

OIL & GAS CONSERVATION COMMISSION
Meeting: May 16, 1986
Daniel J. Brennan, Executive Director



OFFICE OF
Oil and Gas Conservation Commission

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

April 30, 1986

A Public Meeting of the Arizona Oil and Gas Conservation Commission will be held at 10:00 A.M., May 16, 1986, in Suite 420, Occupational Licensing Building, 1645 West Jefferson Street, Phoenix, Arizona.

The Agenda for this Meeting follows:

1. Call to order
2. Approval of Minutes
3. Report of Executive Director
4. Report of Enforcement Director
5. Consideration of need for revision of legislation and of the commission's rules
6. Review of Commission's Goals
7. Proposal to send Director to annual meeting of American Association of Petroleum Geologists
8. Executive session, if needed
9. Call to Public
10. Setting of next Meeting Date
11. Adjournment

During the course of the meeting, the Commission may go into executive session to consider a personnel matter.

During the Public Meeting, the Commission will afford any person, his duly authorized representative, or both, the opportunity to present statements relating to Agenda items, with or without the opportunity to present them orally.


Daniel J. Brennan
Executive Director

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

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

Minutes of Meeting
March 14, 1986

Present:

Dr. J. Dale Nations, Chairman
Mr. Forrest R. Rickard, Vice-Chairman
Mr. James E. Warne, Jr., Member
Mrs. Jan C. Wilt, Member
Mrs. Mary Ann Niccoli, Member
Dr. Daniel J. Brennan, Executive Director
Mr. Rudy A. Ybarra, Enforcement Director

The regular Commission Meeting of March 14, 1986 was called to order by Dr. J. Dale Nations, Chairman, at 10:03 A.M.

Dr. Nations welcomed Mary Ann Niccoli as a new member to the Commission. Dr. Brennan introduced Joe Clifford, our legal counsel, from the Attorney General's office.

APPROVAL OF MINUTES FOR REGULAR MEETING OF 1/17/86 AND THE EXECUTIVE SESSIONS OF 11/22/85, 12/13/85 AND 1/17/86

With the deletion of Rudy Ybarra's name from the attendance of the Executive Session of January 17, 1986, a motion was made by Mr. Rickard and seconded by Mr. Warne:

THAT THE MINUTES OF THE REGULAR MEETING OF 1/17/86
AND THE EXECUTIVE SESSIONS OF 11/22/85, 12/13/85
AND 1/17/86 BE APPROVED AS PRESENTED.

Motion carried unanimously.

REPORT OF EXECUTIVE DIRECTOR

Dr. Brennan, the Executive Director, reviewed his Activity Report previously sent to the Commissioners and made a part of these minutes. In addition to the written report, Dr. Brennan discussed the following. He advised he has attended a number of hearings and has prepared critiques on some ground water bills which have been presented. He has also attended the Governor's Task Force meetings relating to this subject. At the request of the Governor, Dr. Brennan has met with a representative of the Department of Health Services to determine if special provisions were needed for the protection of ground waters. With our Rules being adhered to,

there should be no problem. Dr. Brennan commented that he has been working on some proposed revisions for the Statutes regarding making agreements with state agencies, universities or anyone concerning fresh water supplies. He will continue to pursue amendments to the Enabling Act, and will work with Joe Clifford for these corrections. Inquiry was made about the leasing booklet by Jan Wilt, but this has not been completed. Dr. Brennan has been assisting Dr. Nations in an update for the Arizona Geological Society.

REPORT OF ENFORCEMENT DIRECTOR

Rudy Ybarra, the Enforcement Director, reviewed his Activity Report previously sent to the Commissioners and made a part of these minutes. Mr. Ybarra discussed the following. The Plan of Operations for Apollo Oil Corporation has been approved. Combined Drilling Ventures of Dallas plans to drill a well southwest of St. Johns. Jay Shields is contemplating drilling another well.

DISCUSSION OF AGENCY'S GOALS AND STRATEGY TO ACHIEVE THE GOALS

Dr. Brennan outlined the Agency's goals using forms which were provided by Mr. Warne. The revising of the Commission's Rules was discussed. Agreements with state agencies were proposed. Publication of information on oil and gas is to be included in the AAPG Developments Bulletin. Availability of data in useful form through a computerized data base for well information in the Commission's files is desirable. To do this it will be necessary to obtain a computer for the Commission. This will take a more aggressive stance in preparation of the budget for '87 - '88. Mr. Ybarra outlined goals for well inspection and publication of field summaries.

CALL TO THE PUBLIC

Cy Young of the State Land Department commented that seismic work by Amoco is being planned in Coconino County. Leases of 250,000 acres of State lands are involved.

NEXT MEETING

The Chairman proposed the next meeting be held on May 16, 1986 in Phoenix in the Commission's office. This was approved without a formal vote.

TOPICS FOR FUTURE MEETINGS

Mr. Rickard suggested that Dr. Brennan's trip for the AAPG Meeting be approved, and that the goals for the Agency be reviewed.

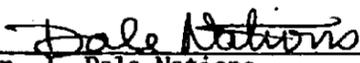
Minutes of Meeting
March 14, 1986
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Mr. Rickard moved and Ms. Wilt seconded:

THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 11:43 A.M.

APPROVED



Dr. J. Dale Nations
Chairman

Guests in attendance:

Joe Clifford
Cy Young

Attorney General's Office
State Land Department



OFFICE OF
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TO: Members of the Oil & Gas Conservation Commission

FROM: Daniel J. Brennan *DJB*

Subject: Report of Executive Director, March 15 to April 29, 1986

Drilling activity has remained slow, but shows signs of some increase during the next six months.

I attended public meetings of the Governor's water task force and submitted comments on drafts of the new water bill.

I attended the Arizona Geological Society Meeting in Tucson March 19 - 21.

The State Auditors have checked and approved our records. They have made a few minor suggestions on better methods. Katie Barnes has implemented their ideas.

Our Budget has been approved by the legislature. The additional position requested was denied. The new director's salary was confirmed.

I have drafted most of a paper on Exploration for Oil and Gas in Arizona. I am also working on the Four Corners Intermountain Petroleum Geologists Bulletin. This report will cover three years, because none was done for the past two years.

Lois Rogers revised and updated our list of publications for sale. She is also improving the appearance of our monthly production reports.

An interesting project is being forwarded by Southwest Gas and Southern California Edison. A few years ago El Paso Natural Gas proposed to Federal Energy Regulatory Commission that El Paso be allowed to develop underground storage caverns in the Red Lake Salt body for the storage of natural gas to be supplied to their customers in case of an upstream interruption of their supply and for peak demand periods. FERC has finally denied the permit. Now Southwest Gas and Southern California Edison propose to create underground storage caverns in the salt for the storage of air. The idea is to create peak-shaving capacity for Southern California Edison. It works as

follows: air will be pumped into the caverns under pressure during periods of low electrical demand using existing generating capacity. During times of peak demand, the air will be withdrawn from the cavern and used to power electricity-generating turbines. This will provide extra capacity for electrical generation at low cost.

While this project may not appear at first to fall within our jurisdiction, I am asking the operators to take out permits from us. The storage of air and gaseous hydrocarbons will require identical technologies. There is always the possibility that the caverns could be used for gas storage and I would like to be sure they are safe for that purpose. There is also the probability that some geothermal energy will be added to the stored air, which would fall under our geothermal regulatory duties.



OFFICE OF

Oil and Gas Conservation Commission

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ACTIVITY REPORT

May 1, 1986

R. A. Ybarra
Enforcement Director

During this report period one application to drill was approved. The operator, Combined Drilling Ventures, Inc., out of Dallas received approval from the Commission on April 4 to drill an exploratory well in Sec. 28, T12N, R28E, in Apache County some 5½ miles south of St. Johns.

The other expected application, by Apollo Corp., to drill northwest of Oracle Junction was not received but we understand that the company was finally successful in obtaining a drilling bond, which today is very difficult to come by. Maybe they will file between now and the time of our meeting.

Combined Drilling spudded their well on April 5, and soon encountered some very difficult shallow hole conditions, numerous lost circulation intervals. They ran larger and more conductor pipe to 80' but soon ran into more lost circulation intervals and finally gave up after reaching a depth of 120'. Approval was given the company to skid the rig some 12' south from the first hole and try again using a modified casing program which included setting 13 3/8" conductor at 28', 10 3/4" conductor at 400' (below valley floor), and 7" casing to protect the Coconino aquifer. After setting the first conductor at 28', a 12½" hole was drilled with air to 160' penetrating several small caverns (1'-3' high) and one large cavern (18' high) at 100'. They had only intermittent returns of foam at the surface and they tried to stabilize the hole condition by pouring 189 cubic feet of concrete into the hole. After 12 hours they reentered the hole and the bit went to bottom (160') without encountering any evidence of concrete. Unable to make any further progress the operator decided to call it a day. With approval from the Commission and the State Land Dept. they dug a 4' x 4' area 8 inches deep over the holes and back filled each with dirt to about 10' below the surface. Concrete was then poured into the holes, filling from the top of the dirt to the surface.

The company informed us that they plan to come back into the area at a later date but with larger equipment and personnel more experienced in drilling in this type of environment. The chances are very good that this well will be drilled and I will explain why when I describe the recently signed Magic Area Development Contract between Shell Western, Et Als, and the BLM. The contract covers federal oil and gas leases in the NM Baca Basin play.

Shell Western, Elf Aquitaine, Sohio Petroleum, have entered into development and exploratory agreements under the terms of which they have agreed to jointly explore and, if economically justified, develop for the production of oil and gas on certain lands located in Socorro and Catron Counties, NM. There are approximately 4,000,000 acres involved in this play and the area has been designated the Magic Area. The companies, acting through Shell as Unit Operator, have agreed to the following minimum exploration obligations: 1) by Dec. 1986, run 680 miles of vibroseis and portable seismic, a regional gravity survey including 10,000 gravity stations, 145 stations of magnetotelluric data, and a regional aeromagnetics survey covering about 7,000 aero-magnetic miles; 2) by Dec. 1987, drill one 8,000' test hole, or to a depth sufficient to test the top of the Precambrian; 3) by Dec. 1988, drill a second 8,000' test hole; and 4) by Dec. 1989, drill a third test hole. All three wells are to be drilled in New Mexico.

In addition to the 3-well drilling program on the NM side, we understand that Shell is negotiating with Combined Drilling Ventures to participate financially (dry-hole money) in the drilling of the well in the St. Johns area. A basement test in this area would provide Shell with invaluable information in helping delineate this part of the structure, and at a very cheap price.

Jay Shields has indicated that he wants to drill a second deeper test in the east Fredonia area but that he may need an exception to R12-7-107 (spacing of wells). We will evaluate his proposal when he makes an official request. He made a similar request prior to drilling his last well, No. 2-19 Federal.

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. _____

1		2		3		4	
CLAIMS PAID YEAR TO DATE 1985-1986		OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION		CLAIMS PAID MONTH OF APRIL 1986		
54,765	26	6011	1	Salaries: Staff	1	5439	78
23,786	83	6057	2	Appointed Official	2	2558	24
600	00	6058	3	Per Diem: Commission Members	3	30	00
-	-	6081	4	Temporary Help	4	-	-
5,593	24	6111	5	Emp. Related: F.I.C.A.	5	645	93
3,436	90	6113	6	Health Insurance	6	460	06
396	00	6115	7	D&L Insurance	7	48	00
394	23	6117	8	Unemployment Insurance	8	45	18
305	86	6118	9	Dental Insurance	9	41	08
604	78	6119	10	Workmen's Comp	10	71	07
4,206	82	6155	11	Retirement	11	510	18
649	19	6183	12	Personnel	12	63	55
-	-	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	-	-
1,154	40	6541	18	Mileage-Private Vehicles	18	-	-
1,893	05	6551	19	Mileage-State Vehicles	19	203	00
-	-	6569	20	Parking	20	-	-
-	-	6569	21	Telephone	21	-	-
40	00	6581	22	Subsistence	22	-	-
525	68	6582	23	Lodging	23	-	-
355	00	6583	24	Per Diem	24	-	-
222	42	6599	25	Registration Fees; Other	25	-	-
687	80	6611	26	Travel-Out of State: Air Fare	26	298	00
20	00	6631	27	Taxi	27	-	-
-	-	6639	28	Rail Fare	28	-	-
-	-	6641	29	Personal Auto	29	-	-
-	-	6669	30	Parking	30	-	-
-	-	6669	31	Telephone	31	-	-
-	-	6681	32	Subsistence	32	-	-
173	00	6699	33	Other	33	173	00
51	12	7019	34	Legal Advertising	34	-	-
369	50	7036	35	Postage Stamps	35	182	00
559	50	7044	36	Telephone Service: ATS Service (WATS)	36	79	50
278	08	7045	37	Line Costs	37	38	08
313	72	7046	38	Station Equipment	38	43	57
103	58	7047	39	Long Distance	39	-	-
360	56	7048	40	Other	40	52	01
500	00	7066	41	Insurance (Risk Management)	41	-	-
-	-	7311	42	Printing	42	-	-
45	00	7532	43	Furniture	43	-	-
-	-	7532	44	Adder/Calculator	44	-	-
-	-	7532	45	Reader/Printer	45	-	-
520	00	7553	46	Typewriter	46	-	-
201	99	7553	47	Copy Machine	47	-	-
-	-	7621	48	Stationery/Envelopes	48	-	-
-	-	7623	49	Printed Forms	49	-	-
-	-	7624	50	Reproduction Supplies	50	-	-
667	82	7625	51	Blue Prints/Office Supplies	51	23	96
-	-	7628	52	Printing Maps	52	-	-
-	-	7628	53	Printing Miscellaneous	53	-	-
-	-	7962	54	Revolving Fund	54	-	-
26	95	7967	55	Books	55	15	50
TOTAL							

AGENCY Oil & Gas Conservation Commission

- 2 -

DIVISION _____ IDENTIFICATION CO. NO. _____

1		2	3	4
CLAIMS PAID YEAR TO DATE 1985-1986		OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF APRIL 1986
2,000	00	7971	1 Organization Dues	1
100	00	7975	2 Registration Fees	2
-		7997	3 Subscription: Newspaper	3
24	00	7997	4 Technical Journal	4
9,100	00	7108	5 Office Rent	5
90	30	6683	6 Per Diem-Out of State	6
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			55	55
11,582.658			TOTAL	12,020.69

OFFICE

(DO NOT WRITE BELOW THIS LINE)

FIELD

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF APRIL 1986	2 CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
25 00	1 Permits to Drill			4,052 00
	2			
	3			
	4			
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	6			
	7			
	8			
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	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
	TOTAL CURRENT MONTH RECEIPTS		25 00	XXXXXXXX
	TRANSFERS IN			
XXXXXXXX	BALANCES BROUGHT FORWARD		4,052 00	XXXXXXXX
25 00	TOTALS - MONTH AND YEAR TO DATE		4,077 00	

6 CLAIMS PAID MONTH OF APRIL 1986	7 EXPENDITURES FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
4,028 02	1 Personal Services	111,500 00	79,152 09		32,347 91
1,884 05	2 Emp. Related Exp.	23,600 00	15,587 02		8,012 98
-	3 Professional Services	400 00	-		400 00
203 00	4 Travel - State	6,600 00	4,295 55		2,304 45
471 00	5 Travel - Out of State	1,600 00	971 00		629 00
434 62	6 Other Operating Exp.	17,300 00	15,820 92		1,479 08
	7 Capital Outlay-Equipment				
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	30				
12,020 69	TOTALS	161,000 00	115,826 58		45,173 42

