

OIL & GAS CONSERVATION COMMISSION
Meeting: October 25, 1985
R. A. YBARRA, Acting Exec. Director

CORRECTED



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
October 25, 1985
1645 West Jefferson, Room 420
Phoenix, Arizona

9:00 A.M.

Call to order

1. Approval of Minutes of Meeting
of August 16, 1985
2. Report of Acting Executive Director
Budget Approval
3. Report of Enforcement Section
R. A. Ybarra reports on Well Operations
4. Executive Session--Personnel Purposes
5. Adjourn



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



OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA
1645 WEST JEFFERSON, SUITE 420
PHOENIX, ARIZONA 85007
PHONE: (602) 255-5161

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 9:00 a.m. on October 25, 1985 at the Commission's 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 eleventh day of October 1985.

OIL AND GAS CONSERVATION COMMISSION

By R. A. Ybarra
R. A. Ybarra
Acting Executive Director

Telephone Contact: 255-5161

NOTICE OF HEARING

CASE NO. 58

Notice is hereby given to all interested parties that the OIL AND GAS CONSERVATION COMMISSION, STATE OF ARIZONA, will hold a hearing on the application of Monsanto Oil Company at 10:30 a.m. on October 25, 1985 in its hearing room at 1645 West Jefferson Street, Suite 420, Phoenix, Arizona to consider the application of Monsanto Oil Company for a water disposal project in the DRY MESA FIELD, Apache County, Arizona.

OIL AND GAS CONSERVATION COMMISSION
STATE OF ARIZONA

(Original Signed)

J. Dale Nations, PhD
Vice-Chairman

Done this 20th day of September 1985
at Phoenix, Arizona

ATTEST

(Original Signed)

R. A. Ybarra
Acting Executive Director



OFFICE OF

Oil and Gas Conservation Commission
STATE OF ARIZONA

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

RECEIVED

SEP 16 1985

O & G CONSV. COMM.

September 13, 1985

To Members of the Arizona Oil and Gas Conservation Commission:

The meeting that was scheduled for September 20 has been postponed and will be held on October 11 at the usual hour.

We are doing some advertising to try to get as many applicants as possible for the job of Executive Secretary of the Commission and hence, will need some more time. We have applied to the Director of the Department of Administration to extend the time for presenting the budget, and I have no doubt that it will be granted. If it is granted, we will have until October 15 in which to approve and file the budget.

Sincerely,

A handwritten signature in cursive script that reads "Ralph W. Bilby".

Ralph W. Bilby
Chairman

RWB:jvi

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

Minutes of Meeting
August 16, 1985

Present:

Dr. J. Dale Nations, Vice-Chairman
Mr. Forrest R. Rickard, Member
Mrs. Jan C. Wilt, Member

The regular Commission Meeting of August 16, 1985 was called to order by Dr. J. Dale Nations, Vice-Chairman, in the absence of Ralph W. Bilby, Chairman, at 10:32 A.M.

Mr. Rickard moved that the minutes of the meeting of May 24, 1985 be approved and Mrs. Wilt seconded the motion. Motion carried.

Mr. Doss, the Executive Director reviewed his Activity Report. He advised that he and Mr. Ybarra drove to the Strip Country in June to witness the operation of the W. M. Waggoner's 2-26 Federal well. The rig arrived three days late. Two cores were cut, and a thin bleeding seam was found in the first core (560'-580'). Two wells were to be drilled, but the second one hasn't been drilled, and it is doubtful that it will be.

Mr. Doss reported that Joe Faull got permission from the bankruptcy referee to re-enter the original hole that had 5,000' of casing in it belonging to Dowling Petroleum. If there had been a discovery, the State of Arizona would receive its one-eighth royalty first before any other disbursements. The finding of salt water was the result of the perforating.

Mr. Doss witnessed the setting of the surface pipe of the Monsanto well also in June in the Dry Mesa area. This well is presently being tested.

Mr. Doss advised that Mrs. Lois Rogers was recently hired as the Secretary II for the Commission and Jerry Dingle is the new EBO analyst. Mr. Dingle inquired if the wording of

Minutes of Meeting
August 16, 1985
Page 2

the statutes had to be changed to increase the compensation of the Commission members. This will not be necessary.

correction →
± 800,000 ACRES

It was reported by Mr. Doss that there is a new lease play between the Arizona-New Mexico line. A recent article by Petroleum Information states that there is a consortium of companies including Shell and Sohio and the French national government company, Elf-Aquitaine, and independents who are taking part in this venture. About three million acres in New Mexico and ~~three million acres~~ in Arizona are involved. This structure is known as the Baca Basin. John Karabees, lease broker and land promoter booster for the State of Arizona, said that seismic crews are in this area, and a number of the crews are located in Springerville. They are staying off the Indian Reservation. Shell Oil Company has a lease play in northern Mohave County and in northeastern Cochise and southern Gila and Greenlee counties. They incorporate huge blocks of acreage, and seismic crews quickly follow to run their survey lines. The other lease play is by Amoco located northwest of Flagstaff mostly in Coconino County. This large lease play was put together by John Karabees. Mr. Karabees advised that the delay for bringing in two rigs is the backlog that BLM has on lease issuance. Mr. John Haas, representing the BLM, advised that the Forest Service Management is going to consider the oil and gas leasing in their RMP (Resource Management Proposal) and this will take approximately one year.

Mr. Ybarra inquired about the tubing on site at the Dowling location in Yuma, and that the pits have become nesting grounds for approximately 15 owls. He wanted to know who is responsible for the cleanup at this location. Mr. Doss advised that Joe Faull is responsible for this. Even though we have the bond, bankruptcy is involved in this case. Sy Young from the State Land Department stated that the agricultural people would like to have this area cleaned up. Mr. Ybarra said that there is no established procedure for this kind of a situation, and one is certainly needed on abandonment of this type of a well.

Mr. Ybarra proceeded with reviewing of his Activity Report. He reported discussing with Monsanto about its #6 well that Mr. Doss had inspected. Monsanto reported drilling to 5540' and tried to test open hole, but could not get the packers to set and abandoned the operation. They contacted their partners, Unical and Sun Oil, and were advised to put casing in the hole and get a good test. There is a disposal problem

Minutes of Meeting
August 16, 1985
Page 3

in this field which necessitated hauling salt water to Utah. There is an indication that #6 well is going to be a good one according to the test reports which were received. Tentative plans are to dispose into the Leadville Formation and produce from the Paradox Formation. With the type of production attained, there may be further drilling to the northwest. Rule 176A calls for a hearing on a new disposal project. Since there has been quite a lapse of time from the former submittal, a hearing will be necessary in this instance. Mr. Doss advised there was approval of the project, but it was never started.

Mr. Ybarra advised that Mr. John Harkins of Morton Salt Company of Chicago, Illinois visited our office to advise of their purchase of Southwest Salt and to discuss the abandonment of two idle wells which should have been plugged long ago. One of the wells has tubing in the hole which will have to be pulled. Mr. Ybarra was advised that it would be cemented all the way to the surface. Mr. Ybarra requested the Commission be notified in writing of the purchase of Southwest Salt by Morton Salt Company and to arrange for the bonds. Southwest Salt made application with the EPA for two injection wells into that salt deposit, and we have a 10-day period for comment. The permit needs to be classified as Class III wells which are covered by the Department of Health Services. The Commission deals with Class II (oil and gas) and Class V (geothermal) wells. The last solution-mining well drilled by Southwest Salt was done so without a permit and, therefore, without a bond. Cal Gas was interested in acquiring this well and using it to store a hydrocarbon product other than LPG. The well transfer was never consummated because Southwest refused to make the well legal on the basis that the well did not come under the jurisdiction of the Commission. Dr. Nations advised since this was an administrative matter that the staff should settle it and advise the outcome at the next meeting.

Mr. Doss reported that Mr. Ralph Pomeroy is continuing to have problems on his geothermal project in the Queen Creek-Higley area, and has asked for an additional six months' period until January 1, 1986 on the temporary abandonment status since the present one has expired. General Electric is to be a partner with Mr. Pomeroy to aid in the necessary financing to get the wells producing geothermal energy. Mr. Rickard moved that Mr. Pomeroy's temporary abandonment be extended of these wells for another six-month period until January 1, 1986. Mrs. Wilt seconded the motion. Motion

Minutes of Meeting
August 16, 1985
Page 4

carried. Mr. Ybarra commented that it would cost approximately \$160,000 to abandon these two wells which have been idle for over 12 years and no action has been taken regarding them.

Dr. Nations stated he felt that a procedure was necessary to have the Redbird operation cleaned up at the Dowling location in Yuma. Mr. Doss advised that Joe Faull was to contact the State Land Department to see how this was to be done since it is on state land. Mr. Ybarra suggested we contact the bonding company for information. At Dr. Nations' request, Mr. Ybarra is to check into this and report his findings at the next Commission meeting.

At 11:23 A.M., Mr. Rickard moved that the Executive Session be held since the meeting was over, and Mrs. Wilt seconded the motion. Motion carried.

Mrs. Wilt moved for adjournment of the Executive Session and to reconvene the regular session at 12:30 P.M. Mr. Rickard seconded the motion. Motion carried.

Dr. Nations stated since there was a minimum quorum at the Executive Session, a decision was made to continue the consideration for applications for the directorship of the Commission. It was further decided to advertise for this position on a broader base. Mr. Ybarra was designated to be the interim director until a decision is made by the Commission for a permanent director. A brief ad or announcement is to be prepared by Dr. Nations for the "Positions Available" section of the "Oil and Gas Journal," "Western Oil Reporter" and "AAPG Explorer" to advertise for the Executive Director's position.

The next meeting is scheduled for September 20 to approve the budget which has requested the Geologist II position be filled. This will be a Grade 19, Step 10 position in order to obtain a well-qualified applicant. This request has been approved by Richard Rabago, the Assistant Director, for Personnel. Mr. Doss is to inquire about the cost of the ad and what the deadlines are for placing it. Since this is an "exempt" position, it is not subject to Personnel's rules.

At 12:42 P.M., Mr. Rickard moved that the meeting be adjourned. Mrs. Wilt seconded the motion. Motion carried.

Minutes of Meeting
August 16, 1985
Page 5

Guests in attendance:

John Haas
Sy Young

Bureau of Land Management
State Land Department

EXECUTIVE SESSION

The Executive Session of the Oil and Gas Conservation Commission was called to order at 11:25 A.M. on August 16, 1985 by Vice-Chairman, Dr. J. Dale Nations, for the purpose of selecting a replacement for the Executive Director's position.

The two applicants are Bill Vineyard and Rudy Ybarra. This is a Grade 23, Step 7 position with an annual salary of \$37,561.

Mr. Doss gave a breakdown of his position stressing that it is necessary to work with the Legislature and work on the budget. Travelling is necessary for the position. One is also required to answer questions from the public. The Vice-Chairman and two commissioners then interviewed the two candidates. The meeting adjourned at 12:25 P.M.

APPROVED

Dale Nations
Dr. J. Dale Nations
Vice-Chairman



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

1645 WEST JEFFERSON, SUITE 420

PHOENIX, ARIZONA 85007

PHONE: (602) 255-5161

ACTIVITY REPORT

September 5, 1985

R. A. Ybarra
Enforcement Director

There were no field operations to report during this report period.

As instructed by the Commissioners, I looked into three problem areas: the surface clean-up of the Dowling well No. 1A State in Yuma County; the Monsanto Company proposed disposal project in the Dry Mesa Field in Apache County; and the "alleged" illegal status of Southwest Salt Company well No. 3-Roach Baker in the salt mining project near Luke Air Base.

Shortly after our meeting of Aug. 16th, I checked into the status of the surface conditions at the Dowling well and learned that the tubing junk left there by Redbird Oil Co. had been removed by Shuck Drilling, a water well drilling contractor, and is being stored in their yard. No explanation was given as to who requested removal of the tubing. As to the final clean-up of the well site, I wrote a letter to Mr. Kenneth Holt, the trustee for the Bankruptcy Estate of Dowling Petroleum, Inc., Case No. 7-84-0160ZE-7, and explained to him that the responsibility for surface clean-up belonged to Dowling. I gave him 60 days, until Oct. 21, 1985; to start this work and must be completed to the satisfaction of the Commission and the State Land Department. If the work is not started on this date, I will set the wheels in motion to have surety, Fireman's Fund Insurance Company, complete this operation.

Regarding the Monsanto Company proposed water disposal project, I wrote to the Company on Aug. 20, and informed them that all new injection projects, enhanced recovery or disposal, require a hearing as per Rule 12-7-176A, which I quoted in part. I also advised them that the Commission approval given Monsanto in 1978 was no longer valid because the project was not initiated on a timely basis and that submittals (data) supporting this project had not been filed. I am sure that I have opened up a can of worms regarding the question of jurisdiction on matters pertaining to injection programs on Indian Lands. I did find out, however, that EPA's Underground Injection Control program for Arizona will not be in place for another one to two years, so I think we're OK until this program goes into effect. This program, Class II, involving oil and gas and gas storage wells, is not to be confused with the Class III program pertaining to solution mining wells and which became effective in June, 1984.

Activity Report
Enforcement Director

Page - 2 -
Sept. 5, 1985

As to the legality of Southwest Salt Co. well No. 3 Roach Baker, I had to scrutinize our records on the Southwest Salt Co. operation from its inception until the time the well No. 3 was drilled (in late 1976). This was about the same time that EPA was promulgating its Underground Injection Control (UIC) program pursuant to the Safe Drinking Water Act of 1974. EPA came up with a classification of injection wells (Classes I through V). The confusion arose from the original Class III category which included all special process wells, such as in situ gasification of oil shale, coal, etc., and recovery of geothermal energy. When the SDWA was amended in 1979 the definition of Class III injection wells was expanded to include well injection for solution mining of uranium, salt, potash, copper, and other minerals in addition to those named in the original classification. All Class III wells fall under the jurisdiction of the Department of Health Services and this is where well No. 3 belongs. However, Arizona was one of 23 states that did not apply (or qualify) for primacy under Section 1425 of the SDWA and this being the case, EPA, pursuant to the SDWA, was to implement an UIC program for these states. Arizona's Class III UIC program became effective June 25, 1984. Under the program all existing Class III wells are authorized for up to one year from the effective date of the program at which time each well in this class must be permitted. Southwest Salt Co. (recently purchased by Morton Salt) has filed with EPA for permit to operate three Class III wells. Only one (No. 3) of the three wells is in operative condition and the operator has discussed abandonment procedures with me to abandon wells No. 1 and 2. Once the two wells are abandoned to our satisfaction, we will release the bonds and this will get us out of the solution mining business once and for all.

We can discuss these problems in more detail when we meet Sept. 20th.

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. _____

1		2		3		4		
CLAIMS PAID YEAR TO DATE 1985		OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION			CLAIMS PAID MONTH OF SEPT. 1985		
13,596	27	6011	1	Salaries: Staff	1	5,126	66	
11,332	99	6057	2	Appointed Official	2			
90	00	6058	3	Per Diem: Commission Members	3	90	00	
		6081	4	Temporary Help	4			
1,757	52	6111	5	Emp. Related: F.I.C.A.	5	361	42	
860	10	6113	6	Health Insurance	6	309	08	
102	00	6115	7	D&L Insurance	7	36	00	
124	69	6117	8	Unemployment Insurance	8	25	64	
85	82	6118	9	Dental Insurance	9	24	20	
205	56	6119	10	Workmen's Comp	10	33	25	
1,413	53	6155	11	Retirement	11	290	70	
273	66	6183	12	Personnel	12	36	01	
		6293	13	Prof. Serv.: Court Reporter	13			
		6499	14	Cartographic Symbols	14			
		6499	15	Cartographer	15			
		6511	16	Travel-State: Air Fare	16			
		6531	17	Taxi	17			
225	10	6541	18	Mileage-Private Vehicles	18			
407	16	6551	19	Mileage-State Vehicles	19	376	45	
		6569	20	Parking	20			
		6569	21	Telephone	21			
40	00	6581	22	Subsistence	22			
		6599	23	Registration Fees; Other	23			
		6611	24	Travel-Out of State: Air Fare	24			
		6631	25	Taxi	25			
		6639	26	Rail Fare	26			
		6641	27	Personal Auto	27			
		6669	28	Parking	28			
		6669	29	Telephone; Other	29			
		6681	30	Subsistence	30			
		6699	31	Registration Fee	31			
		7019	32	Legal Advertising	32			
		7036	33	Postage Stamps	33			
78	00	7044	34	Telephone Service: ATS Service (WATS)	34			
43	84	7045	35	Line Costs	35			
42	21	7046	36	Station Equipment	36			
25	42	7047	37	Long Distance	37			
53	70	7048	38	Other	38			
500	00	7066	39	Insurance (Risk Management)	39			
		7311	40	Printing	40			
		7532	41	Furniture	41			
		7532	42	Adder/Calculator	42			
		7532	43	Reader/Printer	43			
70	00	7553	44	Typewriter	44			
201	99	7553	45	Copy Machine	45			
		7621	46	Stationery/Envelopes	46			
		7623	47	Printed Forms	47			
		7624	48	Reproduction Supplies	48			
109	28	7625	49	Blue Prints/Office Supplies	49	109	28	
		7628	50	Printing Maps	50			
		7628	51	Printing Miscellaneous	51			
		7962	52	Revolving Fund	52			
		7967	53	Books	53			
		7971	54	Organization Dues	54			
		7975	55	Registration Fees	55			
			TOTAL					

OFFICE

DO NOT WRITE BELOW THIS LINE

FIELD

AGENCY Oil & Gas Conservation Commission

- 2 -

DIVISION _____ IDENTIFICATION CC NO. _____

1	2	3	4
CLAIMS PAID YEAR TO DATE 1985	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF SEPT. 1985
	7997	1 Subscription; Newspaper	1
	7997	2 Technical Journal	2
38 52	6582	3 Lodging	3 38 52
9,700 00	7108	4 Office Rent	4
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		54	54
41,377 36		TOTAL	6,857 31

OFFICE
AUDIT

(DO NOT WRITE BELOW THIS LINE)
TOTAL

FIELD
AUDIT

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF SEPT. 1985	2 CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
	1 Permits to Drill			4,052 00
	2			
	3			
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	5			
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	7			
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	16			
	17			
	TOTAL CURRENT MONTH RECEIPTS			XXXXXX
	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		4,052 00	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		4,052 00	

6 CLAIMS PAID MONTH OF SEPT. 1985	7 EXPENDITURES FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
5,216 66	1 Personal Services	111,500 00	25,019 26		86,480 74
1,116 40	2 Emp. Related Exp.	23,600 00	4,822 88		18,777 12
-	3 Professional Services	400 00	-		400 00
414 97	4 Travel - State	7,700 00	710 78		6,989 22
-	5 Travel - Out of State	500 00	-		500 00
109 28	6 Other Operating Exp.	17,300 00	1,082 44		6,475 56
-	7 Capital Outlay-Equipment	-	-		-
	8				
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6,857 31	TOTALS	161,000 00	41,377 36		119,622 64

OIL AND GAS CONSERVATION COMMISSION
STATE OF ARIZONA

DATE	NAME	REPRESENTING
9/12/85	Robert B. Mack	Salt River Project
9/25/85	R. W. Henderson	Self.