

## WHAT IS FORCED POOLING AND WHY SHOULD YOU CARE?



“Forced pooling” is the very appropriate term for what the Idaho Dept. of Lands calls “integration by order.” This can be requested by a gas developer as soon as their lease-securing “landmen” get a mere 55% of land in a (perhaps) 640-acre section leased. (“Perhaps”, because they *can* petition to have the unit made much smaller than that.)

**...This means that the owners of the other 45% of the land can be *forced* by the State to have gas development of their minerals (gas) and on their land, as the gas company chooses.** (By Idaho law, this could include developing/using roads, tanks, waste ponds, gathering lines, compressor stations, etc., as well as actual drilling, on *your* land if the company considers it good business sense for *them*.) So the decision of a single large landowner could *compel* all the other landowners in an acreage unit to submit to the industry’s desire to drill for gas there.

Actually, it is the owners of the *mineral rights* to that first 55% of the land that can trigger this coercion... of the *mineral rights* owners of the remaining 45% of the acreage. [See another CAIA handout for information on SPLIT ESTATES – those who do *not* own their property’s mineral rights... which could very well include you. If so, you will be force-pooled *and not even receive any compensatory small royalty*, should a drilled well ever actually come to that.]

**This amounts to the State (producer of the Integration order) *taking* property rights of some individuals and *giving* them to out-of-state corporations and large landholders.**

Some large landowners enter into an *investment* partnership with the gas company, choosing the option of participating as Working Interest Owners (paying big bucks up front to offset industry’s development costs – for a greater potential return) or Non-Working Interest Owners (paying a whopping 300% “*penalty*” for the privilege of having their investment financed out of their royalties). All must pay a proportionate share of the driller’s *ongoing* costs as well. The standard for mere leasers is to receive a royalty of only  $1/8^{th}$  of their share of the gas.

When an integration order is issued, all those who have not yet leased or signed on to participate as WIO/NWIO investment partners will be *forced* to choose one of those options or be “*deemed* leased” by the (appointed, not elected) Idaho Oil & Gas Conservation Commission, State controllers of this process.

**By Idaho law and IDL administrative rules, those who are “deemed leased” (who *refuse* to sign a lease) *will still get the same  $1/8^{th}$  royalty (proportionate to their percentage of land) and the same signing bonus that leasers get.* BUT not only will they *not* have to pay anything toward developmental or ongoing costs, they will *not* share in the liabilities for associated risks/damages/bankruptcy.**

If you *don’t* sign, and you’re force-pooled, you *do* get a small royalty/bonus, you *don’t* pay for ongoing costs, and you *don’t* ultimately have the legal liabilities of other participants. Many people who understand this say: *Then why on earth would anyone sign a lease??*

**However, Texas-based Alta Mesa Idaho had *other* things in mind for us all...**

In summer of 2015, AMI was ready to make their first applications for forced pooling of unleased property owners in two 640-acre sections in Fruitland (some of which is within the Fruitland city limits). On being approached by concerned residents there, C.A.I.A. hired an attorney to represent affected C.A.I.A. members during the Integration application proceedings.

- The information shared, as required, with the affected property owners was incomplete and almost entirely redacted (blocked out) from the documents sent to them. This, along with the commonly reported incomplete or misleading information given them by Alta Mesa's hired landmen, seems to define AMI's "commitment" to good-neighborliness.
- **Of especial note was that one of the features of AMI's applications was the assessment of the 300% penalty charge on ALL mineral owners in the sections – even though this is counter to Idaho's laws and IDL's own rules. ...And IDL did *not* deny the applications outright despite this.**
- C.A.I.A.'s attorney requested information from AMI during the "discovery" phase of the process that AMI refused to respond to.
- In October, AMI's vice president and lobbyist John Peiserich publicly complained about the length of time the Integration application process was taking (as though his company had had nothing to do with that!) – and AMI subsequently withdrew those applications.

...But they certainly did *not* abandon forced pooling in Idaho – these Gas & Oil industry promoters are intending to be here for years to come (or to sell out to others who will be). *They re-submitted those Fruitland applications as soon as they got the Legislature to pass **S1339, a law EVEN MORE HARMFUL TO IDAHO CITIZENS' BASIC RIGHTS (and even more beneficial for corporate interests), in 2016.***

**We believe that Idaho's forced-pooling laws are an unconstitutional taking of private rights – and C.A.I.A. is in 2017 once again making a legal challenge to the State's handling of the latest round of late 2016 "integration" applications.**

The Gas & Oil industry is known all over the country for steam-rolling communities by focusing on feeding *part-of-the-picture* information to busy legislators craving what looks like "easy money" for State coffers, and enticing them into granting the industry full reign – and supplanting *local* control.

**If you do not want your rights to be flattened and your neighborhood's character, and perhaps your family's well-being, to be under the command of gas industry managers, JOIN C.A.I.A. IN OPPOSING THE RUTHLESSNESS OF FORCED POOLING IN IDAHO.**

#### **OPTIONS:**

- *Tell your legislators what you think about their property rights taking; that all landholders must have equal rights, not just mineral rights holders; that "landmen" need to be regulated and tell the full truth about lease-signing ramifications.*
- *Ask lawmakers to repeal 47-323 (forced pooling), 47-317 (taking away local control), and S1339 (taking of rights to discovery, to sufficient time for a legal response, to the right to have a group like CAIA represent you, and making IDL rubber-stamp all applications).*
- *Protect yourself by not signing a lease.*
- ***Donate to CAIA to support a challenge of what is 'just and reasonable' in forced pooling.***