

OIL & GAS CONSERVATION COMMISSION
Meeting: April 2, 1982
Mr. A. K. Doss, Executive Dir.

NOTE: ON ADVICE OF LEGAL COUNSEL, FORMAL
MEETING WAS NOT HELD - SEE MINUTES.



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

1645 WEST JEFFERSON, SUITE 420

PHOENIX, ARIZONA 85007

PHONE: (602) 255-5161

A G E N D A

Meeting
March 19, 1982
1645 West Jefferson, Room 420
Phoenix, Arizona

*Change in wording
in last paragraph*

10:00 a.m.

Call to order

1. Approval of Minutes of Meeting of January 29, 1982
2. Report of Executive Director
3. Report of Enforcement Section
4. Old Business
5. New Business
6. Adjourn

IF YOU ARE UNABLE TO ATTEND THIS MEETING, PLEASE NOTIFY THIS OFFICE AS SOON AS POSSIBLE.



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TO THE HONORABLE SECRETARY OF STATE
AND THE CITIZENS OF THE STATE OF ARIZONA

Pursuant to A.R.S. 38-431.02.B., the regular meeting of the Oil and Gas Conservation Commission will be held at 10:00 a.m. on April 2, 1982 at the Commission offices at 1645 West Jefferson Street, Suite 420, Phoenix, Arizona.

In the course of the regular meeting, the Commission may go into Executive Session for advice from legal council pursuant to A.R.S. § 38-431.02.B and § 38-431.03.3.

Dated this 1st day of April, 1982.

OIL AND GAS CONSERVATION COMMISSION

By

A handwritten signature in cursive script, appearing to read "A. K. Doss", written over a horizontal line.

A. K. Doss
Executive Director

OIL AND GAS CONSERVATION COMMISSION
1645 West Jefferson Street
Suite 420
Phoenix, Arizona 85007

Minutes of Meeting
January 29, 1982

Present:

Mr. Ralph W. Bilby, Chairman
Mr. Johnny Gregovich, Member
Mr. L. A. Palmer, Member
Dr. J. Dale Nations, Member

The regular Commission meeting of January 29, 1982 was called to order by Chairman Bilby at 10:00 a.m.

Minutes of the meeting of September 25, 1981 were approved as written.

Chairman Bilby advised that a geothermal matter would be taken up before the start of the regular meeting.

The Executive Director introduced Mr. Ted Decker, who explained to the Commission details of his proposed project in the metropolitan Tucson area. The proposed project will be a major commercial development, to be located on 35.78 acres in Pima County just outside the Tucson city limits. The first phase will be an approximately \$12-million major six story hotel.

Mr. Decker's project would involve using the geothermal resource for heating the buildings, water, swimming pools and possibly to produce air conditioning through introduction of the hot water through an absorption chiller.

Mr. Decker introduced Mr. Jim Witcher of the Bureau of Geology and Mineral Technology, Tucson, Arizona, who has done a study on the geothermal resource capability of the area.

Chairman Bilby acknowledged Mr. Philip Briggs, a Deputy Director with the Department of Water Resources. Mr. Briggs stated he felt that a permit should not be issued because it had not been determined if Mr. Decker was proposing to use underground water or geothermal resources. Regulations of the Department of Water Resources recognize authority of the Oil and Gas Conservation Commission over geothermal water as long as it does not commingle with or contaminate ground water.

Mr. Briggs further advised that legislation is being drafted which would give the Commission jurisdiction over heat of any source - hot water, groundwater, geothermal water - but when

the water would be used secondarily for irrigation, domestic use or landscape watering, it would come under the permit process of the Department of Water Resources. Mr. Briggs suggested that the Commission wait until the proposed legislation is drafted before granting the permit to Mr. Decker.

As Messrs. Briggs, Decker et al had concluded their statements, they withdrew from the remainder of the Commission meeting.

Chairman Bilby observed that if a proper application were submitted to the Commission and it complied with the laws as now written, he could see no reason why a permit should not be issued. If it would later develop that the applicant did not have a geothermal well, legal action could be taken at that time. After discussion, it was agreed to postpone action until formal, written objection was filed within a reasonably short time by Mr. Briggs as representative of the Department of Water Resources. Chairman Bilby instructed the Executive Director to then take ~~the letter of protest and the application~~ to drill to the Attorney General and ask what course of action the Commission should take *whether or not a protest was received.*

Reports of the Executive Director and Enforcement Section were accepted.

The meeting adjourned at 11:25 a.m. to go into Executive Session.

The next Commission meeting will be March 19, 1982.

APPROVED

Also Present:

Philip C. Briggs
Department of Water Resources

Ted Decker
Decker Properties

Larry Goldstein
State of Arizona Geothermal
Commercialization Team

Jim Witcher
Bureau of Geology and
Mineral Technology

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Minutes of Meeting
January 29, 1982

Executive Session

Present:

Mr. Ralph W. Bilby, Chairman
Mr. Johnny Gregovich, Member
Mr. L. A. Palmer, Member
Dr. J. Dale Nations, Member

After discussion, it was moved and passed that the Commission follow the recommendations of the Attorney General in letter dated January 29, 1982 regarding withdrawal of the Commission's proposed rule changes.

The Executive Session adjourned at 11:35 a.m.

APPROVED



OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA
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PHOENIX, ARIZONA 85007
PHONE: (602) 255-5161

ACTIVITY REPORT

March 11, 1981

A. K. Doss
Executive Director *AKD*

With the Legislature in session, the Executive Director has been busy keeping up with the following bills - to be discussed individually:

- | | | | |
|--------|----|-------|--|
| Senate | 1. | 1172. | Board of Technical Registration. |
| | 2. | 1251. | Attorney General being the attorney for the Arizona Oil and Gas Conservation Commission. |
| | 3. | 1256. | Salaries, grade and step, exempt positions. |
| | 4. | 1348. | Authority of the Executive Director. |
| | 5. | 1349. | Sale of common mineral products. |
| | 6. | 1369. | Agency Regulations. |
| | 7. | 1370. | Geothermal Effluents. |
| House | 1. | 2092. | Review of agency regulations. |
| | 2. | 2193. | Mineral lease trespass. |
| | 3. | 2194. | Mineral advance royalty. |
| | 4. | 2350. | State royalty oil. |
| | 5. | 2479. | Severance taxes. |
| | 6. | 2502. | Groundwater code. |

Activity Report
Executive Director
March 11, 1982
Page 2

I have also been working with our Assistant Attorney General, Tim Pierson, in correcting the rules and regulations for presentation to the Commission for adoption at this meeting. Pierson has requested we go into executive session for this purpose.

We wish to welcome our two new Commissioners - Mr. Forrest A. Rickard of Ajo and Mr. Watson M. Tomerlin of San Manuel.

*Spent a day with Ed Kaufman & Barbara Russell
of Pan American Energy Corp.*



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ACTIVITY REPORT

March 9, 1982

R. A. Ybarra
Enforcement Director

During this report period no oil or gas wells were abandoned. However, well 35-1 Federal, drilled by Kolob Petroleum in early 1981 in sec. 35-41N-11W, Mohave County, is in such condition that abandonment may have to be ordered. A tentative abandonment program has been discussed with the U.S.G.S. to be used in the event the operator does not proceed on his own to abandon the well. Drilling bonds from both the U.S.G.S. and the Commission are still in force.

Phillips Petroleum Geothermal Division abandoned the 26 temperature-gradient wells drilled in the Maricopa/Yuma area near Hyder. This operator also abandoned the seven temperature-gradient wells drilled in the Ajo area as part of the Ajo Prospect project.

According to the last report filed by J. M. Shields, wells 2-24 Federal, 5-24 Federal, and 6A-24 Federal continue to be monitored. The operator reports 4 psi pressure on well 6A-24 and a strong gas-oil odor. After conferring with Core Lab, the operator feels certain that the gas is evolving from a 34°-36° gravity oil reservoir.

Phillips Petroleum resumed drilling operations in Arizona on February 13, when they commenced drilling on well Redondo Al State. This well is located about 26 miles southwest of Tucson in sec. 36-17S-8E, Pima County. Primary objective is to test horizons interpreted from seismic reflections to be either Mesozoic or Paleozoic in age. Surface casing was set and cemented at 1051 feet and the BOPE tested prior to drilling ahead. No abnormal drilling conditions have been encountered. The earlier drilling rate of about 400 feet per day has slowed down to about 120 feet per day near the 5000-foot depth level. On March 3, the well was down to 6000 feet. Target depth is 8000 feet.

Drilling on well Safford Al State started on February 25. The well is located about 18 miles south of Safford, in sec. 16-9S-26E, Graham County. Primary objective is to test horizons interpreted from seismic reflection to be Tertiary. Surface casing was set and cemented at 1485 feet and the BOPE tested prior to drilling ahead. No abnormal conditions have been encountered. On March 8 the total depth was 4075 feet.

Phillips Petroleum Geothermal Division completed drilling four temperature-gradient wells (Baragan Mtn. Prospect) in the Hyder area on February 26. This was follow-up drilling in the same general area where Phillips drilled and abandoned the 26 wells mentioned earlier.

I attended the IOCC Underground Injection Control Regulatory and Technical Seminar held in Long Beach, California, on February 2 through February 4. Other states in

Activity Report
March 9, 1982
R. A. Ybarra
Page 2

attendance were California, North Dakota, New Mexico, Oklahoma, Utah, Washington, and Wyoming. EPA representatives from Regions VI, IX, and X were also in attendance.

Highlights of the seminar included presentations of state UIC programs by California, Oklahoma, and New Mexico. Dr. Jay A. Lehr, Director of the National Water Well Assoc., lectured on what amounted to a short course in hydrology and one on geology and reservoir behavior. There was a field trip to one of the man-made drilling islands in Offshore Wilmington field where water treatment and water injection facilities were observed. The final presentation included the showing of an EPA film on "How to be a Witness" and comments on the film by Alan Hagar, Deputy Attorney General, State of California.

Status of planned activity (as reported Nov. 12, 1981). Commodore Resources Corp. proposed well in Mohave County: This project lacks finances to fulfill drilling commitment.

Chichasaw Oil Co. proposed well in Mohave County southwest of Kingman: We have had no communication from the company in recent weeks.

Allied Energy Corp. proposed well in the Salt River Canyon area: Allied's local representative insists that the well will be drilled sometime soon.

A.G. & H. Enterprises, Inc., proposed well near Lakeside south of Show Low: Mr. Gail Sponseller was in the office on March 3 to inquire about our spacing regulations, among other things.

Sanchez-O'Brien plans to drill in the Arizona Strip and Roosevelt Lake areas: No further word on these plans has been received.

Status of planned activity (as reported Jan. 13, 1982). As reported earlier, Phillips Petroleum has resumed drilling operations in Arizona.

The Southwest Gas Corp. gas storage in the Red Lake area: No recent communication on project has been received.

Getty Oil Co. plans to drill in Pedregosa Basin: No further word on this project has been received.

Salt River Basin Joint Venture plans to drill a second well in the Wittman area: No further word from this group. However, we have received calls from landowners in this same general area inquiring about Lee Gibson Oil Co. Apparently this company has been very active in this area in recent weeks trying to improve its lease holdings. He has offered a 1/6 royalty to one landowner.

Other planned activity. Energy Reserves Group has filed applications to drill two wells in the Teec Nos Pos field, both as Lower Ismay oil producers. These wells have to be drilled within 90 days, a demand placed on the operator by Mineral Management Services, a federal agency created to review all extended Indian leases to ensure development on a timely basis.

We have rumors that Mobil will drill an 18,000-foot well in the Arizona Strip near the East Grand Wash area. The source of this rumor comes from a leaseholder in this area and he attributes his information to the BLM in St. George.

Activity Report
March 9, 1982
R. A. Ybarra
Page 3

Mr. A. Weiss with Imperial Occidental in San Diego called about setback requirements to private property, highways, etc. He plans to drill a 2000-foot well on 80 acres in the Yuma area. We also discussed BOPE requirements.

Mr. Mac Eddy, General Manager with Navopache Electric Co-op, Inc., came to the office looking for samples of the basement granite in the Springerville area. Plans are to drill three wells in the Springerville-Nutrios-Baldy Peak area in search of a "hot dry rock" source. If successful, they will then drill additional wells, some of which will be used as fresh water injectors and some as producers of steam to generate electricity. The Pan American Corp. of Los Alamos, New Mexico, is providing the expertise.

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF <i>FEB 1982</i>	2 CLASSIFICATION	3 RECEIPTS	4 APPROPRIATED RECEIPTS	5 UNAPPROPRIATED RECEIPTS	6 TOTAL ALL RECEIPTS YEAR TO DATE
250 00	1 Permits to Drill			250 00	1,675 00
	2				
	3				
	4				
	5				
	6				
	7				
	8				
	9				
	10				
	11				
	12				
	13				
	14				
	15				
	16				
	17				
250 00	TOTAL CURRENT MONTH RECEIPTS			250 00	XXXXXX
	TRANSFERS IN				
XXXXXX	BALANCES BROUGHT FORWARD			1,425 00	XXXXXX
250 00	TOTALS - MONTH AND YEAR TO DATE			1,675 00	1,675 00

6 CLAIMS PAID MONTH OF <i>FEB 1982</i>	7 FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
7,517 74	1 Personal Services	68,922 00	51,930 93		16,991 07
1,452 76	2 Emp. Related Exp.	13,748 00	9,638 77		4,129 23
	3 Professional Services	1,500 00	8 31		1,500 00
624 39	4 Travel - State	9,000 00	4,008 31	2,091 32	2,900 37
296 20	5 Travel - Out of State	3,200 00	990 77		2,209 23
318 47	6 Other Operating Exp.	17,975 00	15,378 02	551 88	2,045 10
	7 Capital Outlay-Equipment				
	8				
	9				
	10				
	11				
	12				
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	24				
	25				
	26				
	27				
	28				
	29				
	30				
10,209 56	TOTALS	114,365 00	81,946 80	2,643 20	29,775 00

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. _____

1		2		3		4	
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION		CLAIMS PAID MONTH OF	19		
21,883.85	71130	1	Salary: Appointed Official	1	2,605.22		
300.00	71140	2	Per Diem: Commission Members	2	150.00		
29,747.08	71150	3	Salaries: Staff	3	4,762.52		
346.72	71510	4	Emp. Related: Workmens Comp	4	53.42		
207.39	71520	5	Unemployment Insurance	5	36.84		
3,263.07	71530	6	F.I.C.A.	6	493.64		
3,451.69	71542	7	Retirement	7	515.74		
1,142.89	71551	8	Health Insurance	8	182.78		
420.00	71552	9	D&L Insurance	9	48.00		
623.21	71570	10	Personnel Comm. Pro Rata Charges	10	90.22		
183.80		11	Dental Insurance	11	32.12		
	72122	12	Professional Serv: Court Reporter	12			
	72169	13	Cartographic Symbols	13			
	72199	14	Cartographer	14			
375.60	72511	15	Travel-State: Mileage - Private Vehicles	15	170.40		
2,868.46	72512	16	Mileage - State Vehicles	16	345.49		
652.25	72520	17	Subsistence	17	54.00		
105.00	72531	18	Air Fare	18	51.00		
7.00	72543	19	Parking	19	3.50		
	72549	20	Misc.	20			
471.57	72560	21	Travel-Out of State: Subsistence	21	160.00		
84.00	72571	22	Air Fare	22	84.00		
50.00	72574	23	Taxis	23			
	72581	24	Registration Fees	24			
385.20	72589	25	Other-Telephone, Pers. Auto	25	52.20		
2,809.00	72711	26	Occupancy: Office Rent	26			
	72821	27	Mtn & Repairs: Furniture	27			
18.00	72823	28	Adders & Calculators	28			
70.00	72824	29	Typewriters	29			
330.00	72826	30	Copy Machine, Other	30			
	72827	31	Reader-Printer	31			
	73111	32	Office Supplies: Printed Stationery & Envelopes	32			
	73113	33	Carbon & Ribbons	33			
	73117	34	Reproduction Supplies	34			
662.81	73119	35	Misc. & Blue Prints	35	2.85		
78.49	73514	36	Printing: Large Maps, etc.	36			
143.85	73519	37	Misc.	37			
367.09	73524	38	Legal Advertising	38			
12.00	73531	39	Subscriptions: Newspaper	39			
62.00	73533	40	Technical Journals	40			
411.00	73541	41	Postage Stamps	41			
147.00	73551	42	Telephone Serv: Central System	42	21.00		
869.11	73552	43	Equipment Rental	43	128.55		
246.40	73553	44	Long Distance	44	43.96		
231.87	73554	45	ATS Service Charge	45	37.70		
117.27	73559	46	Tax & Directory Assistance	46	14.91		
2,000.00	73720	47	Organization Dues	47			
155.50	73730	48	Technical or Reference Books	48	67.50		
375.63	73741	49	Insurance	49			
	73770	50	Registration Fees	50			
250.00	79220	51	Revolving Fund	51			
21.00	73549	52	Shipping, Other	52			
		53		53			
		54		54			
		55		55			
81,946.80		TOTAL			10,209.56		

OFFICE

(DO NOT WRITE BELOW THIS LINE)

FIELD