

Dear Senators BURTENSHAW, Adams, Semmelroth, and
Representatives MENDIVE, Shepherd, Burns:

The Legislative Services Office, Research and Legislation, has received the enclosed rules of the
Idaho Department of Lands:

IDAPA 20.03.15 - Rules Governing Geothermal Leasing on Idaho State Lands (ZBR Chapter
Rewrite, Fee Rule) - Proposed Rule (Docket No. 20-0315-2401);

IDAPA 20.03.16 - Rules Governing Oil and Gas Leasing on Idaho State Lands (ZBR Chapter
Rewrite, Fee Rule) - Proposed Rule (Docket No. 20-0316-2401).

Pursuant to Section 67-454, Idaho Code, a meeting on the enclosed rules may be called by the
cochairmen or by two (2) or more members of the subcommittee giving oral or written notice to Research
and Legislation no later than fourteen (14) days after receipt of the rules' analysis from Legislative
Services. The final date to call a meeting on the enclosed rules is no later than 08/05/2024. If a meeting is
called, the subcommittee must hold the meeting within forty-two (42) days of receipt of the rules' analysis
from Legislative Services. The final date to hold a meeting on the enclosed rules is 09/02/2024.

The germane joint subcommittee may request a statement of economic impact with respect to a
proposed rule by notifying Research and Legislation. There is no time limit on requesting this statement,
and it may be requested whether or not a meeting on the proposed rule is called or after a meeting has
been held.

To notify Research and Legislation, call 334-4854, or send a written request to the address on the
memorandum attached below.



Terri Kondoff
Director

Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

MEMORANDUM

TO: Rules Review Subcommittee of the Senate Resources & Environment Committee and the House Resources & Conservation Committee
FROM: Deputy Division Manager - Katharine Gerrity
DATE: July 18, 2024
SUBJECT: Idaho Department of Lands

IDAPA 20.03.15 - Rules Governing Geothermal Leasing on Idaho State Lands (ZBR Chapter Rewrite, Fee Rule) - Proposed Rule (Docket No. 20-0315-2401)

IDAPA 20.03.16 - Rules Governing Oil and Gas Leasing on Idaho State Lands (ZBR Chapter Rewrite, Fee Rule) - Proposed Rule (Docket No. 20-0316-2401)

1. IDAPA 20.03.15 - Rules Governing Geothermal Leasing on Idaho State Lands (ZBR Chapter Rewrite, Fee Rule)

Summary and Stated Reasons for the Rule

The Idaho Department of Lands submits notice of proposed rule at IDAPA 20.03.15 - Rules Governing Geothermal Leasing on Idaho State Lands (ZBR Chapter Rewrite, Fee Rule). According to the department, the rulemaking was initiated based on the Zero-Based Regulation executive order signed by the Governor in 2020. The department states that the goal of the rulemaking is to simplify and streamline the rules for increased clarity and ease of use. The department indicates that no changes have been made to any fees in the rule.

Negotiated Rulemaking / Fiscal Impact

The department notes that negotiated rulemaking was conducted and that there is a no fiscal impact as a result of the rulemaking.

Statutory Authority

The rulemaking appears to be authorized pursuant to sections 58-104 and 58-105, Idaho Code.

Paul Headlee, Deputy Director Matt Drake, Manager Keith Bybee, Manager April Renfro, Manager Norma Clark, Manager
Legislative Services Office Research & Legislation Budget & Policy Analysis Legislative Audits Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
legislature.idaho.gov

2. IDAPA 20.03.16 - Rules Governing Oil and Gas Leasing on Idaho State Lands (ZBR Chapter Rewrite, Fee Rule)

Summary and Stated Reasons for the Rule

The Idaho Department of Lands submits notice of proposed rule at IDAPA 20.03.16 - Rules Governing Oil and Gas Leasing on Idaho State Lands (ZBR Chapter Rewrite, Fee Rule). According to the department, the rulemaking was initiated based on the Zero-Based Regulation executive order signed by the Governor in 2020. The department states that the goal of the rulemaking is to simplify and streamline the rules for increased clarity and ease of use. The department indicates that no changes have been made to any fees in the rule.

Negotiated Rulemaking / Fiscal Impact

The department notes that negotiated rulemaking was conducted and that there is a no fiscal impact as a result of the rulemaking.

Statutory Authority

The rulemaking appears to be authorized pursuant to sections 58-104 and 58-105, Idaho Code.

cc: Idaho Department of Lands
Anna Maria Mancini

***** PLEASE NOTE *****

Per the Idaho Constitution, all administrative rules may be reviewed by the Legislature during the next legislative session. The Legislature has 3 options with this rulemaking docket: **1)** Approve the docket in its entirety; **2)** Reject the docket in its entirety; or **3)** Reject the docket in part.

IDAPA 20 – IDAHO DEPARTMENT OF LANDS

20.03.15 – RULES GOVERNING GEOTHERMAL LEASING ON IDAHO STATE LANDS

DOCKET NO. 20-0315-2401 (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 application fee (\$250) and assignment fee (\$150) remain the same. Rule language regarding late payment was removed to allow the Department to be consistent with statute as to how late fees are assessed.

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 18-19](#).

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. 20-0315-2401
(ZBR Chapter Rewrite.)

20.03.15 – RULES GOVERNING GEOTHERMAL 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 16, Idaho Code; and Title 67, Chapter 52, Idaho Code. (3-18-22)()

001. ~~TITLE AND SCOPE.~~

~~01. Title. These rules are titled IDAPA 20.03.15, “Rules Governing Geothermal Leasing on Idaho State Lands.” (3-18-22)~~

~~02. Scope. These rules apply to the exploration and extraction of any ~~and all~~ ~~g~~Geothermal ~~r~~Resources situated in state-owned ~~m~~Mineral ~~l~~Lands. (3-18-22)()~~

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

002. ADMINISTRATIVE APPEALS.

Any ~~p~~Person aggrieved by any final agency action will be entitled to judicial review pursuant to ~~the provisions of~~ Title 67, Chapter 52, Idaho Code; ~~i~~ IDAPA 20.01.01; ~~i~~ and Title 47, Chapter 16, Idaho Code. (3-18-22)()

003. -- 009. (RESERVED)

010. DEFINITIONS.

~~The terms Mineral Lands, Mineral Rights, and Mineral are defined in Section 47-701, Idaho Code. The term Casual Exploration and Motorized Exploration are defined in Section 47-703A, Idaho Code. The term Geothermal Resource is defined in Section 47-1602, Idaho Code. In addition to the identified definitions in Idaho Code, the following definitions apply to these rules: ()~~

~~01. Associated By-Products or By-Product: (3-18-22)~~

~~a. Any ~~m~~Mineral(s) or minerals (exclusive of excluding oil, hydrocarbon gas, ~~any other hydrocarbon compound~~, and helium) that are found in solution or developed in association with ~~g~~Geothermal ~~r~~Resources; or (3-18-22)()~~

~~b. Demineralized or mineralized water ~~found or developed in association with Geothermal Resources.~~ (3-18-22)()~~

~~02. Board. The Idaho State Board of Land Commissioners or its designee. (3-18-22)~~

~~03. Casual Exploration. Casual exploration means entry and/or exploration that does not appreciably disturb or damage the land or resources thereon. Casual exploration includes, but is not limited to, geochemical and/or geophysical exploration techniques, sampling with hand tools, and entry using wheeled vehicles for transportation to conduct such exploration. (3-18-22)~~

043. Completion. A well is considered to be completed thirty (30) days after drilling operations have ceased and the drill rig is removed from the premises or thirty (30) days after the initial production or injection test has been completed, whichever occurs ~~last~~ first. (3-18-22)()

054. Department. The Idaho Department of Lands ~~or its designee~~. (3-18-22)()

065. Director. The ~~d~~Director of the Idaho Department of Lands or ~~his~~ their designee. (3-18-22)()

07. Direct Use. ~~The use of geothermal resources for direct applications, including, but not limited to, road surface heating, resorts, hot spring bathing and spas, space heating of buildings, recreation, greenhouse warming, aquaculture, or industrial applications where geothermal heat is used in place of other energy inputs.~~ (3-18-22)

086. Electrical Power Generation. The use of ~~g~~Geothermal ~~r~~Resources to either directly generate electricity or to heat a secondary fluid and use it to generate electricity. (3-18-22)()

097. Field. A geographic area overlying a ~~geothermal system~~ geologic setting with ~~one (1) or more~~ gGeothermal ~~reservoirs~~ Resource(s) or pool(s), including any porous, permeable geologic layer, that may be formed along one (1) fault or fracture, or a series of connected faults or fractures. (3-18-22)()

10. Geothermal Resources. ~~The natural heat energy of the earth, the energy, in whatever form, that may be found in any position and at any depth below the surface of the earth present in, resulting from, or created by, or that may be extracted from such natural heat, and all minerals in solution or other products obtained from the material medium of any geothermal resource. When used without restriction, it includes associated by products.~~ (3-18-22)

1108. Lease. ~~A lease covering the geothermal resources and associated by products in state lands~~ written agreement between the Department and a Person containing the terms and conditions upon which the Person will be authorized to use State Lands. (3-18-22)()

1209. Lessee. The ~~p~~Person to whom a geothermal ~~H~~Lease has been issued and ~~his~~ their successor in interest or assignee. It also means any agent of the Lessee or an ~~O~~Operator holding authority by or through the Lessee. (3-18-22)()

130. Market Value. The most probable price at a specified date, in cash, or on terms reasonably equivalent to cash, for which the property or commodity should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. (3-18-22)

14. Motorized Earth Moving Equipment. ~~Backhoes, bulldozers, front loaders, trenchers, core drills, drill rigs, power augers, and other similar equipment.~~ (3-18-22)

151. Navigable Water Courses. ~~The state-owned beds of active lakes, rivers, and streams that do not include formerly submerged lands where the state retains ownership.~~ excluding formerly submerged public lands. (3-18-22)()

162. Operator. The ~~p~~Person having control or management of operations on the leased lands or a portion thereof. The ~~O~~Operator may be the Lessee, designated operator, or agent of the Lessee, or holder of rights under an approved operating agreement. (3-18-22)()

173. Overriding Royalty. An interest in the ~~g~~Geothermal ~~r~~Resource produced at the surface free of any cost of production. It is a royalty in addition to the royalty reserved to the ~~s~~State. (3-18-22)()

184. Person. ~~Any natural person, corporation, association, partnership, or other entity recognized and authorized to do business in Idaho, receiver, trustee, executor, administrator, guardian, fiduciary, or other representatives of any kind, and includes any government or any political subdivision of any agency thereof. The masculine gender, in referring to a person, includes the feminine and the neuter genders~~ Any 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)(____)

195. Record Title. The publicly recorded ~~L~~ease that ~~is the~~ evidences ~~of the~~ right that a ~~p~~Person has to the possession of the leased property. (3-18-22)(____)

2016. Reservoir or Pool. A porous, permeable geologic layer containing ~~g~~Geothermal ~~r~~Resources. (3-18-22)(____)

217. Shut In. To close the valves at the wellhead so that the well stops flowing or producing. Also describes a well on which the valves have been closed. (3-18-22)

2218. State Lands. Without limitation, lands in which the title to the ~~m~~Mineral ~~r~~Rights are owned by the state of Idaho and are under the jurisdiction and control of the Board or ~~under the jurisdiction and control of~~ any other state body or agency, having been obtained from any source and by any means whatsoever, including the beds and banks of navigable waters of the state of Idaho. (3-18-22)(____)

2319. Waste. Any physical loss of ~~g~~Geothermal ~~r~~Resources including, ~~but not limited to:~~ (3-18-22)(____)

a. Underground loss of ~~g~~Geothermal ~~r~~Resources resulting from inefficient, excessive, or improper use, or dissipation of geothermal energy, or of any ~~g~~Geothermal ~~r~~Resource ~~p~~Pool, ~~r~~Reservoir, or other source; ~~or the locating, spacing, constructing, equipping, operating, or producing of any well in a manner that results, or tends to result in, reducing the quantity of geothermal energy to be recovered from any geothermal area in the state;~~ (3-18-22)(____)

b. ~~The inefficient above-ground transporting and storage of geothermal energy; and the locating, spacing, equipping, operating, or producing of any well or injection well in a manner causing or tending to cause unnecessary or excessive surface loss or destruction of geothermal energy; the escape into the open air from a well of steam or hot water in excess of what is reasonably necessary in the efficient development or production of a well.~~ Underground loss of Geothermal Resources resulting from the locating, spacing, constructing, equipping, operating, or producing of any well in a manner which results in inefficient, excessive or improper use or dissipation of the quantity of geothermal energy to be recovered; (3-18-22)(____)

c. The inefficient above-ground transporting or storage of geothermal energy; (____)

d. The inefficient above-ground locating, spacing, equipping, operating, or producing of any well, including injection well, in a manner causing unnecessary or excessive surface loss or destruction of geothermal energy; or (____)

e. The escape into the open air from a well of steam or hot water in excess of what is reasonably necessary in the efficient development of or production from a well. (____)

011. ABBREVIATIONS.

01. IDWR. Idaho Department of Water Resources. (3-18-22)

012. -- 019. (RESERVED)

020. QUALIFIED APPLICANTS AND LESSEES.

Any ~~p~~Person legally competent to contract may submit an application to lease ~~s~~State ~~l~~and provided such ~~p~~Person ~~is not then in default of~~ does not have any contract in default with the state of Idaho or any department or agency thereof. (3-18-22)(____)

021. LEASE AWARD THROUGH AUCTION.

If more than one (1) application is received for geothermal development on the same parcel of land, a lease auction will be held. (3-18-22)

022. -- 029. (RESERVED)

030. ~~TERM~~LEASE PROVISIONS.

~~01. Lease Term.~~ All leases may be for a term of up to forty-nine (49) years from the effective date of the lease. (3-18-22)(____)

~~021. Diligence in Utilization.~~ Lessee will use due diligence to market or utilize ~~g~~Geothermal ~~r~~Resources in paying quantities. If leased land is capable of producing ~~g~~Geothermal ~~r~~Resources in paying quantities, but production is shut-in, the ~~H~~Lease will continue in force upon payment of rentals for the duration of the ~~H~~Lease term or two (2) years after shut-in, whichever is shorter. If the Department determines that the Lessee is proceeding diligently to acquire a contract to sell or to utilize the production or is progressing with installations needed for production, the ~~H~~Lease may continue in force for one (1) additional year if rental payments are kept current. The Department will continue to review a shut-in ~~H~~Lease every year until production and payment of royalties takes place, or the ~~H~~Lease is terminated for Lessee's lack of due diligence or surrendered by the Lessee. (3-18-22)(____)

~~032. Yearly Reporting.~~ A report of all exploration, development, and production activities must be submitted to the Department at the close of each ~~H~~Lease year. (3-18-22)(____)

031. -- 034. (RESERVED)

035. RENTALS.

~~01. Advance Annual Rental.~~ Lessee will pay ~~to~~ the Department, in advance, ~~each year an~~ yearly annual rental. The annual rental for the first year of the Lease's term will be due and payable and will be received by the Department, paid to the Department within thirty (30) days of the date of notice of Lease approval or award. ~~Together with the payment, the Lessee must submit~~ a lease agreement that it executed ~~by Lessee within thirty (30) days of the date of notice of approval or award.~~ Second year and subsequent rental payments must be received by the Department ~~on or before the anniversary date of the lease~~ before the Lease's anniversary date. (3-18-22)(____)

~~02. Amount.~~ Annual rentals will be set by the Board through competitive bidding, negotiation, fixed amounts, formulas, or some other method of valuation that a prudent investor might reasonably apply to establish such rental amounts. (3-18-22)

036. ROYALTIES.

~~01. Royalty Payments.~~ The Lessee will ~~cause to be paid to~~ pay the Department royalties on the value of geothermal production from the leased ~~premises~~ lands. The royalty rate will be established ~~by the Board based on the market value of the geothermal resources produced from the lands under lease. The royalties specified in geothermal leases will be fixed in any manner by the Board, including but not limited to competitive bidding, negotiation, fixed amounts, or formulas~~ per Section 47-1605(2), Idaho Code. Royalty rates may be adjusted ~~throughout the term of the lease in order~~ the Lease's term to keep pace with ~~m~~Market ~~v~~Values. When ~~H~~Leases are issued, the following guidelines will be used for royalty rates not subject to competitive bidding: (3-18-22)(____)

~~a.~~ A royalty of ~~between at least~~ between at least five percent (5%) ~~and twenty percent (20%)~~ of the amount or value of ~~g~~Geothermal ~~r~~Resources, or any other form of heat or energy excluding ~~e~~Electrical ~~p~~Power ~~g~~Generation, derived from production under the ~~H~~Lease and sold or utilized by the Lessee or reasonably susceptible to sale or utilization by the Lessee; (3-18-22)(____)

~~b.~~ A royalty of ~~between at least~~ between at least two percent (2%) ~~and fifteen percent (15%)~~ of the amount or value of any ~~a~~Associated ~~b~~By-~~p~~Product derived from production under the ~~H~~Lease and sold or utilized or reasonably susceptible of sale or utilization by the Lessee, including commercially demineralized water, ~~and~~; (3-18-22)(____)

~~c.~~ A royalty of ~~between at least~~ between at least two percent (2%) ~~and five percent (5%)~~ of gross receipts for sale of electrical power. (3-18-22)(____)

02. Calculation of Value. The value of geothermal production from the leased ~~premises lands~~ for the purpose of computing royalties is based on a total of the following: (3-18-22)(____)

a. The total consideration accruing to the Lessee from the sale of ~~g~~Geothermal ~~r~~Resources to another party in an arms-length transaction; and (3-18-22)(____)

b. The value of the end product attributable to the ~~g~~Geothermal ~~r~~Resource produced from a particular ~~l~~ease where ~~g~~Geothermal ~~r~~Resources are not sold by the Lessee before being utilized, but are instead directly used in manufacturing power production, or other industrial activity; and (3-18-22)(____)

c. The value of all renewable energy credits or similar incentives based on a proportionate share of the leased lands in the entire project area qualifying for the credits. (3-18-22)

03. Due Date. Royalties will be due and payable monthly to the Department on or before the last day of the calendar month following the month in which the ~~g~~Geothermal ~~r~~Resources and/or their ~~a~~Associated ~~b~~By-~~p~~Products are produced and utilized or sold. (3-18-22)(____)

04. Utilization of Geothermal Resources. The Lessee, ~~within thirty (30) days after execution~~, must file with the Department ~~within thirty (30) days after execution~~ a copy of any contract for the utilization of ~~g~~Geothermal ~~r~~Resources from the ~~l~~ease. ~~Unless otherwise authorized, in writing, by the Department, R~~reports of sales or utilization by Lessee and royalty for each productive ~~l~~ease must be filed ~~each month~~ ~~monthly~~ once production begins, even though production may be intermittent, ~~unless otherwise authorized by the Department. The report must include T~~total volumes of ~~g~~Geothermal ~~r~~Resources produced and utilized or sold, including ~~a~~Associated ~~b~~By-~~p~~Product(s), the value of production, and the royalty due ~~to~~ the state of Idaho ~~must be shown. This~~ ~~The~~ report is due on or before the last day of the month following the month in which production was obtained and sold or utilized, together with the royalties due ~~to~~ the state of Idaho. (3-18-22)(____)

05. Measurement. The Lessee will measure ~~or gauge~~ all production in accordance with ~~Department approved~~ ~~approved by the Department~~ methods. The quantity and quality of all production will be determined in accordance with the standard practices, procedures, and specifications generally used in industry. All measuring equipment must be tested consistent with industry practice and, if found defective, the Department will determine the quantity and quality of production from the best evidence available. (3-18-22)(____)

06. By-Product Testing. The Lessee ~~will periodically~~ ~~must~~ furnish the Department the results of periodic tests ~~consistent with industry practice~~ showing the content of ~~b~~By-~~p~~Products in the produced ~~g~~Geothermal ~~r~~Resources. ~~Such tests will be taken as specified by the Department and by the method of testing approved by him, except that tests not consistent with industry practices will be conducted at the expense of the Department. The Department may require additional tests be taken at Lessee's expense. Any additional tests which are not consistent with industry practices will be conducted at the expense of the Department.~~ (3-18-22)(____)

07. Commingling Pooling. The Department may authorize a Lessee to ~~commingle~~ ~~pool~~ production from wells on ~~his~~ ~~their~~ State ~~l~~ease(s) with production from non-state lands. Department approval of ~~commingling~~ ~~pooling~~ will not be unreasonably withheld, and will consider the following: (3-18-22)(____)

a. The ~~e~~Operator's economic necessity of ~~commingling~~ ~~pooling~~; (3-18-22)(____)

b. The type of geothermal use proposed for the ~~commingled~~ ~~pooled~~ waters; and (3-18-22)(____)

c. Sufficient measurement and accounting of all the ~~commingled~~ ~~pooled~~ waters to ensure that the Department is appropriately compensated by royalties. (3-18-22)(____)

037. -- 039. (RESERVED)

040. SIZE OF A LEASABLE TRACT.

01. Surface Area. Geothermal ~~l~~Leases are not limited in surface area. The Board will determine the surface area of a ~~l~~ease after consultation with other state agencies and prospective Lessees. The probable extent of a

geothermal ~~R~~eservoir, the surface area needed for a viable project, and other relevant factors will be used to help determine ~~L~~ease surface area. (3-18-22)()

02. Navigable Water Courses. Geothermal ~~R~~esources ~~L~~esases may be issued for ~~s~~State ~~L~~ands underlying ~~n~~avigable ~~w~~ater ~~e~~ourses ~~in Idaho~~. Such lands are considered ~~"s~~State ~~L~~ands²² and will be leased in accordance with these rules. Operations in the beds of ~~n~~avigable ~~w~~ater ~~e~~ourses will not be authorized except in necessary circumstances and then only with ~~the Board's~~ express written approval ~~of the Board and~~ upon such conditions and security as the Department deems appropriate. (3-18-22)()

041. -- 049. (RESERVED)

050. LAND SURFACE USE RIGHTS AND OBLIGATIONS.

01. Use and Occupancy. (3-18-22)

a. Lessee will be entitled to use and occupy only so much of the surface of the leased lands as may be required for all purposes reasonably incident to exploration, ~~for, drilling for, production and marketing or drilling, producing, or marketing for~~ ~~g~~Geothermal ~~R~~esources and ~~a~~Associated ~~b~~By-~~p~~Products produced from the leased lands, including the right to construct and maintain thereon all works, buildings, plants, waterway, roads, communication lines, pipelines, reservoirs, tanks, pumping stations or other structures necessary to the full enjoyment and development thereof, consistent with ~~Department approved~~ plan of operations and amendments, ~~thereto, as approved by the Department if amended.~~ (3-18-22)()

b. Uses occurring on the leased area related to exploration, development, production, or marketing of ~~g~~Geothermal ~~R~~esources and ~~a~~Associated ~~b~~By-~~p~~Products ~~produced from off-lease lands may require the Lessee to pay additional rent.~~ (3-18-22)()

~~**02. Supervision.** Uses of state lands within the jurisdiction and control of the Board are subject to the supervision of the Department. Other state lands are subject to the supervision of the appropriate state agency consistent with these rules.~~ (3-18-22)

~~**032. Distance from Residence.** No well may be drilled within two hundred (200) feet of any house or barn on the ~~premises~~ ~~leased lands~~, without the written consent of the Department and its surface Lessees, grantees, or contract purchasers.~~ (3-18-22)()

~~**043. Disposal of Leased Land.** The Board reserves the right to sell or otherwise dispose of the ~~Leased Land's~~ surface ~~of the lands embraced with a lease, insofar as said to the extent that the~~ surface is not necessary for ~~the Lessee's~~ use ~~of the Lessee~~ in the exploration, development, and production of the ~~g~~Geothermal ~~R~~esources and ~~a~~Associated ~~b~~By-~~p~~Products, ~~but a~~ ~~Any sale disposal~~ of surface rights made subsequent to ~~execution~~ ~~executing~~ of a ~~L~~ease will be subject to ~~all of that Lease's~~ the terms and provisions ~~of that lease during the life thereof for the Lease's duration.~~ (3-18-22)()~~

~~**054. Damage.** Lessee must pay ~~to~~ the Board, its surface ~~L~~essees or grantees, or contract purchasers, for any damage done to the surface of said lands and improvements thereon, including without limitation growing crops, by reason of Lessee's operations.~~ (3-18-22)()

051. -- 053. (RESERVED)

054. EXPLORATION UNDER THE LEASE.

01. Diligent Exploration. Lessees must perform diligent exploration and development activities in the first five (5) years of the initial ~~L~~ease term or as otherwise extended by ~~L~~ease provision. Diligent exploration includes seismic, gravity, and other geophysical surveys, geothermometry studies, drilling temperature gradient wells, or similar activities that seek to determine the presence or extent of ~~g~~Geothermal ~~R~~esources. This exploration may occur off ~~of~~ ~~leased lands~~ if it is being done on the same geothermal ~~F~~ield. Failure to perform diligent exploration as described may result in ~~L~~ease cancellation. (3-18-22)()

~~02. **Casual Exploration.** At any time after formal approval by the Board of a lease application, Lessee may enter upon the leased lands for casual exploration or inspection without notice to the department. As an express condition of an application to lease and of the right of casual inspection without notice, Lessee agrees to the indemnity conditions provided in Section 102 of these rules without a formally executed lease. (3-18-22)~~

032. Plan Required. Lessee must submit a Research and Analysis Plan to the Department before any exploration using motorized equipment or before otherwise engaging in operations that may lead to an appreciable disturbance or damage to lands, timber, other resources, or improvements on or adjacent to the Motorized Exploration on leased lands. The proposed activities may not start until the Department approves the plan and the applicable preconditions in Sections 100 and 101 of these rules have been satisfied. The plan of operations may be amended as needed with Department approval. The plan includes all items that the Department deems necessary or useful in managing the gGeothermal rResources including, but not limited to, the following: (3-18-22)()

a. A narrative statement describing all diligent exploration activities that Lessee will conduct, including the type; location; expected impact, disturbance, or damage to the land or existing natural resources; and schedule of all proposed or planned diligent exploration. ()

a.b. A narrative statement describing the proposed measures to be taken for protection of the environment, including, but not limited to the prevention or control of: (3-18-22)

i. Fires; (3-18-22)

ii. Soil loss and erosion; (3-18-22)

iii. Pollution of surface and ground waters; (3-18-22)

iv. Damage to fish and wildlife or other natural resources; (3-18-22)

v. Air and noise pollution; and (3-18-22)

vi. Hazards to public health and safety during lLease activities; (3-18-22)()

b.c. All pertinent information or data that the dDepartment may require to support the plan of operations for the utilization of gGeothermal rResources and the protection of the environment; (3-18-22)()

d. A proposed schedule, which includes major milestones with sufficient detail to assess progress. ()

055. DEVELOPMENT AND PRODUCTION UNDER THE LEASE.

01. Diligent Development of Lease and Production. Lessee must develop the gGeothermal rResources on their leased area lands for the Lease's duration and start production within the first ten (10) years of the initial lLease term or as otherwise extended by lLease provision. Development of the leased area lands requires drilling wells to be drilled and constructing other necessary infrastructure to be built to enable production. Production on the leased area lands means that gGeothermal fluids Resources are being used and royalties are being paid to the sState. Failure to develop under the lLease and start production as described may result in lLease cancellation unless the Lessee applies to the Department, for and the Department grants an extension and the extension is granted. (3-18-22)()

02. Best Practices. All operations will conform to the best practice and engineering principles in use in the industry. Operations must be conducted in such a manner as to: protect the natural resources on the leased lands, including without limitation gGeothermal rResources, and to; result in the maximum ultimate recovery of gGeothermal rResources with a minimum of minimal waste; and be consistent with the principles of the land's use of the land for other purposes and of the protection of the environment. Lessee must promptly remove from the leased lands or store, in an orderly manner, all scraps or other materials not in use and not reasonably incident to the operation. (3-18-22)()

03. Plans Required. Prior to development, Lessee must submit a ~~D~~development ~~P~~plan, ~~O~~operating ~~P~~plan, and ~~D~~decommissioning and ~~R~~reclamation ~~P~~plan for the leased lands. All plans must be approved by the Department, in writing, prior to Lessee beginning a phase of the ~~L~~lease in which those plans are performed or as otherwise required by the ~~L~~lease. ~~All required pPlans must include all items that the Department deems necessary or useful in managing the gGeothermal rResources, including, but not limited to, those the items referred to in Paragraphs Sections 054.03.a. and 054.03.b. of these rules.~~ (3-18-22)()

04. Waste and Damage. (3-18-22)

a. Lessee must take all reasonable precautions to prevent the following: (3-18-22)

i. Waste; (3-18-22)

ii. Damage to other natural resources; (3-18-22)

iii. Injury or damage to ~~p~~Persons, real or personal property; and (3-18-22)()

iv. Any environmental pollution or damages that may constitute a violation of state or federal laws. (3-18-22)

b. The Department may inspect Lessee's operations and issue ~~such any orders as are~~ necessary to accomplish the purposes in ~~Paragraph Section 055.04.a.~~ Any significant effect on the environment created by the Lessee's operations or failure to comply with environmental standards must be reported to the Department by Lessee within twenty-four (24) hours and confirmed in writing within thirty (30) days. (3-18-22)()

05. Notice of Production. Lessee must notify the ~~d~~Department within sixty (60) days before any ~~g~~Geothermal ~~r~~Resources are used or removed for commercial purposes. (3-18-22)()

06. Amendments. ~~Lessee may amend T~~the plan of operations ~~must be amended by the Lessee for the Department's approval and submit it to the Department for written approval~~ to reflect changes in operations on the leased lands, including the installation of works, buildings, plants, or structures for the production, marketing, or utilization of ~~g~~Geothermal ~~r~~Resources. (3-18-22)()

056. WASTE PREVENTION, DRILLING AND PRODUCTION OBLIGATIONS.

01. Waste. All ~~L~~leases are subject to the condition that the Lessee will, in conducting ~~his~~ exploration, development, and ~~producing production~~ operations, use all reasonable precautions to prevent ~~w~~Waste of ~~g~~Geothermal ~~r~~Resources and other natural resources found or developed in the leased lands. (3-18-22)()

02. Diligence. The Lessee must, subject to the right to surrender the ~~L~~lease, diligently drill and produce, or unitize such wells as are necessary to protect the Board from loss by reason of production on other properties. (3-18-22)()

03. Prevention of Waste Through Reinjection. ~~Geothermal~~ Lessees must return geothermal waters to the geothermal aquifer in a manner that supports geothermal development. (3-18-22)()

04. Additional Requirements. The selection of the types and weights of drilling fluids and provisions for controlling fluid temperatures, blowout preventers, and other surface control equipment and materials, casing and cementing programs, etc., to be used must be based on sound engineering principles and must take into account apparent geothermal gradients, depths and pressures of the various formations to be penetrated, and other pertinent geologic and engineering data and information about the area. In addition, the Lessee must ~~do the following:~~ (3-18-22)()

a. Take all necessary precautions to keep all wells under control at all times; (3-18-22)

b. Utilize trained and competent personnel; (3-18-22)

- c. Utilize properly maintained equipment and materials; and (3-18-22)
- d. Use operating practices that ensure the safety of life and property. (3-18-22)

05. Unused Wells. Except as provided in Subsection 070.02 ~~of these rules~~, the Lessee must promptly plug and abandon any unused or non-useful well on the leased land ~~that is not used or useful~~ in conformity with IDWR's regulations promulgated by the IDWR or its successor agency. ~~No~~ A production well ~~will may not~~ be abandoned until its lack of capacity for further profitable production of geothermal resources has been demonstrated to the Department's satisfaction of the Department and the Department has been given an opportunity to either acquire the well permit or assign it to another party. A producible well may be abandoned only after ~~receipt of written approval by the Department~~ Department's written approval. Equipment will be removed, and premises at the well site will be restored as near as reasonably possible to its original condition immediately after plugging operations are completed on any well, except as otherwise authorized by the Department in writing. Drilling equipment must not be removed from any suspended drilling well without taking adequate measures to close the well and protect subsurface resources. ~~Upon Lessee's failure of Lessee~~ to comply with any requirements under this rule, may result in the Department is authorized to cause causing the work to be performed at the expense of the Lessee and the surety. (3-18-22)()

057. -- 059. (RESERVED)

060. EXPLORATION AND OPERATION RECORDS, CONFIDENTIALITY.

01. Drilling Records. Lessee must keep or cause to be kept and filed, with the IDWR such careful and accurate well drilling records as are ~~now or may hereafter be~~ required by ~~that Department~~ IDWR. As an express condition of the Lease, the Department may, at any time, inspect and copy well drilling records filed with IDWR. Lessee must file with the Department such production records and exploration evidence as required by Sections 030, 036, and 055 of these rules; ~~which~~ The production records will be are subject to public inspection ~~by the public~~ at the Department's offices, ~~of the Department~~ during regular business hours and under such conditions as the Department deems appropriate, subject, ~~however, to exemptions from~~ except for disclosure ~~as exemptions~~ set forth in Section 74-107, Idaho Code. ~~As an express condition of the lease, the Department may inspect and copy well drilling records filed with the IDWR at any time after the records are filed.~~ (3-18-22)()

02. Continuing Obligations. Lessee's obligations under this rule will continue beyond assignment, surrender, termination, or expiration of the Lease. Unless Lessee is specifically released in writing by the Department the Department releases the Lessee, in writing, of all or any portion of its obligations under the lease upon the assignment, surrender, termination or expiration of the Lease. Lessee's obligations under this rule will continue beyond assignment, surrender, termination or expiration of the lease. Lessee must file all outstanding data and records required by law with the Department, within thirty (30) days after assignment, surrender, termination or expiration, or such additional time as the Department may grant, ~~file all outstanding data and records required by this rule with the Department.~~ (3-18-22)()

03. Well Logs. The confidentiality of well logs is limited to one (1) year from well eCompletion as stated in Section 42-4010(b), Idaho Code. (3-18-22)()

061. -- 064. (RESERVED)

065. LESSEE'S RECORDS, RIGHT OF INSPECTION BY DEPARTMENT.

~~Lessee will permit~~ The Department to may examine, during ~~reasonable~~ business hours, all books, records, and other documents and matters pertaining to operations under a Lease, which are in Lessee's custody or control, and ~~to may~~ make copies of and extracts therefrom. (3-18-22)()

066. -- 069. (RESERVED)

070. WATER RIGHTS.

01. Water Rights. Lessee must comply with all applicable federal and state laws, rules and regulations regarding the appropriation of public waters of Idaho to beneficial uses. The establishment of any new water rights on

sState Hlands must be by and for the Lessor and no claim thereto may be made by the Lessee. Such water rights will attach to and become appurtenant to the sState Hlands, and the Lessor will be the owner thereof. (3-18-22)()

02. **Potable Water Discovery.** ~~All HLeases issued under these rules will be arc~~ subject to the condition that, ~~where if~~ the Lessee finds only potable water ~~of, which has~~ no commercial value as a ~~gGeothermal rResource,~~ in any well drilled for exploration or production of ~~gGeothermal rResources,~~ and ~~when~~ the water is of such quality and quantity ~~so~~ as to be valuable and usable for agricultural, domestic, or other purpose, the Board, or where appropriate, the surface Lessee, grantee or contract purchaser, will have the right to acquire the well with whatever casing is installed ~~in the well~~ at the ~~casing's~~ fair ~~mMarket vValue of the casing,~~ and upon ~~the assumption~~ assuming of all future liabilities and responsibilities for the well, ~~and~~ with the approval of ~~the IDWR's~~ director ~~of the IDWR.~~ (3-18-22)()

071. -- 074. (RESERVED)

075. ASSIGNMENTS.

01. **Prior Written Approval.** ~~In order for Lessee to effect an assignment, Lessee must, prior to the consummation of an effective sale, transfer or assignment of the lease between Lessee and its proposed assignee, provide to the Department certain information about the proposed assignment, including identification of A Lessee must obtain the Department's written approval for an assignment to be effective. Before consummating a sale, transfer, or assignment of the Lease, Lessee must provide the Department with certain information about the proposed assignment. Such information includes identifying the proposed assignee and the general terms of the proposed assignment on Department assignment application forms provided by the Department. Any proposed total or partial assignment of a lease must be preapproved in writing by the Department prior to any proposed sale, transfer or assignment of the lease is consummated between Lessee and the proposed assignee. Approval will not be unreasonably withheld.~~ Following the Department's written preapproval of the proposed assignee and general terms of the proposed assignment, Lessee and assignee may consummate any such sale, transfer, or assignment of Lessee's leasehold interest in the HLease. The consummation of any assignment agreement by the Lessee without the Department's ~~prior~~ written preapproval constitutes a default of the HLease, and such sale, transfer, or assignment may be rejected in the Department's sole discretion; and, such assignment will only be effective if the default is expressly waived in writing by the Department. ~~In order f F~~ For an assignment of Lessee's interest in the HLease to be acceptable for Department approval ~~by the Department,~~ the consummated sale, transfer or assignment must include provisions wherein Lessee has sold, transferred, or assigned to the assignee any and all interest that Lessee has in the HLease together with any ~~and all~~ interest Lessee has in any ~~and all~~ improvements located upon the leased ~~premises lands,~~ and assignee must assume all liabilities of Lessee under the HLease together with ownership of all improvements owned by Lessee. An assignment between Lessee and its assignee will only take effect following the Department's final written approval of the assignment following receipt of copies of the final, consummated sale, transfer or assignment agreement between Lessee and assignee. (3-18-22)()

02. **Full or Partial.** A HLease may be assigned as to all or part of the acreage included therein to any qualified pPerson ~~qualified to hold a state lease,~~ provided that neither the assigned nor the retained part created by the assignment contains less than forty (40) acres. ~~No An assignment cannot create an~~ undivided interest in a HLease of less than ten percent (10%) ~~may be created by assignment.~~ (3-18-22)()

03. **Overriding Royalty Disclosure.** Overriding royalty interests created by an assignment are subject to the requirements in Section 080 ~~of these rules.~~ (3-18-22)()

04. **Responsibility.** ~~In an assignment of assigning~~ a partial or complete interest in ~~all of leased~~ the lands ~~in a lease,~~ the ~~assignor Lessee~~ and its surety continue to be responsible for ~~performance of any and performing~~ all obligations under the HLease until ~~such time as~~ the Department, in writing, releases Lessee and its surety from obligations arising under the HLease after the Department accepts any such assignment ~~and provides a release of any or all obligations in writing.~~ After ~~the an assignment's~~ effective date ~~of any assignment,~~ the assignee and its surety will be bound by the terms of the lease to the same extent as if the assignee were the original Lessee, (any conditions in the assignment to the contrary notwithstanding). (3-18-22)()

05. **Segregation of Assignment.** An assignment of all or any portion of Lessee's ~~rRecord tTitle~~ of the complete interest in a portion of the leased lands ~~in a lease~~ must clearly identify and segregate the assigned and

retained portions. After the effective date, the assignor will be released and discharged from any obligations thereafter accruing with respect to the assigned portion of the leased lands. Such segregated Hleases continue in full force and effect for the primary term of the original Hlease or as further extended pursuant to the terms of these rules.

(3-18-22)()

06. Joint Principal. Where an assignment does not segregate the Record Title to the Hlease, the assignee, ~~if the assignment so provides,~~ may become a joint principal on the bond with the assignor, ~~if the assignment so provides.~~ The application must ~~also~~ be accompanied by ~~a consent of the~~ assignor's written consent to remain bound under the bond of record, if the bond's ~~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)()

07. Application. The application for approval of an assignment must be on Department approved forms ~~approved by the Department.~~

(3-18-22)()

08. Denial. If the Lessee is in default of the Hlease at the time of a request for assignment approval, the Department may, ~~at in~~ its sole discretion, reject any proposed assignment until the Hlease is brought into full compliance. The approval of an assignment of a Hlease in good standing will not be unreasonably withheld, provided such consent of the Department is requested and obtained prior to any assignment.

(3-18-22)()

076. -- 079. (RESERVED)

080. OVERRIDING ROYALTY INTERESTS.

01. Statements. An overriding royalty interest, or any similar interest whereby an agreement is made to pay a percentage based on production, must be disclosed at the time of assignment or transfer by filing a statement of such interest with the Department. Assignees must meet the requirements of Section 0210 ~~of these rules.~~ All assignments of overriding royalty interests without a working interest and otherwise not contemplated by Section 075 ~~of these rules,~~ must be filed with the Department within ninety (90) days from the date of execution.

(3-18-22)()

02. Maximum Amount. No eOverriding Royalty on the production of gGeothermal Resources created by an assignment ~~contemplated by~~ under Section 075, ~~of these rules~~ or otherwise, will exceed five percent (5%) nor will an eOverriding Royalty, when added to eOverriding Royalties previously created, exceed five percent (5%).

(3-18-22)()

03. Conformance with Rules. The creation of an eOverriding Royalty interest that does not conform to the requirements of this rule is ~~be~~ deemed a violation of the Hlease terms, unless the agreement creating eOverriding Royalties provides for a prorated reduction of all eOverriding Royalties so that the aggregate rate of eOverriding Royalties does not exceed five percent (5%).

(3-18-22)()

04. Director's Authority. In addition to the foregoing limitations, any agreement to create, or any assignment creating, royalties or payments out of production from the leased lands is subject to the authority of the Director, after notice and hearing, to require the proper parties thereto to suspend or modify such royalties or payments out of production in such manner as may be reasonable when and during such periods of time as they may constitute an undue economic burden upon the reasonable operations of such Hlease.

(3-18-22)()

081. -- 084. (RESERVED)

085. UNIT OR COOPERATIVE PLANS OF DEVELOPMENT OR OPERATION.

01. IDWR Approval. Nothing in this rule ~~will~~ excuses the parties to a unit agreement from procuring the IDWR's approval ~~of the IDWR,~~ if required, pursuant to Section 42-4013, Idaho Code, ~~if approval is required.~~

(3-18-22)()

02. Unit Plan. For the purpose of conserving the natural resources of any geothermal pPool, fField, or like area, Lessees ~~under lease issued by the Board are authorized~~ may, with the Department's written consent ~~of the~~

~~Department to~~ commit the ~~s~~State ~~L~~ands to unit, cooperative, or other plans of development or operation with other ~~s~~State ~~L~~ands, federal lands, privately-owned lands, or Indian lands. ~~The Department's~~ consent will not be unreasonably withheld. Applications to unitize, or a copy of the application filed with IDWR, ~~will must~~ be filed with the Department who will certify whether ~~such the~~ plan is necessary or advisable in the public interest. The Department may require whatever documents or data ~~that the Department~~ deemed necessary in ~~its reasonable the~~ Department's discretion. To implement such unitization, the Board may, with the consent of its Lessees, modify and change any ~~and all~~ terms of leases ~~issued by it~~ that are committed to such unit, cooperative, or other plans of development or operations. (3-18-22)()

03. Contents. The agreement must describe the separate tracts comprising the unit; disclose the apportionment of the production of royalties and costs to the several parties; ~~and disclose~~ the name of the ~~e~~Operator; and ~~must~~ contain adequate provisions for the protection of the interests of all parties, including the state of Idaho; ~~be signed by, or on behalf of all interested necessary parties, and be submitted to the Department.~~ The agreement ~~should must~~ be signed by or ~~in on~~ behalf of all interested necessary parties before being submitted to the Department. It will be effective only after written approval by the Department. The unit operator must be a ~~p~~Person, as defined by these rules and ~~must be~~ approved by the Department. (3-18-22)()

04. Lease Modification. Any modification of an approved agreement will require the Department's written approval ~~of the Department~~ under procedures similar to those ~~cited~~ in Subsection 085.02 ~~of these rules.~~ (3-18-22)()

05. Term. At the sole discretion of the Department, the term of any leases included in any cooperative or unit plan of development or operation may be extended for the term of such unit or cooperative agreement, but in no event beyond ~~that the~~ time provided in Subsection 030.01 ~~of these rules.~~ Rentals or royalties on leases so extended may be reassessed for such extended term of the lease. (3-18-22)()

06. Continuation of Lease. Any lease that will be eliminated from any such cooperative or unit plan of development or operation, or any lease that will be in effect at the termination of any such cooperative or unit plan of development or operation, unless relinquished, will continue in effect for the term of the lease. (3-18-22)

07. Evidence of Agreement. Before ~~issuance of issuing~~ a lease for lands within an approved unit agreement, the lease applicant or successful bidder ~~will be required to must~~ file evidence that they have entered into an agreement with the unit operator for the development and operation of the lands in a lease if the lease is issued to ~~him them~~ under and pursuant to the terms and provisions of the approved unit agreement, or a statement giving satisfactory reasons for the failure to enter into such agreement. If such statement is acceptable, the lease applicant or successful bidder ~~will be permitted to may~~ operate independently, but ~~will be required to must~~ perform ~~his their~~ operations in a manner that the Department deems to be consistent with the unit operations. (3-18-22)()

086. -- 094. (RESERVED)

095. SURRENDER, TERMINATION, EXPIRATION OF LEASE.

01. Procedure. A Lease, or any surveyed subdivision of the ~~area covered by such lease~~ leased lands, may be surrendered by the ~~R~~Record ~~T~~itle holder by filing with the Department a written relinquishment on a Department form, in the office of the Department, on a form furnished by the Department, provided that a partial relinquishment ~~does can~~ not reduce the remaining acreage in the Lease to less than forty (40) acres. The minimum acreage provision of this section may be waived by the Department ~~where if~~ the Department finds such exception is justified ~~on the basis of~~ based on exploratory and development data derived from activity on the leasehold. The relinquishment must: (3-18-22)()

a. Describe the lands to be relinquished; (3-18-22)

b. Include a statement as to whether the relinquished lands ~~had have~~ been disturbed and, if so, whether they were restored as prescribed by the Lease's terms ~~of the lease~~; and (3-18-22)()

c. State whether wells ~~had have~~ been drilled on the lands and, if so, whether they have been plugged and abandoned pursuant to ~~the IDWR's~~ rules ~~of the IDWR.~~ (3-18-22)()

02. Continuing Obligations. A relinquishment takes effect on the date it is filed, subject to the continued obligation of the Lessee and ~~his~~ their surety to: (3-18-22)(____)

- a. ~~To m~~Make payments of all accrued rentals and royalties; (3-18-22)(____)
- b. ~~To p~~Place all wells on the relinquished land ~~to be relinquished~~ in condition for suspension of operations or abandonment; (3-18-22)(____)
- c. ~~To r~~Restore the surface resources in accordance with these rules and the terms of the Lease; and (3-18-22)(____)
- d. ~~To e~~Comply with all other environmental stipulations provided for by ~~these rules or lease~~ the Lease and applicable law. (3-18-22)(____)

03. Failure to Pay Rental or Royalty. The Director may terminate a Lease for failure to pay rentals or royalties thirty (30) days after mailing a notice of delinquent payment. ~~However, if~~ the time for payment falls upon any day in which the ~~office of the~~ Department is not open, payment received on the next official working day will be deemed to be timely. The termination of the Lease for failure to pay the rental will be noted on the Department's official records ~~of the Department~~. Upon termination the lands included in such lease may become subject to leasing as provided by these rules. (3-18-22)(____)

04. Termination for Cause. A Lease may be terminated by the Department for any violation of ~~these rules, or the lease terms;~~ the Lease's terms or of applicable laws sixty (60) days after notice of the violation has been given to Lessee by personal service or certified mail, return receipt requested, to the address of record last appearing in the Department's files ~~of the Department~~, 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 correct~~ ing the violation and ~~thereafter has diligently~~ proceeds ~~diligently~~ to complete the correction. (3-18-22)(____)

05. Equipment Removal. Prior to the Lease's expiration, ~~of the lease, or the earlier~~ termination, or surrender ~~thereof pursuant to this rule~~, and provided the Lessee is not in default, the Lessee ~~will have the privilege at any time during the term of the lease to~~ may remove from the leased ~~premises~~ lands any materials, tools, appliances, machinery, structures, and equipment, other than improvements needed for producing wells. ~~Any materials, tools, appliances, machinery, structures and equipment~~ Anything subject to removal, but not removed ~~prior to any termination of the lease or any extension thereof that may be granted because of adverse climatic conditions during that period, will,~~ may become property of the state of Idaho, at the option of the Department, ~~become property of the state of Idaho, but the Lessee must remove any or all such property where so directed by the Department; be removed by the Department, at the Lessee's expense; or be removed by the Lessee, at the Department's request.~~ (3-18-22)(____)

06. Surrender After Termination. Upon the expiration or termination of a Lease, the Lessee will quietly and peaceably surrender possession of the premises to the state, and if the Lessee is surrendering the leased premises or any portion thereof, the Lessee must deliver to the state a good and sufficient release on a form furnished by the Department. (3-18-22)(____)

096. -- 099. (RESERVED)

100. BOND REQUIREMENTS.

01. Minimum Bond. ~~Prior to initiation of operations using motorized earth-moving equipment~~ Before using Motorized Exploration Lessee must furnish a bond. This bond will be in favor of the state of Idaho, conditioned on the payment of all damages to the land surface and all improvements thereon, including without limitation crops on the lands, whether or not the leased lands ~~under this lease~~ have been sold or leased by the Board for any other

purpose; conditioned also upon ~~compliance by Lessee of his~~ Lessee complying with their obligations under ~~this their~~ Lease and these rules. The Department may require a new bond in a greater amount at any time after operations have begun, upon a finding that such ~~action bond~~ is reasonably necessary to protect sState resources. (3-18-22)()

02. **Statewide Bond.** In lieu of the aforementioned bonds, Lessee may furnish a good and sufficient “statewide” bond ~~conditioned as~~ in Subsection 100.01. This bond will cover all Lessee’s Leases and operations carried on under all gGeothermal rResource lLeases issued and outstanding to Lessee by the Board at any given time during the period when the “statewide” bond is in effect. The amount of such bond will be equal to the total of the requirements of the separate bonds being combined into a single bond. (3-18-22)()

03. **Period of Liability.** The period of liability ~~of any for a~~ bond will not be terminated until all Lease terms and conditions have been fulfilled and the bond is released in writing by the Department. (3-18-22)()

04. **Operator Bond.** ~~In the event~~ If suit is filed to enforce the terms of any bond furnished by an Operator in which the Lessee (if a different Person) is not a named party, the Department may, in its sole discretion, join the Lessee as a party to such suit. (3-18-22)()

101. LIABILITY INSURANCE.

01. **Liability Insurance Required.** ~~The Department will~~ Lessee is required ~~the Lessee~~ to purchase and maintain suitable insurance for the duration of the Lease. The insurance must be obtained prior to entry upon the leased lands for purposes other than eCasual eExploration or inspection ~~as contemplated by Subsection 054.02 of these rules.~~ (3-18-22)()

02. **Insurance Certificate Required.** No work under ~~this a~~ 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~~ The 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)()

102. -- 104. (RESERVED)

105. TITLE.

The state of Idaho does not warrant title to the leased lands, ~~or the gGeothermal rResources, and nor aAssociated bBy-pProducts~~ that may be discovered thereon; ~~tThe~~ 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 has thereafter acquired. If the interest owned by the state in the leased lands includes less than the entire interest in the gGeothermal rResources and aAssociated bBy-pProducts for which royalty is payable, then the royalties provided for in the Lease will be paid to the state only in the proportion that its interest bears to said whole and undivided interest in said gGeothermal rResources and aAssociated bBy-pProducts for which royalty is payable; ~~provided, however, that t~~ The state is not liable for any damages sustained by the Lessee; nor is the Lessee entitled to, nor may claim any refund of rentals or royalties ~~therefore~~ paid to the state in the event that the state does not own title to said gGeothermal rResources and aAssociated bBy-pProducts, or if its title thereto is less than whole and entire. (3-18-22)()

106. -- 110. (RESERVED)

~~111.~~ TAXES.

~~Lessee must pay, when due, all taxes and assessments of any kind lawfully assessed and levied against Lessee’s interests or operations under the laws of the state of Idaho.~~ (3-18-22)

112. RENTAL NOTICES.

Advance notice of rental due is usually sent to the Lessee by the Department, but f ~~ailure to receive such notices an~~ advance notice of rental due does not ~~act to~~ relieve the Lessee from the payment of paying the rental, ~~and t~~ The Lease will be in default if such payment is not made ~~as provided in these rules.~~ (3-18-22)()

113. OUTSTANDING LEASES.

No right to seek, obtain, or use gGeothermal rResources has passed, or will pass, with any existing or future license, permit, or lease of sState lLands, including without limitation, mineral leases and oil and gas development leases,

except upon ~~the issuance of~~ a ~~g~~Geothermal ~~r~~Resources ~~l~~Lease ~~being issued~~. (3-18-22)()

114. -- 119. (RESERVED)

120. FEES.

The following fees apply: (3-18-22)

01. Non-Refundable Application Fee for Lease. Two hundred fifty dollars (\$250) per application. (3-18-22)

02. Application Fee for Approval of Assignment. One hundred fifty dollars (\$150) per lease involved in the assignment. (3-18-22)

~~03. Late Payment Fee.~~ The greater of the following: (3-18-22)

~~a. Twenty five dollars (\$25); or~~ (3-18-22)

~~b. One percent (1%) per month (or portion thereof) on the unpaid balance.~~ (3-18-22)

121. -- 999. (RESERVED)

PROPOSED RULE COST/BENEFIT ANALYSIS

Section 67-5223(3), Idaho Code, requires the preparation of an economic impact statement for all proposed rules imposing or increasing fees or charges. This cost/benefit analysis, which must be filed with the proposed rule, must include the reasonably estimated costs to the agency to implement the rule and the reasonably estimated costs to be borne by citizens, or the private sector, or both.

Department or Agency: Idaho Department of Lands

Agency Contact: Mike Murphy **Phone:** 208-334-0290

Date: June 12, 2024

IDAPA, Chapter and Title Number and Chapter Name:

[20.03.15, Rules Governing Geothermal Leasing on State Lands](#)

Fee Rule Status: Proposed Temporary

Rulemaking Docket Number: 20-0315-2401

STATEMENT OF ECONOMIC IMPACT:

No changes have been made to any fees in this proposed rule. The application fee (\$250) and assignment fee (\$150) remain the same. Rule language regarding late payment was removed to allow the Department to be consistent with statute as to how late fees are assessed.

In summary, the proposed revisions to the rule will not change revenue to IDL or costs to the permittees.

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)~~

021. Scope. These rules apply to the eExploration and extraction of oOil and gGas resources situated in state-owned mMineral lLands. (3-18-22)()

032. Other Laws. In addition to these rules, the lLessee 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 lLessee. (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)
- ~~108.~~ **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 eExploration, 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 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 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 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 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 Lease. Advance Annual 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 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 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 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 ~~of auction.~~ auction's opening date. 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 eOil and/or gGas or nNatural gGas pPlant 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 eOil and/or gGas or nNatural gGas pPlant 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 eOil 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 gGas and nNatural gGas pPlant 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 eOil, gGas, and nNatural gGas pPlant Liquids produced and the market value of the eOil, gGas, and nNatural gGas pPlant 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)~~

~~052~~1. -- 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 Lessee ~~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 Lessee and to sign any papers or reports ~~required under these rules.~~ The Lessee 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 HLease, is susceptible of producing a valuable by-product(s) or by-products, including, without limitation, commercially demineralized water, carbon dioxide, or helium, the HLessee 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 HLessee 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 Lease 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 bond 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~~**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)

PROPOSED RULE COST/BENEFIT ANALYSIS

Section 67-5223(3), Idaho Code, requires the preparation of an economic impact statement for all proposed rules imposing or increasing fees or charges. This cost/benefit analysis, which must be filed with the proposed rule, must include the reasonably estimated costs to the agency to implement the rule and the reasonably estimated costs to be borne by citizens, or the private sector, or both.

Department or Agency: Idaho Department of Lands

Agency Contact: Mike Murphy **Phone:** 208-334-0290

Date: June 12, 2024

IDAPA, Chapter and Title Number and Chapter Name:

[20.03.16, Rules Governing Oil and Gas Leasing on State Lands](#)

Fee Rule Status: Proposed Temporary

Rulemaking Docket Number: 20-0316-2401

STATEMENT OF ECONOMIC IMPACT:

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.

In summary, the proposed revisions to the rule will not change revenue to IDL or costs to the permittees.