

OIL & GAS CONSERVATION COMMISSION
Meeting: November 18, 1983
Mr. A. K. Doss, Exec. Director



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
November 18, 1983
1645 West Jefferson, Room 420
Phoenix, Arizona

- 10:00 a.m. Call to order
1. Approval of Minutes of Meeting of September 23, 1983
 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, notice is hereby given that a regular meeting of the Oil and Gas Conservation Commission will be held at 10:00 a.m. on November 18, 1983 at the Commission offices at 1645 West Jefferson Street, Suite 420, Phoenix, Arizona.

Notice is hereby also given pursuant to A.R.S. § 38-431.02.B. that in the course of the regular meeting, the Commission may go into Executive Session for advice from legal counsel pursuant to A.R.S. § 38-431.03.A.3.

Dated this fourth day of November 1983.

OIL AND GAS CONSERVATION COMMISSION

By

A handwritten signature in dark ink, 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
September 23, 1983

Present:

Mr. Ralph W. Bilby, Chairman
Dr. J. Dale Nations, Vice-Chairman
Mr. L. A. Palmer, Member
Mr. Forrest R. Rickard, Member
Mr. Watson M. Tomerlin, Member

The regular Commission meeting of September 23, 1983 was called to order by Ralph W. Bilby, Chairman, at 10:00 a.m.

Minutes of the June 17, 1983 meeting were approved as written.

A. K. Doss, Executive Director, reviewed his Activity Report.

SANCHEZ-O'BRIEN OIL
& GAS CORPORATION

He advised on the Sanchez-O'Brien well in the Lake Roosevelt area. Shortly after their rig was set up and they had set their surface pipe, it began raining and continued for three weeks. It was a sea of mud. It cost \$400,000 more than they had anticipated due to the inclement weather. Charles Tucker, the geologist, said that drilling is expected to resume in early October. Dale Nations inquired about the thrust area at this location. He assumes that Sanchez-O'Brien is thinking about the thrust plate in this area, but said that they are not drilling deep enough for that. Mr. Doss advised that there had been two small shows, and at 1900' they hit an artesian water flow. They plan to drill about five strat tests before a location is staked for the next deep test.

HIGH PLAINS PETROLEUM

Drilled north of Chambers near Cecil Gustin's well. A straddle packer test was run when they got down to the zone where Mr. Gustin had an oil show. Apparently, no one had run this type of test before, and the tester didn't have all the change-over subs needed. Only a gallon of mud was recovered from this test. There is definitely a permeability barrier of whatever nature

that exists between these two wells which are only 800' apart. John Somers, president of High Plains Petroleum, and Sumatra are working together. Sumatra has made a deal for a five-well drilling program on Santa Fe Railroad land in the Holbrook Basin area. They had a show of helium gas in the top 50' of the Coconino sandstone. There is no doubt that they could make a helium well there, but with the helium lawsuit going on involving the Railroad and the Spurlock Ranches and the fact that this well is also on Santa Fe Railroad acreage, they would never stand a chance of getting approval from the Railroad for the well completion.

DOWLING PETROLEUM

Casing (4½") was set on this well on April 28, 1983 and nothing has been done since. There have been all kinds of problems. They felt it necessary to get additional acreage, their Japanese partners backed out on the deal, and they have had a problem trying to sell it to someone else. If a well is finally made here, it will probably be gas - not oil. Joe Faull is staking a location on what they call the Island in the Colorado River. It belongs to the State of Arizona, but it's on the California side of the river. The Federal Government made a judgment to give it to Arizona instead of California. Rudy Ybarra advised that a variance in zoning would be necessary since this area is zoned for geothermal and agriculture; however, Imperial County is going to let him drill it as a low-temperature geothermal well in order to take a look at what is there. Mr. Faull has met in El Centro with county officials regarding this endeavor.

BROOKS EXPLORATION

Bill Brooks is to drill two wells this fall. He is encouraged with a dolomite zone down around 2250', and when this zone was tested, practically all water was recovered, but in the sample chamber, there was one to two cc. of oil. The sample shows were very good in the dolomite zone. The porosities and permeabilities were unbelievably high. The next two tests are to be drilled to 2500' in order to test the dolomite zone. He may have a fairly good chance of making a well.

ALPAR RESOURCES

Has acreage between Flagstaff and the Grand Canyon National Park headquarters, where they plan to drill two test wells.

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SHELL OIL COMPANY

Has taken out a large lease block in northern Mohave County running from Lake Mead almost to the Bill Williams River. Kingman is almost in the center of their block. They took out 199 leases on state trust lands plus an equal amount of leases on federal lands and the number is unknown on private lands. Approximately 1,000,000 to 1-1/2 million acres are involved. When Phillips dropped this acreage, Shell retrieved it. Must have something to do with the deep overthrust wells which were drilled in Nevada.

GEO THERMAL KINETICS

Wrote to John Bannister on July 21, 1983 about the two deep geothermal wells that are still on temporary abandonment status by Higby. Wanted details on these proposals so the information could be presented to the Commission this month for its consideration to keep the temporary abandonment or not, and he has not responded. When Sisco Mines Limited, a Canadian firm, took over these two wells, they also took over Geothermal Kinetics. Mr. Doss advised that Dr. Fellows wanted to know about having additional projects that would have a direct thrust to the oil and gas industry. Mr. Doss wrote to eight geologists with various companies who offered to make suggestions on what kinds of reports could be worked on in order to assist them in their exploration work in Arizona. Response has not been overwhelming at the present time, but he is sure we will hear from them. A geologist from Amerada-Hess expressed his company's interest in the Holbrook Basin, and wanted to know if any organization in Arizona had done studies on total organic contents and vitronite reflectance. Mr. Doss did not recall any studies on these subjects.

BUDGET

The analyst from the Executive Budget Office advised Mr. Doss that he recommended placing the Oil and Gas Conservation Commission under the jurisdiction of the State Mine Inspector. If a change of this nature were to take place, it would have to be authorized by the State Legislature.

Rudy Ybarra gave a report on wells 18 and 20 in the Teec Nos Pos area. They are referred to as semi-development wells. Number 18 has been drilled, but an update is not available. There was drilling to 5200'. Well 20 is supposedly near a burial ground,

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and negotiating is being done for a new location. Well 12, Mountain States Resources' first well, produced about 36 barrels of oil last month and about 1800 barrels of water. Well 16, which came in as a good gas well, is shut in. It is also capable of producing some condensate, but the BLM refused to issue a permit allowing flaring of the gas.

Mr. Charles Lawrence from Louisiana has filed with the BLM on 1290 acres in the area just south of where J. M. Shields drilled several shallow wells.

Action is necessary to force abandonment on Cecil Gustin's well, which has been sitting there for over a year. It may be necessary to use the bond money to supervise the abandonment of this well.

Mr. Ybarra gave a presentation on the activity in the Dineh-bi-Keyah field on the Navajo Reservation. Seven wells have each accumulated more than one million barrels of oil. Kerr-McGee drilled 13 wells since 1973 in this field totaling 754,500 barrels of oil. They are proposing to drill seven more wells. However, in Mr. Ybarra's judgment, the economics of drilling these wells is questionable because of the modest production obtained in nine of the 13 wells drilled between 1973 and 1982. Being in a mountainous area, it is costly to cut roads and stake out drilling locations.

NEW BUSINESS

Mr. Watson Tomerlin, a Member of the Commission, reported on a trip he made in August to British Columbia. He visited Valdez where he took a bus tour of the Alaskan pipeline operation. Though the tour was restricted, he found it interesting to view the "snake" pipeline winding 800 miles in Alaska. He gave several brochures for the Commission's review. Mr. Bilby, Chairman, stated that he had made a trip to New Zealand to inspect the hot springs which produce electricity and reported this information to the Commission. Mr. Doss advised his son-in-law is working with the Alyeska Pipeline at Valdez. Mr. Bilby also told of an inspection trip involving hydrocarbons in the form of coal in the extreme part of Norway. He took the Royal Viking and was within 650 miles of the North Pole.

BUDGET

Mr. Doss reviewed the estimated expenditures for the present

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fiscal year and for our request for the 1984-1985 budget. The main expenses are for the rental of the office space and printing of the Rules and Regulations and updating of State Map 4. Our out-of-state travel has been eliminated. It was moved by Dale Nations and seconded by Forrest Rickard that the budget be approved as submitted. Motion carried.

Guests in attendance were:

Sheri Eisert Analyst	Joint Legislative Budget Committee
Dr. Larry Fellows Geologist	Bureau of Geology and Mineral Technology
Hector Villalobos	Mineral Resources Bureau of Land Management

Dr. Fellows expressed his thanks to Mr. Doss for his help in his program. He mentioned that he was also in Alaska in June to see the pipeline at Prudhoe Bay. Half of it is operated by Sohio and half by Arco.

The meeting adjourned at 11:18 a.m.

APPROVED

Joseph W. Billy



OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA

1645 WEST JEFFERSON, SUITE 420
PHOENIX, ARIZONA 85007
PHONE: (602) 255-5161

ACTIVITY REPORT

November 2, 1983

A. K. Doss
Executive Director

BROOKS EXPLORATION, INC.

Drilled the first of two locations filed on in the strip country. This was a follow-up to their 7100' well drilled last fall. An excellent show was encountered in the shallow (Schnabkaib) 500' zone. The well site geologist brought the samples in about 4 A.M. on October 5, 1983, and they picked me up to come look at them. The sand was oil saturated and on cut with CCL₄ (carbon tet) streamers of free oil worked out of the cuttings which could be seen under the mineral light with the microscope. The decision was made at this time to run the 7" surface casing before drilling ahead. Bottom of the casing measured at 488' according to the electric logs. As calculated by Brooks and Bailey (geologist) the bottom of the casing should have been above the oil show which was to be tested when they drilled out from under the casing; however, when they drilled out they got nothing. I suspected the oil show was behind the pipe and told them so. This second test ran 80' - 100' high to the first well which confirmed their seismic line, but was plugged and abandoned as a dry hole at 2500'.

DOWLING PETROLEUM, INC.

Sam Bakke, vice president of Dowling, called on October 24, 1983 and said the deal has been about finalized, and completion work should start very soon. More by meeting time.

REDBIRD OIL CO.

Has filed for a permit to drill on the "Island" north of Yuma. The "Island" acreage belongs to the State of Arizona, but is located in Imperial County, California. More by meeting time.

Activity Report
Executive Director
November 2, 1983
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CAPITOL LOBBY DISPLAY

October 24 - 28 was designated American Energy Awareness Week, and a number of agencies were asked to contribute displays for the Capitol Tower Lobby. The Commission prepared a display of Arizona crude oil, drill bit, posters showing various types of oil traps, drilling rig components, etc. Rudy Ybarra prepared a chart depicting production curves.

We wish to welcome Mrs. Sheila Burgan on board. Mrs. Burgan replaces Mrs. Anderson who took a position with the Department of Transportation.



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ACTIVITY REPORT

November 2, 1983

R. A. Ybarra
Enforcement Director

During this report period three applications to drill were received and approved: two 2500-foot wells by Brooks Exploration, Inc., in Mohave County and a 3400-foot well by Redbird Oil Company in Yuma County.

One of the Brooks wells, No. 1-27 Mohave Federal, in Sec. 27-T.40N.-R.6W, was spudded on October 3, and after running and cementing 7", 20 lb., K-55 surface casing at 488', was drilled to a total depth of 2500'. The intervals that looked so promising in the first Brooks well, No. 1-26 Mohave Federal, did not develop as was hoped. The shallow interval (Schnabkaib) had some slight oil shows and favorable porosity but because of low pressures and the lack of permeability and saturation did not yield much fluid. The deeper interval (Toroweap dolomite) likewise displayed lack of the parameters mentioned above.

The hole was logged at 2500' and on October 8 a wooden bridge plug was driven to 540', where approximately 27 cubic feet of readymix was poured from the surface and filling to 400'. A wooden bridge plug was hung at 15' and filled with readymix to the surface.

The second Brooks well, No. 1-4 Mohave Federal, has not been drilled yet but we were given the impression that the well would be drilled regardless of the outcome of the first well. However, the operator did comment that, according to the seismic data, the area is highly faulted and that it would take more than one well to assess the numerous fault blocks.

The Redbird well is scheduled to be drilled on or before November 1, 1983, to validate farm-out interest in Arizona oil and gas lease No. 86383. Of interest is that the physical location of this proposed well is within the political boundaries of California. There will be much more to talk about on this venture at the time of our meeting.

November 2, 1983

R. A. Ybarra

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On October 11, I attended a hearing by the EPA on the implementation (proposed) of an Underground Injection Control (UIC) Program for the State of Arizona. The Safe Drinking Water Act (SDWA) requires the EPA to prescribe an UIC Program for states that have not filed an application for primacy under SDWA Sec. 1425 or if the state program either has not been approved or no longer meets the requirements of the Act. Arizona is one of 23 states without an approved program. Once the proposed regulations are in place, the EPA will implement the UIC program for Arizona through the Water Supply Section, Program Support Branch, Water Management Division.

Some of the states, Arizona included, in which EPA is proposing to implement federally-administered programs contain Indian lands within their boundaries. The EPA intends that the proposed program in a given state apply to Indian lands as well as to non-Indian lands. However, the agency (EPA) is willing to consider variations to the program as it applies to Indian lands if necessary, to accommodate Indian concerns.

I do not know how all this is going to affect our own injection and disposal program.

The hearing was poorly attended and only one Arizona operator (Kerr-McGee) was represented.

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 OCT. 19 83
18,402	57	6011 1 Salaries: Staff	4842 76
10,345	49	6057 2 Appointed Official	2722 46
150	00	6058 3 Per Diem: Commission Members	150 00
1,926	13	6111 4 Emp. Related: F.I.C.A.	506 87
1,182	44	6113 5 Health Insurance	337 84
144	00	6115 6 D&L Insurance	48 00
143	81	6117 7 Unemployment Insurance	37 84
141	09	6119 8 Workmen's Comp	37 31
2,018	43	6155 9 Retirement	529 58
346	70	6183 10 Personnel Com. Pro Rata Chg.	92 56
153	02	6118 11 Dental Insurance	43 72
		6293 12 Prof. Serv.: Court Reporter	
		6499 13 Cartographic Symbols	
		6499 14 Cartographer	
		6511 15 Travel-State: Air Fare	
		6531 16 Taxi	
340	60	6541 17 Mileage-Private Vehicles	62 40
535	26	6551 18 Mileage-State Vehicles	105 85
2	00	6569 19 Parking	2 00
		6569 20 Telephone	
674	92	6581 21 Subsistence	280 00
		6599 22 Registration Fees; Other	
		6611 23 Travel-Out of State: Air Fare	
		6631 24 Taxi	
		6639 25 Rail Fare	
		6641 26 Personal Auto	
		6669 27 Parking	
		6669 28 Telephone; Other	
		6681 29 Subsistence	
		6699 30 Registration Fee	
		7019 31 Legal Advertising	
132	98	7036 32 Postage Stamps	132 98
118	40	7044 33 Telephone Service: ATS Service (WATS)	39 70
76	97	7045 34 Central System	26 34
124	67	7046 35 Toll Service	42 60
53	88	7047 36 Taxes, Dir. Assistance	18 93
		7047 37 Miscellaneous	
509	18	7066 38 Insurance (Risk Management)	
		7103 39 Occupancy: Office Rent	
336	84	7188 40 Telephone Equip.: Lease/Rent	112 28
		7311 41 Printing	
42	38	7532 42 Furniture	42 38
		7532 43 Adder/Calculator	
		7532 44 Reader/Printer	
70	00	7553 45 Typewriter	
247	50	7553 46 Copy Machine	
		7607 47 Library Supplies	
		7621 48 Stationery/Envelopes	
14	17	7623 49 Printed Forms	14 17
		7624 50 Reproduction Supplies	
53	98	7625 51 Blue Prints/Office Supplies	
10	20	7628 52 Printing Maps	10 20
		7628 53 Printing Miscellaneous	
		7962 54 Revolving Fund	
		7967 55 Books	
38,291	67	TOTAL	10,238 77

OFFICE
AUDIT

(G. NOT TO BE BELOW THIS LINE)

FIELD
AUDIT

MONTHLY FINANCIAL REPORT

RECEIPTS MONTH OF OCT. 1983	CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
50 00	1 Permits to Drill			3,852 00
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
50 00	TOTAL CURRENT MONTH RECEIPTS		50 00	XXXXXX
XXXXXX	TRANSFERS IN			
	BALANCES BROUGHT FORWARD		3802 00	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		3852 00	

CLAIMS PAID MONTH OF OCT. 1983	FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
7,115 22	1 Personal Services	102,100 00	28,848 06		73,201 94
1,633 72	2 Emp. Related Exp.	22,200 00	6,049 62		16,150 38
	3 Professional Services	400 00			400 00
450 25	4 Travel - State	7,100 00	1,552 78		6,147 22
	5 Travel - Out of State				
439 58	6 Other Operating Exp.	3,800 00	1,191 15		2,008 85
	7 Capital Outlay-Equipment				
	8				
	9				
	10				
	11				
	12				
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	25				
	26				
	27				
	28				
	29				
	30				
10,238 77	TOTALS	136,200 00	38,291 61		97,908 39

[illegible]



RECEIVED

SEP 29 1983

O & G CONS. COMM.

Attorney General

1275 WEST WASHINGTON

Phoenix, Arizona 85007

Robert R. Corbin

September 27, 1983

A.K. Doss, Commissioner
Oil & Gas Conservation Commission
1645 West Jefferson
Phoenix, Arizona 85007

Dear A.K.:

Please find attached hereto a draft copy of proposed hearing and re-hearing rules. Please review this document and contact me at your convenience in order to discuss the matter.

Cordially,

BOB CORBIN
Attorney General

MS
RUSSELL A. KOLSRUD
Assistant Attorney General

RAK:kar
Attachment

R12-7-123 Hearings

Where it is provided by law or when any matter is at issue before the Commission for decision or within thirty days after the Commissioner has issued an order without a hearing any aggrieved party may file a written request for a hearing with the Commission. All hearings shall be conducted as nearly as possible to the procedures set forth in the Arizona Administrative Procedure Act.

R12-7-124 Rehearing

A. Except as provided in Subsection G., any party in a contested case before the Commission who is aggrieved by a decision rendered in that case may file with the Commission, not later than fifteen (15) days after the decision, a written motion for rehearing or review of the decision specifying the particular grounds therefore.

B. A motion for rehearing under this rule may be amended at any time before it is ruled upon by the Commission. A response may be filed within ten (10) days after service of the motion or amended motion by any other party or the Attorney General. The Commission may require the filing of written briefs upon the issues raised in the motion and may provide for oral argument.

C. A rehearing of the decision may be granted for any of the following causes materially affecting the moving parties rights: (1) Irregularity in the proceedings before the Commission or any order or abuse of discretion whereby the moving party was deprived of a fair hearing; (2) Misconduct of the Commission, its employees or its hearing officer or the prevailing parties; (3) Accident or surprise which could not have been prevented by ordinary prudence; (4) Newly discovered material evidence which could not, with reasonable diligence, have been discovered and produced at the original hearing; (5) Excessive or insufficient penalties; (6) Error or any omission or rejection of evidence or other errors of law occurring at the hearing; (7) The decision is not justified by the evidence or is contrary to law.

D. The Commission may affirm or modify the decision or grant a rehearing as to all or any of the parties and on all or part of the issues for any of the reasons set forth in Subsection C. An

order granting a rehearing shall specify, with particularity, the ground or grounds on which the rehearing is granted, and a rehearing shall cover only those matters so specified.

E. The Commission, within the time for filing a motion for rehearing under this rule, may on its own initiative order a rehearing or review of its decision for any reason for which it might have granted a rehearing on motion of a party. After giving the parties notice and an opportunity to be heard on the matter, the Commission may grant a motion for rehearing, timely served, for a reason not stated in the motion. In either case, the order granting a rehearing shall specify the ground therefore.

F. When a motion for rehearing is based upon affidavits they shall be served with the motion and the opposing party or the Attorney General may within ten (10) days after service serve opposing affidavits.

G. If in a particular decision the Commission makes specific findings that the immediate effectiveness of its decision is necessary for the immediate preservation of the public peace, health and safety and that a rehearing or review of the decision is impracticable, unnecessary or contrary to the public interest the decision may be issued as a final decision without an opportunity for a rehearing. Any application or judicial review of the decision shall be made within the time limits permitted for applications for judicial review of the Commission's final decision.