing the costs, of all actual and reasonable drilling, completion, and operating costs plus a charge for risk not to exceed 100 percent of the drilling and completion costs.

Washington

(a) In respect to every such well, one hundred percent of the nonconsenting owner's share of the cost of surface equipment beyond the wellhead connections, including but not limited to, stock tanks, separators, treaters, pumping equipment, and piping, plus one hundred percent of the nonconsenting owner's share of the cost of operation of the well, commencing with first production and continuing until the consenting owners have recovered these costs, with the intent that the nonconsenting owner's share of these costs and equipment will be that interest which would have been chargeable to the nonconsenting owner had he or she initially agreed to pay his or her share of the costs of the well from the beginning of the operation;

(b) One hundred fifty percent of that portion of the costs and expenses of staking the location,

EXHIBIT C

01. **Participation Terms.** Upon issuance of an integration order by the Commission, the operator of the integrated spacing unit must issue an elections form to all non-leased owners in the spacing unit by certified U.S. mail, return receipt requested. The election form must clearly identify the participation terms, the course of action if an owner does not respond to the election form, and a response deadline. The terms in Subsections 131.02, 03, and 04 of these rules are available to non-leased owners in an integrated spacing unit.

02. **Working Interest Owner.** An owner who elects to participate as a working interest owner will pay the proportionate share of the actual costs of drilling and operating a well allocated to the owner's interest in the spacing unit. *Prior to the drilling operations,* working interest owners who share in the costs of drilling and operating the well are entitled to their respective shares of the production of the well. The operator of the integrated spacing unit and working interest owners must enter into a joint operating agreement approved by the Commission in the integration order.

03. **Nonconsenting Working Interest Owner.** An owner who refuses to share in the risk and actual costs of drilling and operating the well is a nonconsenting working interest owner. Nonconsenting working interest owners are entitled to their respective shares of the production of the well, not to exceed one-eighth (1/8) royalty, until the operator of the integrated spacing unit has recovered up to three hundred percent (300%) of the nonconsenting working interest owner's share of the cost of drilling and operating the well under the terms set forth in the integration order. After all the costs have been recovered by the consenting owners in the spacing unit, the nonconsenting owner owns the proportionate share in the well, surface facilities, and production, and will be liable for further costs as if the nonconsenting owner had originally agreed to pay the costs of drilling and operating the well. The operator of the integrated spacing unit and nonconsenting working interest owners must enter into a joint operating agreement approved by the Commission in the integration order.

04. **Lease.** An owner may enter into a lease with the operator of the integrated spacing unit under the terms and conditions in the integration order. The owner will receive one-eighth (1/8) royalty. The operator of an integrated spacing unit must pay a leasing mineral owner the same bonus payment per acre as the operator originally paid to other owners in the spacing unit prior to the issuance of the integration order. If an owner fails to make an election within the election period set forth in the integration order, such owner's interest will be deemed leased under the terms and conditions in the integration order.

13~~1~~2. -- 139. (RESERVED)

[Codified Section 140 is being moved and renumbered to Section 312.]

~~3~~140. UNIT OPERATION~~S~~ AGREEMENTS.
Any person desiring to obtain the benefits of Section 47-323, Idaho Code, relating to any method of unit, cooperative development, or operation of a field or pool or a part of either, shall file an application with the Department for approval of such agreement which shall have attached a copy of such agreement. Notice of the hearing of such application shall be given by publication of a legal notice in a newspaper of general circulation in Ada County, Idaho, and the county of the unit operation. ~~(3-29-12)~~

141. -- ~~149.~~ ~~(RESERVED)~~

[Codified Section 150 is being moved and renumbered to Section 411.]

~~**151. -- 159. (RESERVED)**~~

~~**160. FIRE PROTECTION.**~~
~~*Dikes or firewalls shall be required where it is deemed necessary by the Department to protect life, health, or property. Such dikes or firewalls must be erected and continuously maintained in good condition around all permanent oil tanks or batteries that are within the corporate limits of any city, town, or village, or where such tanks are closer than one hundred fifty (150) feet to any highway or inhabited dwelling, or closer than one thousand (1,000) feet to any school or church. The capacity of the dike, or firewall, shall be one and one-half (1-1/2) times the capacity of the tank(s) that it surrounds. The reservoir so formed within the dike shall be kept free from vegetation, water, and*

Exhibit D

130. INTEGRATION.
When two (2) or more separately owned tracts or interests are within a spacing unit, the owners of the tracts or interests may voluntarily integrate their tracts or interests for the development and operation of the spacing unit. In the absence of voluntary integration and upon an application by an owner within a spacing unit, the Commission may, either before or after drilling a well, make an order integrating all tracts or interests within the spacing unit for the development and operation of the spacing unit. ( )

01. Integration Application Requirements. Integration applications must be filed with the Commission in hard copy and electronic formats. The application must contain the following information: ( )

a. Name and address of the applicant; ( )

b. Description of the spacing unit to be integrated; ( )

c. Plat of the subject spacing unit identifying the location of the well site, tank battery, gas processing facility, pipelines, roads, and the ownerships of tracts and interests within the spacing unit; ( )

d. A geologic *statement* explaining the likely presence of hydrocarbons; ( )

e. A statement of the proposed operations for the spacing unit, including the name and address of the proposed operator; ( )

f. A proposed joint operating agreement and a proposed lease form; ( )

g. A list of all mineral interest owners in the spacing unit and a list of the owners to be integrated under the application, including names, addresses, and respective acreages within the spacing unit; ( )

h. Affidavits indicating that at least fifty-five percent (55%) of the mineral interest owners in the spacing unit support the integration application by leasing or participating as a working interest owner; ( )

i. *An affidavit stating the highest bonus payment* paid to leased mineral interest owners prior to filing the integration application; and ( )

j. A resume of efforts documenting the applicant's good faith efforts on at least three (3) separate occasions within a period of time no less than sixty (60) days to inform mineral interest owners of the applicant's intentions to develop the mineral resources in the spacing unit and reach an agreement with owners in the spacing unit. At least one (1) contact must be by certified U.S. mail return receipt requested sent to an owner's last known address. If an owner of a tract cannot be found, the applicant must publish a legal notice in a newspaper in the county where the tract is located. The resume of efforts must show the applicant has exhausted all reasonable efforts to reach an agreement with owners in a spacing unit. ( )

02. Response to the Application and Hearing. At the time the integration application is filed with the Commission, the applicant must certify that a copy of the integration application and supporting information was served on all mineral interest owners in the spacing unit to be integrated under the application. The affected mineral interest owners in the spacing unit will have twenty-one (21) days from the date of service of the application to file a response to the application with the Commission. The Commission will schedule a hearing on the application for integration. The applicant will give notice of the hearing to all mineral interest owners in the unit to be integrated under the application in the manner required by Section 47-324(b), Idaho Code. ( )

131. INTEGRATION ORDERS.
The Commission will issue an integration order if the Commission approves an application for integration. The integration order will authorize the drilling and operation of a well in a spacing unit, prescribe the time and manner in which all owners in the spacing unit may elect to participate therein, and prescribe the manner for the payment of the costs of drilling and operating the well upon terms that are just and reasonable pursuant to Section 47-322, Idaho Code. ( )

Exhibit E

Moody's Investors Service

Report created January 7, 2015

ALTA MESA HOLDINGS, LP
CUSIP: 021332AC5

Credit Rating Report

This section details the Moody's ratings for CUSIP 021332AC5.

Moody's Long-Term Rating as of 06/06/2014 **B3**

Watch Status ALTA MESA HOLDINGS, LP

Upgrade | Downgrade | Uncertain | **Not on Watch**

Moody's uses Watch Status to indicate that a rating is under review for possible change in the short-term.

Long-Term Rating ALTA MESA HOLDINGS, LP 06/06/2014

Investment Grade | **Non-Investment Grade**

Obligations rated B are considered speculative and are subject to high credit risk.

ALTA MESA HOLDINGS, LP

Credit Rating Report

This section details the Moody's ratings for ALTA MESA HOLDINGS, LP.

Moody's Long-Term Rating as of 06/06/2014 **B2**

Watch Status ALTA MESA HOLDINGS, LP

Upgrade | Downgrade | Uncertain | Multiple | **Not on Watch**

Moody's uses Watch Status to indicate that a rating is under review for possible change in the short-term.

Long-Term Rating ALTA MESA HOLDINGS, LP 06/06/2014

Investment Grade | Non-Investment Grade

Issuers or issues rated B demonstrate weak creditworthiness relative to other US municipal or tax- exempt issuers or issues.

Moody's Rating Outlook ALTA MESA HOLDINGS, LP 06/06/2014

Positive | **Negative** | Stable | Developing | Under Review | No Outlook | Withdrawn

A Moody's Rating Outlook is an opinion regarding the likely direction of a rating over the medium term.

Corporate Profile

Alta Mesa Holdings, LP (Alta Mesa) is a private oil and natural gas exploration and production (E&P) partnership that is primarily focused in Oklahoma's Sooner Trend Field of the Anadarko Basin and South Louisiana's Weeks Island oil field. Pro forma for a recent divestiture of a portion of producing Eagle Ford wells and leasehold, production in first quarter 2014 was 15,800 barrels of oil equivalent (boe) per day, about 53% of which was oil. Pro forma for the divestiture, a PV-10 value of $1.2 billion was attributed to Alta Mesa's total proved reserves of 53 million boe (50% oil, 57% proved developed (PD)) as of December 31, 2013.

The business was founded in 1987 and is controlled by a five-person Board of Directors, four of whom are nominated by management and one member is nominated by Highbridge Principal Strategies, LLC (Highbridge). Alta Mesa's founder, Chairman and Chief Operating Officer - Michael Ellis - owns 100% of the general partnership interest. Alta Mesa's Limited Partnership (LP) units have two classes of shares: Class A shares are owned by management and Class B shares are owned by Alta Mesa Investment Holdings, Inc. (AMIH, unrated) where Highbridge recently invested $200 million in the form of debt and $150 million in the form of preferred shares.

Moody's Opinion: ALTA MESA HOLDINGS, LP as of 06/11/2014

Rating Drivers

>High leverage in terms of production and reserves
>Recapitalization increases the complexity of the capital structure
>Small scale producer with a moderately diversified geographic footprint
>Rising oil production positively impacting margins but growth strategy poses execution and funding risk

SUMMARY RATING RATIONALE

The B2 Corporate Family Rating (CFR) reflects Alta Mesa's high leverage, significant execution and funding risk surrounding its plan to rapidly grow production in the Anadarko Basin's Sooner Trend where the company has drilled a limited number of wells to date, and significant projected negative free cash flow through 2015. The rating is also negatively impacted by the recapitalization of AMIH, with debt and preferred equity from Highbridge, which replaced the prior equity interest of Denham Capital. While the high coupon debt and preferred shares at AMIH can be paid in kind (PIK), do not have a claim on cash flows from Alta Mesa and is subordinated to Alta Mesa's debt, it raises the complexity of the corporate family and could incentivize management to become more aggressive to retain substantial ownership interest in the company. The B2 rating is supported by Alta Mesa's improving cash margins, which have grown in recent years through the transition to liquids-rich properties, meaningful oily acreage in Oklahoma and Louisiana that could potentially drive further oil production growth and margin expansion, and its track record of hedging a sizeable portion of its forward production.

Idaho Statutes

EXHIBIT F

TITLE 47
MINES AND MINING

CHAPTER 3
OIL AND GAS WELLS -- GEOLOGIC INFORMATION, AND PREVENTION OF WASTE

47-328. ACT NOT CONSTRUED TO RESTRICT PRODUCTION. It is not the intent or purpose of this law to require the proration or distribution or the production of oil and gas among the fields of Idaho on the basis of market demand. This act shall never be construed to require, permit, or authorize the commission or any court to make, enter, or enforce any order, rule, regulation or judgment requiring restriction of production due to market demand of any pool or of any well (except as provided in section 47-319, Idaho Code, hereof) to an amount less than the well or pool can produce without waste in accordance with sound engineering practices.

History:
[47-328, added 1963, ch. 148, sec. 14, p. 433; am. 2012, ch. 73, sec. 5, p. 215.]

Attachment 4
2/2/15

Oil & Gas Wells and Mortgages

HUD Requirements

- HUD **does not** consider an oil/gas well a hazard
- HUD **does** note the presence of operating or abandoned oil/gas wells looking for three (3) things:
    - Are existing structures **300'** from an active or proposed drilling site boundary?
    - Is new/proposed construction **75'** from an operating well?
    - Is an abandoned well **300'** from construction? (**10'** allowed with letter from the State authority)

Past Confusion

When the oil/gas industry started operating in Idaho in 2010, local mortgage and title companies were not familiar with oil/gas leases and easements that would show up on the titles. The notation on titles would only relate to the mineral portion of the property not the surface property, but caused confusion and hesitation for local lending institutions.

Today

Local Title Companies and lending institutions have been educating themselves on oil/gas lease and easement issues in relation to lending practices and HUD requirements. Several symposiums have been held around the state with the result being more confidence in mortgage lending.

(3-6) 2. Hazards

The property must be free of all known hazards and adverse conditions that:

- o may affect the health and safety of the occupants
- o may affect the structural soundness of the improvements
- o may impair the customary use and enjoyment of the property

These hazards include toxic chemicals, radioactive materials, other pollution, hazardous activities, potential damage from soil or other differential ground movements, ground water, inadequate surface drainage, flood, erosion, excessive noise and other hazards on or off site.

> If the property meets the acceptability guidelines in the VC protocol (Appendix D), quantify the deficiency's impact in the property valuation.

> If the property does not meet the acceptability guidelines, note the appropriate hazard in VC-1 and explain.

In the appraisal of new and proposed construction, special conditions may exist or arise during construction that were unforeseen and necessitate precautionary or hazard mitigation measures. HUD will require corrective work to mitigate potential adverse effects from the special conditions as necessary. Special conditions include:

- o rock formations
- o unstable soils or slopes
- o high ground water levels
- o springs
- o other conditions that may have a negative effect on the property value

The builder must ensure proper design, construction and satisfactory performance when any of these issues are present.

For specific instructions about noting this information in the VC form, see VC-1 in the protocol (Appendix D).

3. Soil Contamination

a. Septic and Sewage

If a septic system is part of the subject property, the appraiser must determine whether the area is free of conditions that adversely affect the operation of the system. Consider the

Site Analysis

- Site Hazards & Nuisances .
  - Note evidence or existence of operating or abandoned oil/gas wells, and distance from subject (HB4150.2 Sec. 2-2 D):
  - Existing Construction – 300' from active or proposed drilling site boundary, not the actual well site.
  - New/Proposed Construction – 75' from an operating well .
  - Abandoned Well – 10' (w/letter from State authority); 300' without letter.