



March 17, 2017

The Honorable Marc Gibbs
Chairman
House Resources and Conservation Committee
Idaho House of Representatives
State Capitol Building
P.O. Box 83720
Boise, Idaho 83720-0038

Re: H. 301

Dear Chairman Gibbs:

Western Energy Alliance wishes to express strong opposition to H. 301 regarding oil and natural gas leasing and development. If the legislature's intent is to kill the fledgling oil and natural gas industry in the State of Idaho, than this is the bill to do so. It would put Idaho at a disadvantage with other western states and cause producers to avoid operating in Idaho. Its interference with contract terms and negotiations between mineral owners and lessees, and operators and midstream companies is not just contrary to fundamentals of American jurisprudence, but also basic free market principles.

[Western Energy Alliance](#) is a trade association representing over 300 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas in Idaho and twelve other western states. The Alliance represents independents, the majority of which are small businesses with an average of fifteen employees. Our regional perspective enables us to observe how various states adapt laws and regulations that either promote or harm the economic opportunity and jobs that the industry offers.

Provisions related to forced pooling, deductions of marketing and transportation costs, and provision of midstream information to royalty owners are just some examples of how the bill is well outside the mainstream of other western producing states. The bill dictates what in other states is left to negotiation between private parties and would create an unfavorable business climate in Idaho. Rather than implementing a law that is so contrary to standards in other states, Idaho should learn from the experience of major oil and natural gas states like Colorado, New Mexico and Wyoming that have had healthy industries for nearly a century. Implementing a law that ignores that experience will ensure that Idaho's nascent oil and natural gas industry does not flourish.

For example, allowing companies and royalty owners the ability to share in marketing and transportation costs can ultimately benefit the individual mineral owner. By sharing costs, producers are more inclined to seek the most favorable market for their products at the highest price, thereby delivering an overall higher royalty to the royalty owner. That shared financial incentive affects both parties, and should be negotiable within private contracts to achieve mutual benefit.

The percentages required for forced pooling are likewise contrary to provisions in other states, and would be a hindrance to private commerce with unintended consequences. The interests of a majority of mineral interest owners could be held up by the few. Again, the experience of the major producing states should be heeded. Other states allow private citizens the ability to negotiate for the greatest good to the greatest number of mineral owners, thereby preventing the few from impeding the majority from exercising their private property rights.

The requirement for operators to report all downstream transportation costs by purchaser and price is simply unworkable. Operators in Idaho and in many other parts of the West, particularly during the exploratory stage of development that Idaho is currently in, are small independent companies that for the most part sell the oil and natural gas at the wellhead and do not own midstream companies that transport natural gas. They are not privy to that information, nor can they require it from midstream companies because it is considered confidential business, contractual information. The bill would put operators in an impossible situation of having to provide information that they are not legally able to obtain.

Other provisions in the bill would be equally problematic, but suffice it to say that the legislature, if it wishes to have any sizeable oil and natural gas development in Idaho, would do well to reject this bill and instead look to the experience of other producing states in the region. Maintaining a business environment that is competitive with its western neighbors will lead to job creation and economic opportunity in the state.

Thank you for considering our views. Please do not hesitate to use Western Energy Alliance as a resource if we can be of service.

Sincerely,



Kathleen M. Sgamma
President

cc: Senator Steve Bair, Chairman, Senate Resources Committee
Senator Jeff Siddoway