

[REDACTED]
OIL & GAS CONSERVATION COMMISSION
Meeting: January 17, 1986
Daniel J. Brennan, Exec. Director



11



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

January 17, 1986

1645 West Jefferson, Room 420

Phoenix, Arizona

10:00 A.M.

Call to order

1. Welcome to Daniel J. Brennan
Executive Director
2. Approval of Minutes of Meeting of
November 15, 1985 and Executive
Session of November 22, 1985
3. Report of Executive Director
Daniel J. Brennan
4. Report of Enforcement Section
R. A. Ybarra reports on Well Operations
5. Pomeroy Geothermal Project
Consider T & A Continuance Request
6. Election of Commission Chairman
and Vice-Chairman
7. State Land Dept./BLM Activity
Report by Cy Young
8. Call to the Public
9. Executive Session--Salary Matters
10. Adjourn

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



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Oil and Gas Conservation Commission

STATE OF ARIZONA

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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 January 17, 1986 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 third day of January 1986.

OIL AND GAS CONSERVATION COMMISSION

By

R. A. Ybarra

R. A. Ybarra
Acting Executive Director

Telephone Contact: 255-5161

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

Minutes of Meeting
November 15, 1985

Present:

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

The regular Commission Meeting of November 15, 1985 was called to order by Dr. J. Dale Nations, Vice-Chairman, at 10:00 A.M.

Mr. Warne moved that the minutes of the meeting of October 25, 1985 be adopted as presented with Mr. Rickard's seconding the motion. Motion carried.

Mr. Rickard requested that a copy of the synopsis of the Hearing Minutes of October 25, 1985 be given to the Commission members at the next meeting since the Minutes have not been distributed to the Commission members in the past, although they are available to the public if anyone wishes to review them. Joe Clifford of the Attorney General's office offered to help in constructing a better format or giving guidelines to us in preparing these types of minutes. A suggestion was also given that the tape recording could stand improvement.

Mr. Rudy Ybarra, Acting Executive Director, gave a report of the Bradco acquisition of the Dowling property. The insurance company is waiting for an estimate of the clean-up operations, and has also been in contact with the trustee of the estate in Midland hoping to recover some of their monies. Bradco plans to test some deeper intervals other than the ones tested by Redbird Oil Company. When Bradco plans to re-enter the Dowling well, they will obtain a permit and arrange for new bonding. Mr. Ybarra advised he attended the Water Law Seminar at ASU on October 26, 1985 which he felt was very helpful to him, and that he received a lot of good information from it.

Minutes of Meeting
November 15, 1985
Page 2

A report on the Shields' operation was given by Mr. Ybarra regarding water entry problems in the first testing. Mr. Ybarra explained a diagram he prepared on the blackboard how this well was recemented and tested. A pump is now on the well pumping 100 barrels of water per day. Excellent equipment is being used on the well operations.

Mr. Ybarra then reported on receiving notices to abandon wells No. 1 and No. 2 of Southwest Salt Company. He also had a diagram on the blackboard which he explained in detail of proposed abandonment operations. In talking with the State Health Department, Mr. Ybarra was advised that they had received an anonymous call that 7,000 gallons of crankcase oil were put in this well as an oil apron or protective pad which would prevent any action of the waters into the top of the cavity. In order to understand the true condition of the well before acting on the abandonment, a meeting is to be held on Tuesday, November 19, 1985, with company representatives from Chicago and possibly EPA personnel.

At 10:35 A.M., Mr. Rickard moved that the Commission go into Executive Session for the purpose of selecting an Executive Director. Mr. Warne seconded the motion. Motion carried.

At 11:15 A.M., Mr. Rickard moved to return to the regular session of the Commission meeting. Mr. Warne seconded the motion, which carried.

A motion was made by Mrs. Wilt and seconded by Mr. Rickard to have the Executive Director be the main representative to attend the Water Quality Control Council meetings with Mr. Warne being the alternate representative. Motion carried.

A discussion was held on the selection of a Chairman and Vice-Chairman of the Commission. Mrs. Wilt moved that a Chairman and Vice-Chairman be elected at the first meeting of each even year beginning in 1986. Mr. Warne seconded the motion. Motion carried.

Introduction was made of Senator Juanita Harelson, Chairman of the Joint Committee of House and Senate Sub-Committee of Appropriations and the Natural Resources Committee Chairman, who gave a briefing of the proposed bill for combining of the natural resources' agencies. This is only a consideration in trying to get better performance from these various

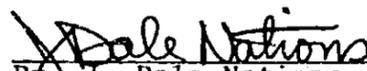
Minutes of Meeting
November 15, 1985
Page 3

agencies, and also to ease the burden of the smaller agencies at budget time. Mr. Warne stated he did not feel that the University of Arizona should be a regulatory agency. He also felt that personnel doing the same function for these different groups would not work since the mentalities are different, the way they react to problems is different and the response is different in a regulatory type business. Mrs. Wilt commented on the Bureau of Geology and Mineral Technology and its affiliation with the U of A, that when the Dean of the College required the Bureau's assistance, it was necessary that they stop their own work in order to be available to help the Dean. Mrs. Harelson remarked that Mines and Minerals performs services on a free basis that would not be acceptable to the State's thinking. Mrs. Wilt stated that small mines were encouraged as they would be a source of tax revenue for the State. Dr. Nations felt that a data base should be provided by the agencies without a fee, and that a geological survey should be separate from the U of A. Mrs. Harelson said she is not impressed with the State Mine Inspector. Arizona is the only state in the Union which has an elected mine inspector. She feels that a mining engineer should be able to bring a lot more credibility to that position. Mr. Warne inquired if consideration had been made to bring people in from the private sector to help in these decisions. Mrs. Harelson said the problem is getting people together and this must be done by January to decide if any changes are to be made. By the first of December, budgets are to be heard. She stated that it was not the intent to rattle any of the involved agencies to which Mr. Rickard replied that he didn't understand why they wanted to mix regulatory agencies and informational agencies. Mrs. Harelson stated that the informational agencies claim they are regulatory too. When Mrs. Wilt commented on any help we may give to Mrs. Harelson, it was suggested to Mrs. Wilt that we contact Mrs. Steffey to meet in further discussion. At 11:55 A.M. as Mrs. Harelson was leaving, she told the Commission not to feel threatened. Mr. Rickard requested that the Commission have more input regarding the situation.

The next regular Commission meeting was scheduled for Friday, January 17, 1986.

Mr. Rickard moved to adjourn the regular meeting at 11:58 A.M. A second was given by Mr. Warne. Motion carried.

APPROVED


D. J. Dale Nations
Vice-Chairman

Minutes of Meeting
November 15, 1985
Page 4

Guests in attendance:

Joseph Clifford	Attorney General's Office
John Haas	Bureau of Land Management
Cy Young	State Land Department

EXECUTIVE SESSION

The Executive Session of the Oil and Gas Conservation Commission was called to order at 10:35 A.M. on November 15, 1985 by Vice-Chairman, Dr. J. Dale Nations, for the purpose of selecting an Executive Director.

Ruth Buckner from State Personnel was again present to give her report on the available candidates. Mrs. Wilt also had put a summary together for further analysis by the Commission. Dr. Nations stated he was not ready to make a decision today, but suggested making an elimination of people who are not qualified for the position. Mrs. Wilt said she would like more information from some of these candidates who are in final consideration relating to dealing with the legislature. The members then reviewed the applications and narrowed the list to 12 candidates.

At 12:12 P.M., the meeting again resumed in Executive Session.

After reviewing the applications, a decision was made to review the remaining 12 individually and rank them one through 12. Mrs. Buckner advised that State Personnel would fund the transportation for two applicants with a possibility that with less expensive air fares from Southwest Airlines more people could be interviewed from out of state. Another possibility would be to share the expense of the transportation with the applicants.

The next Executive Session was scheduled for Friday, November 22, 1985, at 10:00 A.M. for the purpose of finalizing the applicants for interviewing.

At 12:57 P.M., Mr. Rickard moved to adjourn the Executive Session. Mrs. Wilt seconded the motion. Motion carried.



OFFICE OF

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STATE OF ARIZONA

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ACTIVITY REPORT

January 16, 1986

Daniel J. Brennan
Executive Director

PIPELINE

A new crude oil pipeline is being built across Arizona. The All-American Pipeline Co., a division of Celeron Oil & Gas Co., Denver is building the line to transport crude from the west coast to West Texas, where it will go into existing lines which lead to Houston and East Texas refineries. I understand the Celeron is, at least in part, owned by Good-year. We plan to add the location of this line to our well location/pipeline map.

IMPORT FEE

With the Gramm-Rudman Law now beginning to take effect, Congress is being driven to seek new sources of revenue. Among sources being considered is some sort of an import fee on oil. Proposals include a flat fee ranging up to \$10.00 per barrel or a sliding fee -- the difference between some arbitrary price and the actual (lower) imported cost. So if the set price were \$25.00 barrel and oil was imported at \$22.00 per barrel, the import fee would be \$3.00 per barrel. Industry members are divided on the issue; some seeing oil as already over taxed, while others would welcome the price "floor" such a proposal would create. Consumers would not notice any change in prices, but also would not benefit from lower import costs. Producers would shut down many marginal domestic wells and cut down further on exploration and development drilling if the price, now about \$27.00 per barrel were to fall to \$25.00 or less.

GEOHERMAL

Chevron and Phillips have started up two separate geothermal pilot plants in Nevada. Chevron's plant has a design capacity of 66,600 KW and Phillips' 9,000 KW.



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STATE OF ARIZONA

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ACTIVITY REPORT

December 19, 1985

R.A. Ybarra
Enforcement Director

During this report period there were no new applications to drill filed and no well operations to witness. However, I do have some updating to report on the Southwest Salt Co. Well No. 2 Roach-Baker proposed abandonment, the surface restoration at the Dowling Petroleum, Inc. Well No. 1A State location in Yuma County, and the status of Shields Exploration Co. Well No. 2-19 Federal in Coconino County.

Southwest Salt Co. Abandonment Program.

On Nov. 19, 1985, I met with personnel from Southwest Salt Co. and the Dept. of Health Services to review the mechanical condition of Well No. 2 Roach-Baker and jointly agree to its condition before Southwest re-submits a new proposal to abandon. I suggested to the company that they prepare a contingency-type abandonment program because of the number of unknowns involved: the location of the oil pad, the ability to unseat packers, and the ability to pull all inner strings of casing. My guess is that corrosion may be a factor in unseating the packers and pulling of inner strings. We can discuss this problem in more detail at our meeting.

Surface Cleanup of Dowling Petroleum, Inc. - Well No. 1A State.

We have received an estimate (itemized) on this operation from the State Land Department and have forwarded it to the bonding company. The estimate amounts to \$4,034.20 to restore back to near original conditions a total disturbed area of 1.6 acres of land located in an active agricultural area. We are to be informed when the work gets under way and either the State Land Dept. or the OGCC will be present for a final inspection.

Shields Exploration Co. Well No. 2-19 Federal

According to a sundry report received on Dec. 2, 1985, a pumping unit was installed over the well on Nov. 11 but the well has been operative but a few days because of mechanical problems. To make matters worse, poor weather conditions have made it impossible to reach the well. Fluid recoveries when the pump was working were described as water (relatively fresh) with an oily/gassy odor containing a waxy material (paraffin?).

As instructed, I called the BLM in reference to the status of the Forest Land Management Plan and the Draft Environmental Impact Statement (DEIS) being prepared for the Coconino Plateau area where Amoco wants to drill. These documents are on schedule and should be ready for public comment in late Jan. They told me that there is not much the OGCC can do to help expedite the finalization of these documents other than to scrutinize and comment quickly on the portion on oil and gas to make sure it was adequately covered. We will receive 4 or 5 copies of the documents and I will make sure each of you receives a copy. I also learned that the BLM had met with Amoco personnel and has given them approval to conduct certain preliminary surveys between now and the time the Forest Plan is finalized.

On Dec. 7, 1985, I attended a short course on Groundwater Hydrology at ASU sponsored by the Arizona Hydrological Society, Department of Civil Engineering ASU. The course was intended more for lawyers and I didn't get that much out of it. Better than 100 people were in attendance.

I read in the PI Rocky Mountain Region Report where Broken Hill Proprietary Co. (BHP), Australia's largest company, has signed a formal agreement to purchase Monsanto Co. (operator in Dry Mesa Field). Earlier this year BHP acquired Energy Reserves Group (operator in Teec-Nos-Pos Field). It will be interesting to see what happens now that this big company is operating in Arizona.

Kerr-McGee Corp. reported an oil spill that occurred on Nov. 13 as the result of a pipeline break caused by a bulldozer in the process of widening Indian Route 13 some 5 miles east of Redrock, AZ. The 481-barrel spill actually occurred on the New Mexico side and is being cleaned up under the supervision of BIA. This pipeline serves the Dineh-Bi-Keyah Oil Field in Arizona.

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 Dec. 19 85	
31,539	58	6011	1	Salaries: Staff	1	5126	66
11,332	99	6057	2	Appointed Official	2	-	-
330	00	6058	3	Per Diem: Commission Members	3	120	00
-	-	6081	4	Temporary Help	4	-	-
3,031	00	6111	5	Emp. Related: E.I.C.A.	5	365	67
1,823	13	6113	6	Health Insurance	6	309	08
216	00	6115	7	D&L Insurance	7	36	00
215	03	6117	8	Unemployment Insurance	8	25	94
166	86	6118	9	Dental Insurance	9	24	70
322	11	6119	10	Workmen's Comp	10	33	42
2,430	98	6155	11	Retirement	11	290	70
400	01	6183	12	Personnel	12	36	64
-	-	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	-	-
543	26	6541	18	Mileage-Private Vehicles	18	-	-
911	23	6551	19	Mileage-State Vehicles	19	-	-
-	-	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	-	-
57	22	7019	32	Legal Advertising	32	-	-
189	59	7036	33	Postage Stamps	33	187	50
(321)	00	7044	34	Telephone Service: ATS Service (WATS)	34	78	00
163	84	7045	35	Line Costs	35	38	08
3185	73	7046	36	Station Equipment	36	42	21
81	61	7047	37	Long Distance	37	17	86
203	87	7048	38	Other	38	51	26
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	-	-
520	00	7553	44	Typewriter	44	450	00
201	99	7553	45	Copy Machine	45	-	-
-	-	7621	46	Stationery/Envelopes	46	-	-
-	-	7623	47	Printed Forms	47	-	-
-	-	7624	48	Reproduction Supplies	48	-	-
197	65	7625	49	Blue Prints/Office Supplies	49	53	21
-	-	7628	50	Printing Maps	50	-	-
-	-	7628	51	Printing Miscellaneous	51	-	-
-	-	7962	52	Revolving Fund	52	-	-
11	45	7967	53	Books	53	-	-
2,000	00	7971	54	Organization Dues	54	-	-
100	00	7975	55	Registration Fees	55	-	-
		TOTAL					

OFFICE

(DO NOT WRITE BELOW THIS LINE)

FIELD

AGENCY: Oil & Gas Conservation Commission

- 2 -

DIVISION

IDENTIFICATION CODE NO.

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF DEC. 19 85
-	7997	1 Subscription; Newspaper	1 -
-	7997	2 Technical Journal	2 -
257 81	6582	3 Lodging	3 -
185 00	6583	4 Per Diem	4 -
9,700 00	7108	5 Office Rent	5 -
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68,198 27		TOTAL	7,286 43

OFFICE AUDIT

(DO NOT WRITE BELOW THIS LINE)

FIELD AUDIT

MONTHLY FINANCIAL REPORT

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

6 CLAIMS PAID MONTH OF DEC. 1985	7 EXPENDITURES FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
5,246 66	1 Personal Services	111,500 00	43,262 57		68,297 43
1,121 65	2 Emp. Related Exp.	23,600 00	8,605 12		14,994 88
-	3 Professional Services	400 00	-		400 00
-	4 Travel - State	7,100 00	1,964 72		5,135 28
-	5 Travel - Out of State	500 00	-		500 00
918 12	6 Other Operating Exp.	17,300 00	14,425 86		2,874 14
	7 Capital Outlay-Equipment				
	8				
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7,286 43	TOTALS	161,000 00	68,198 27		92,801 73



OFFICE OF THE GOVERNOR
STATE HOUSE
PHOENIX, ARIZONA 85007

BRUCE BABBITT
GOVERNOR

IN REPLY
REFER TO:

December 31, 1985

Dale Nations
520 N Bertrand
Flagstaff, AZ 86001

Dear Dale:

Thank you for agreeing to serve another term as a member of the Oil and Gas Conservation Commission. As you know, an appointment to that commission requires two steps: my nomination, followed by Senate confirmation.

Pursuant to A.R.S. 38-211, this nomination must be confirmed by the Senate prior to the adjournment of the 1986 legislative session for you to serve. When confirmed, you will serve a term expiring January 21, 1991.

I am confident you will be an active and invaluable member of this important commission.

To finalize the appointment, please sign the enclosed Loyalty Oaths, have your signature acknowledged before a notary public, and return the three forms along with the completed questionnaire to this office, addressed to my assistant, Mr. Brian de Vallance.

Sincerely,

Bruce Babbitt
Governor

BB/ddvp
Encls.

cc: Executive staff
Secretary of the Senate

**CAM-ROY RESEARCH
& DEVELOPMENT
CORPORATION**

P.O. Box 893 Chandler, Arizona 85224

(602) 963-1773

RECEIVED

DEC 20 1985

O & G CONS. COMM.

December 20, 1985

Mr. Rudy Ybarra
Acting Director
Oil & Gas Commission
State of Arizona
1645 W. Jefferson
Phoenix, Arizona

Dear Mr. Ybarra:

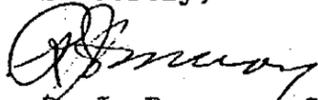
It is with some reluctance that we have to ask the oil and gas commission for a continuance of the temporary abandonment status for our geothermal wells located east of Chandler.

We have completed plans for a smaller scaled real estate development as recommended by our financial advisors and we have an investor who will provide ten million dollars of interim funds for this new project. We have a local bank which will handle our banking needs for the project and we have developed a bond proposal that will supply the permanent financing. We have two of the largest security firms in the east and one from the midwest as well as one local firm who have indicated an acceptance of our corporate bond proposal. We do not intend nor do we feel that it would be advisable to seek any municipal type financing for the project. Our aim is to reach a qualified rating for our own corporate bonds. Our real estate development project is apparently the best way for financing the development of the geothermal potential of the Chandler-Higley basin.

It has been our sad experience that any energy related project in the state is immediately suspect of detracting from the finance-ability of the Palo Verde project. From an electrical production standpoint, we are not a competitive element to that project. It just seems to be dominant in financing current Arizona projects. We do feel we have a solution and that the benefits to our state are parallel to our own.

We respectfully request a continuance of temporary abandonment for the subject wells for an additional six months.

Sincerely,



R. J. Pomeroy, Chairman

RJP/csp

