Territorial government began in Idaho four months after Congress established the new mining commonwealth. Governor William H. Wallace decided to organize the new territory in Lewiston, the point in Idaho nearest and most convenient to his Puget Sound home, July 10, 1863. He faced some major problems. Because Idaho was established on the last day of the congressional session, no money was appropriated for Idaho's government. Worse yet, massive ranges of mountains divided the mining camps of the western part of Idaho into three widely separated sections: the Clearwater-Salmon river mines; the Boise-Owyhee region; and the upper Missouri area that became Montana less than a year later. Most of the more than forty thousand people who turned up in Idaho that summer were found in the Boise region, and most of the rest hunted gold around Virginia City in later Montana. The eastern half of the new territory—the great plains of later Montana and Wyoming—contained a few soldiers at Fort Laramie and a lot of Indians. No matter what Wallace had done to try to start a government for such an area, at least half of the population would have been dissatisfied. But his base of operations in the oldest and now mostly depopulated original Idaho mining area, alienated about five-sixths of the people. Governor Wallace got away from these problems, though, by getting himself elected delegate to Congress in the fall before the legislature met in Lewiston that winter. He left Idaho in the custody of territorial Secretary W. B. Daniels, who was regarded in Lewiston as unsuited for the job "for want of a sufficiently strong and cultivated intellect."

After Wallace left, Idaho's experience with territorial government for the next six years was uniformly unsatisfactory. Daniels and the legislature could not even manage to choose a site for a territorial capital, and the code of laws they adopted in February, 1864, soon regarded as defective, was repealed that December. Caleb Lyon of Lyonsdale, the new governor, proved to be a colorful, eccentric former congressman from New York, who delivered great orations but fled clandestinely from the territory at the end of 1864 when the citizens of Lewiston decided to resist the actions of the governor and the second session of the legislature. A Lewiston probate judge decided that the legislature was illegal, and there was no supreme court
to hear an appeal.

For more than two months, Idaho had no government at all. Finally a new territorial secretary and acting governor, Clinton DeWitt Smith, arrived from the east after spending eight months trying to reach Idaho—turned back by the Plains Indians in the summer of 1864—he had to start all over and come by way of Panama, San Francisco, and Portland. He too gained the displeasure of the citizens of Lewiston by moving Idaho's government operations to Boise, which had been made territorial capital, effective December 24, 1864. Then the new acting governor, while on a tour of the territory, suddenly, expired from the effects of "a dismal and melancholy disease," August 19, 1865, at Rocky Bar—where Idaho's government came to an abrupt end. Idaho's government was revived by H. C. Gilson, "a small gambling bartender" of doubtful "Moral antecedents" whom the deceased secretary had picked up in San Francisco. Gilson's main contribution to Idaho's progress was to steal the entire territorial treasury, which amounted to $41,062. (After absconding to Hong Kong and Paris, he eventually was caught. But no action could be brought against him because the grand jury had forgotten to indict him.) Meanwhile, Governor Lyon returned to Boise to try again; he succeeded in getting into trouble with about everyone except the Indians. Dismissed from office because he opposed massacring the Indians, he slipped out of Boise in the spring of 1866 with all of Idaho's Indian funds (a total of $46,418.40) which he administered as superintendent of Indian affairs. Once again, Idaho was left with no government. By the time that Lyon's successor, Governor D. W. Ballard, reached Boise on June 14, 1866, the Idaho supreme court finally managed to organize and to decide that the legislature was legal after all. From then on, Idaho at least had a government. For some years, though, no one except the territorial secretary knew what most of the laws (including the entire civil and criminal codes) were because the published volumes were held in San Francisco awaiting payment of the printing bill. This could not be paid because Gilson had disappeared with the territorial treasury.

Governor Ballard reached Idaho at a time when a legacy of bitter antagonism divided the nation after the Civil War. A large influx of Confederate refugees from Missouri, reinforced by sympathizers from the Pacific coast, made Idaho a strongly southern territory; from 1864 to 1880 Idaho's Confederate Democrats dominated the legislature. Naturally, the Republican governors and other territorial officials (appointed by the president of the United States) clashed with the legislature. During the excitement of the national debate over Radical Reconstruction of the South during 1866 and 1867, Governor Ballard got into such a violent war with his overwhelming Confederate Legislature that he called out United States Army troops for protection from the legislature. In its "satannic" fourth session, Idaho's legislature got about as ferocious as any
good southerner could have asked for. A long continued drive to remove Ballard as governor grew out of his fight with the legislature. Ballard's enemies managed to get his pay stopped, but after more than a year, some Oregon senators got Ballard restored to the payroll in 1868. In the meantime, he had to support himself with his Boise medical practice. By the end of 1868, Ballard managed to develop harmonious relations with the legislature in spite of overwhelming political differences over Radical Reconstruction. Then early in 1869 Idaho's unhappy government financial disorders were finally untangled. At last Idaho had a reasonably functioning government--still plagued by factional fights among the territorial officials--and the chaos and excitement of the early gold-rush years gradually came to an end.