

OIL AND GAS CONSERVATION COMMISSION  
Meeting: March 17, 1989  
Dr. Daniel J. Brennan, Exec. Director



**Oil and Gas Conservation Commission**

STATE OF ARIZONA

3110 N. 19th AVENUE, SUITE 190

PHOENIX, ARIZONA 85015

PHONE: (602) 255-5161

March 3, 1989

NOTICE OF COMBINED PUBLIC MEETING  
AND EXECUTIVE SESSION OF  
OIL AND GAS CONSERVATION COMMISSION

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Oil and Gas Conservation Commission and to the general public that the Oil and Gas Conservation Commission will hold a meeting open to the public on March 17, 1989 at 10:00 A.M. at 3110 North 19th Avenue, Suite 190, Phoenix, Arizona 85015. As indicated in the agenda, the Oil and Gas Conservation Commission may vote to go into executive session which will not be open to the public to discuss certain matters.

The agenda for the meeting is as follows:

1. Call to Order
2. Approval of Minutes of Meeting and of the Executive Session of January 20, 1989
3. Report of Executive Director
4. Report of Oil and Gas Specialist
5. Possible Interstate Oil Compact Commission Meeting in Arizona in 1990
6. Chuska Energy's Workover Program at Black Rock
7. Motion to authorize Executive Director to act on behalf of the Commissioners
8. Executive Session Agenda. Consult with the Commission's Attorney on Lawsuit Cam-Roy Research Corporation vs. Oil and Gas Conservation Commission of the State of Arizona and instruct her on how the Commission wishes her to proceed in the lawsuit
9. Announcements
10. Adjournment

The Oil and Gas Conservation Commission may vote to go into executive session (pursuant to A.R.S. § 38-431.03.A.3) which will not be open to the public to consult with its attorney and receive legal advice with respect to any regular agenda item listed on this agenda.

The Oil and Gas Conservation Commission may vote to go into executive session (pursuant to A.R.S. § 38-431.03.A.4) which will not be open to the public to consult with its attorney and instruct him on how to proceed with regard to a lawsuit.

The public will be afforded an opportunity to comment on any item on the agenda; however, at the beginning of the meeting, the Commission may vote to set a time limit on individual comments.

DATED THIS 3rd day of March 1989.

OIL AND GAS CONSERVATION COMMISSION

  
Daniel J. Brennan  
Executive Director

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



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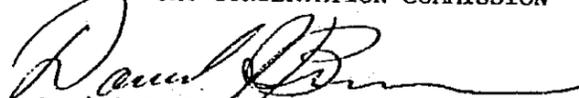
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DATED THIS 3rd day of March 1989.

OIL AND GAS CONSERVATION COMMISSION

  
Daniel J. Brennan  
Executive Director

OIL AND GAS CONSERVATION COMMISSION  
3110 North 19th Avenue, Suite 190  
Phoenix, Arizona 85015

Minutes of Meeting  
January 20, 1989

Present:

Dr. J. Dale Nations, Chairman  
Mrs. Jan C. Wilt, Vice-Chairman  
Mr. A. R. Bennett, Member  
Mrs. Mary Ann Niccoli, Member  
Mr. J. E. Warne, Jr., Member  
Dr. Daniel J. Brennan, Executive Director  
Mr. Steven L. Rauzi, Oil and Gas Specialist

The regular Commission Meeting of January 20, 1989 was called to order by Dr. J. Dale Nations, Chairman, at 10:00 A.M. in the Commission's office.

APPROVAL OF MINUTES OF MEETING OF NOVEMBER 18, 1988

Mr. Warne moved, seconded by Mr. Bennett:

THAT THE MINUTES OF THE REGULAR MEETING OF  
NOVEMBER 18, 1988 BE ACCEPTED AS PRESENTED.

Motion carried unanimously.

Dr. Nations suggested rearranging the topics on the agenda in order to have the guests in attendance represented first without causing them a delay.

POSSIBLE INTERSTATE OIL COMPACT COMMISSION MEETING IN ARIZONA  
IN 1990

Dr. Nations stated that there is a possibility of the Interstate Oil Compact Commission having its annual meeting in Arizona in 1990. Dr. Nations advised that at his request the Governor's Office sent an invitation to the Commission to have the meeting in Tucson in December 1990. Other states submitting bids are Alabama, Arkansas and Texas. Margaret Migliorini, of the Office of Tourism, advised that materials, van trips and entertainment could be arranged by them, and that package trips could also be prepared in assisting the attendees. Mrs. Wilt reported that there will also be a large meeting of the mining industry in Tucson coinciding with the IOCC Meeting. It is the Mining Club of the Southwest Hall of Fame dinner which honors an executive who has contributed much to the mining industry. Mrs. Wilt will work with Ms. Migliorini in preparing a proposal for this meeting. A decision is to be made in March regarding the location selected for the meeting. Dr. Larry Fellows, state

geologist, has offered his assistance in preparing for the meeting. Mr. Muller advised that grants and donations may be accepted by a volunteer committee set up to run this event. Dr. Nations will send information to Vic Heller, Director, of the Office of Tourism.

CONSULT WITH THE COMMISSION'S ATTORNEY ON LAWSUIT CAM-ROY RESEARCH CORPORATION VS. OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF ARIZONA AND INSTRUCT HIM ON HOW THE COMMISSION WISHES HIM TO PROCEED IN THE LAWSUIT

Mr. Russell Ritchie, a financial consultant, representing Cam-Roy Research Corporation stated that the firm is in the process of reorganization due to bankruptcy, and that commitments are being made for refinancing. No definite time could be promised regarding the reorganization and refinancing. Dr. Brennan inquired about the status of the landowners' suit, and Mr. John Saxman of Cam-Roy stated that it is in the Appeal Court now since they lost in Superior Court. Mr. Saxman suggested a time frame of three weeks for the refinancing and restructuring, but it still is not a definite commitment. The lost lawsuit was in regard to not having a lease on the land or mineral rights. Mr. Warne remarked that a plan should be involved regarding the refinancing and restructuring with a time frame to which Mr. Ritchie replied that since a restructuring plan has not been approved, no commitment can be made since it is part of the bankruptcy proceedings. Mr. Ritchie stated that the highest priority is in the geothermal development of the wells; also arrangements may be made between the two parties for developing the property. Dr. Nations stated that test engineering of the wells must be included in the plan, and Mr. Ritchie remarked that it was included. No contracts have been signed regarding the engineering because of the pending refinancing. Mrs. Niccoli requested that if the financing can be secured in three to six weeks that a letter be sent to Dr. Brennan advising this information. Mr. Ritchie agreed to respond to this request.

REPORT OF EXECUTIVE DIRECTOR

Dr. Brennan stated that the Governor's budget submittal to the legislature forwarded our budget request virtually unchanged, and added a salary increase for state employees, a recalculation of employee benefits using a different formula than when the budget was submitted, and added \$600.00 for the purchase of a typewriter to replace the one stolen from our office. There were no other changes in the Governor's budget request. Dr. Brennan remarked about an article in The Republic dated January 20, 1989 concerning the Mini Grace Commission Report being reviewed by the Governor. We need to be alert about what might be evolved from this report. Dr. Brennan advised that he has been working on his Yuma project. Mrs. Wilt requested a copy of the Mini Grace Report pertaining to the Oil

and Gas Conservation Commission, and Dr. Brennan will check into this. Mrs. Wilt requested that this subject be on the agenda for the March 1989 meeting.

REPORT OF OIL AND GAS SPECIALIST

Mr. Steven Rauzi reported the cementing of the casing at the Cal Gas operation on January 19, 1989. He explained his progress on making a Precambrian map, with a chief point of interest being the Chuar Group. Exxon has leased land which includes an area where Jay Shields is located in northern Arizona. A scout from Exxon visited our office recently to check our well files.

GAS STORAGE FACILITIES AT GLENDALE AND ADAMANA

The report on Cal Gas at the Glendale location was covered in Mr. Rauzi's review. Dr. Brennan reported that he and Mr. Rauzi inspected the facility at Adamana last fall. A switch was to be repaired and signs erected. They do not have a flare on their brine pit, and they have been advised it is required by regulation to have one. They are in the process of having a flare designed. The sonars have not been done on the caverns, and this must be done to measure the capacity of each cavern. At the suggestion of Dr. Nations, Dr. Brennan will see that a bore hole casing log is run.

MOTION TO AUTHORIZE EXECUTIVE DIRECTOR TO ACT ON BEHALF OF THE COMMISSIONERS

Dr. Brennan presented a list of the duties of the Executive Director which were derived from the Rules. He also presented information on the setup of other agencies as an example of how authority for a director is determined. Mr. Muller explained that the purpose involved is to authorize the Executive Director to perform duties that are done by the Commission. Dr. Nations recommended that this subject be tabled.

Dr. Brennan introduced Ms. Carol Lewin, an attorney, who will be taking Sheldon Muller's place. Her superior is Joseph Clifford, who was formerly our attorney from the Attorney General's Office. Dr. Brennan extended thanks to Mr. Muller for his help in the past regarding our agency.

LEGISLATION WHICH MAY AFFECT OIL AND GAS CONSERVATION COMMISSION

Dr. Brennan stated that Senate Bill 1044 will be heard on January 25, 1989 at 9:00 A.M. regarding proposed amendments to the law giving the Oil and Gas Conservation Commission enforcement authority in geothermal matters. He plans to testify in its behalf. This Bill will allow the making of agreements with the

Federal Government, with any state or Federal agency, local government or with an Indian Tribe for any purpose of the law. Ms. Lewin and Mr. Muller will review this Bill before the hearing on January 25, 1989. The only change is the removing of the temporary abandonment, because it belongs in the rules and not the law. This will also help solve the Cam-Roy suit.

COMMISSION BUDGETS, FEES, AND TAXES

Dr. Brennan advised that the Executive Budget Office has not pursued the list of fees which was submitted to them to support the Commission.

ANNOUNCEMENTS

The next meeting was scheduled for March 17, 1989.

Mr. Bennett moved, seconded by Ms. Wilt:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION.

Motion carried unanimously.

At 12:01 P.M., the regular meeting resumed after completion of the Executive Session with all original Commissioners being present.

ADJOURNMENT

After the Executive Session terminated, Mr. Warne moved, seconded by Mr. Bennett:

THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 12:02 P.M.

APPROVED

Dale Nations  
Dr. J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE:

John Haas  
Carol Lewin  
Margaret Migliorini  
Sheldon Muller  
Russell Ritchie

John Saxman

Bureau of Land Management  
Attorney General's Office  
Office of Tourism  
Attorney General's Office  
Cam-Roy Research and  
Development Corporation  
Cam-Roy Research and  
Development Corporation



### Oil and Gas Conservation Commission

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#### ACTIVITY REPORT

March 3, 1989

Daniel J. Brennan  
Executive Director

*DJB*

Activity this month has largely been related to interaction with the legislature. I attended several hearings of the Senate Natural Resources and Agriculture Committee with respect to SB1044 which is the bill granting enforcement power on geothermal energy to the Commission. After amendments worked out with Senator Sossaman, the Committee Chairman, Senator Corbet, the senate staffers and our attorney general, the bill passed the senate and is on the way to the house. Senator Todd was instrumental in introducing this bill.

I attended a hearing of the subcommittee of the House Appropriations Committee. As reported earlier, the Executive Budget Office supported our request. The Joint Legislative Budget Committee, however, has recommended several cuts. Largest of these are recommended cuts in in-state travel (\$2000), "Other Operating" also \$2,000, and replacement equipment, \$300.

The legislature--that is the Appropriations Committee Chairmen have taken a position of "no new taxes". This means a cut for many agencies to fund increases for a few others.

We have been working with Ferrell Gas on getting them to install a flare on their operating system. The flare is being designed and materials ordered. Construction is expected this spring.

Morton Salt has submitted plans for plugging their two wells in Glendale. We have approved the plans, with some modification, and expect actual plugging operations in a few weeks.

Daniel J. Brennan

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I have made one more pass through the rules and have forwarded a set of amended rules to our new attorney general for comment. Another set will go to the Executive Budget Office for comment.

As time has allowed, I have been working on the Yuma Project.

Chuska Energy has requested that we allow them to test the three wells at Black Rock before proceeding with any enforcement action, even though they do not acknowledge that we have jurisdiction in this case. We have agreed to a 90- to 120-day testing period. We reserve our rights to enforce as the law may allow. The whole situation is still up in the air and will be for some time.



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ACTIVITY REPORT

February 1, 1989

Steve Rauzi *SR*  
Oil & Gas Specialist

Since the last Commission meeting, the Roach-Baker #1A (redrill) was successfully completed. Cal Gas intends to put the #1 cavern back on line during the second week of March.

The following operations were witnessed on the Roach-Baker #1A well:

1. Cementing of the 13 3/8-inch surface casing on January 19.
2. Pressure test of BOPE @ 450 psig for 30 minutes on January 23.
3. Cementing of the 10 3/4-inch production casing on January 26.
4. Pressure test of BOPE @ 1000 psig for 30 minutes on January 29.
5. Pressure test of the 10 3/4-inch casing shoe @ 600 psig for 30 minutes on January 29.

Good cement returns were observed at the surface on both cement jobs. No pressure drop was observed on either BOPE test, and a slight pressure increase was observed during the pressure test of the 10 3/4-inch casing shoe.

The Precambrian subcrop and structure maps of north-central Arizona and south-central Utah are nearing completion as rough drafts. Some revision is expected as additional data points from deep wells in southern Utah are acquired.

AGENCY OIL & GAS CONSERVATION COMMISSION

DIVISION \_\_\_\_\_ IDENTIFICATION CODE NO. \_\_\_\_\_

1		2		3		4		
CLAIMS PAID YEAR TO DATE 1988-1989		OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION			CLAIMS PAID MONTH OF FEB. 1989		
40,915	66	6011	1	Salaries: Staff	1	4,692	36	
31,533	14	6057	2	Appointed Official	2	3,917	16	
240	00	6058	3	Commission Members	3	60	00	
		6081	4	Temporary Help	4			
			5		5			
5,102	72	6111	6	Emp. Related: F.I.C.A.	6	636	29	
4,534	63	6113	7	Health Insurance	7	644	58	
38	50	6115	8	D&L Insurance	8	5	60	
145	02	6117	9	Unemployment Insurance	9	17	24	
239	82	6118	10	Dental Insurance	10	35	34	
473	04	6119	11	Workmen's Comp	11	55	38	
3,420	66	6155	12	Retirement	12	438	22	
537	83	6183	13	Personnel	13	64	14	
			14		14			
		6293	15	Prof. Serv.: Court Reporter	15			
		6499	16	Cartographic Symbols	16			
		6499	17	Cartographer	17			
			18		18			
		6511	19	Travel-State: Air Fare	19			
4	84	6531	20	Taxi; parking	20		50	
657	80	6541	21	Mileage-Private Vehicles	21			
1,566	04	6551	22	Mileage-State Vehicles	22	264	62	
409	87	6582	23	Lodging	23			
336	00	6583	24	Per Diem	24			
4	21	6595	25	Telephone	25			
		6598	26	Travel Advance	26			
		6599	27	Other	27			
			28		28			
276	00	6611	29	Travel-Out of State: Air Fare	29			
41	00	6631	30	Taxi; rail	30			
		6639	31	Other (Public transport.)	31			
		6641	32	Personal Auto	32			
294	78	6682	33	Lodging	33			
167	00	6683	34	Per Diem	34			
17	85	6695	35	Telephone	35			
		6698	36	Travel Advance	36			
160	00	6699	37	Other	37			
85	01	6621	38	Car rental	38			
		7019	39	Other Operating: Other (Advertising)	39			
264	20	7036	40	Postage	40	5	60	
616	50	7044	41	Telephone: ATS Services	41	1	50	
625	92	7045	42	Line Costs	42	233	29	
		7046	43	Station Equipment	43			
142	98	7047	44	Long Distance	44			
260	24	7048	45	Other	45	26	26	
		7049	46	Communication: Other	46			
			47		47			
2,127	00	7066	48	Risk Management	48			
			49		49			
9,549	65	7103	50	Office Rent	50	1,387	10	
		7108	51	Storage Rent	51			
			52		52			
		7311	53	Printing	53			
		7313	54	Binding	54			
		7315	55	Quick Copy	55			
			TOTAL					

AGENCY OIL AND GAS CONSERVATION COMMISSION

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1		2		3		4	
CLAIMS PAID YEAR TO DATE 1988-1989		OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION		CLAIMS PAID MONTH OF FEB. 1989		
		7532	1	Furniture (Maintenance Noncontract)	1		
		7532	2	Adder/Calculator (Maintenance Noncontract)	2		
		7532	3	Reader/Printer (Maintenance Noncontract)	3		
		7539	4	Other (Repair and Maintenance)	4		
46	00	7553	5	Typewriter (Maintenance Contract)	5		
505	59	7553	6	Copy Machine (Maintenance Contract)	6	416	75
			7		7		
		7581	8	Data Processing - Magnetic Media	8		
		7582	9	Data Processing - Paper	9		
14	40	7583	10	Data Processing - Other	10		
441	78	7586	11	Drafting Supplies	11	185	53
		7595	12	Field Supplies	12		
			13		13		
		7621	14	Stationery & Envelopes	14		
		7624	15	Reproduction Supplies	15		
709	87	7625	16	Office Supplies	16	241	48
			17		17		
		7655	18	Tires	18		
36	28	7659	19	Vehicle - Other supplies	19		
		7962	20	Revolving Fund	20		
169	14	7967	21	Books	21		
3,034	00	7971	22	Organization Dues	22		
		7973	23	Education and Training	23		
150	00	7975	24	Registration Fees	24		
			25		25		
400	00	7980	26	Computer Software	26		
			27		27		
		7985	28	Freight and Moving	28		
			29		29		
72	75	7997	30	Subscription; Newspaper	30	24	00
		7997	31	Technical Journal	31		
		7999	32	Other	32		
			33		33		
		8342	34	Library and Reference Books	34		
		8344	35	Law Books	35		
			36		36		
		8410	37	Data Processing Equipment	37		
			38		38		
		8483	39	Office Furniture and Equipment	39		
			40		40		
268	71	6522	41	Airplane rental	41		
318	40	6542	42	Airplane (non-pub)	42		
			43		43		
29	00	7039	44	Postage - Other	44		
			45		45		
13	40	7689	46	Highway - Other	46	1	45
			47		47		
			48		48		
			49		49		
			50		50		
			51		51		
			52		52		
			53		53		
			54		54		
			55		55		
111,032	71		TOTAL			13,350	49

**MONTHLY FINANCIAL REPORT**

1 RECEIPTS MONTH OF FEB. 1989	2 RECEIPTS CLASSIFICATION	4 APPROPRIATED RECEIPTS	5 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
	1 Permits to Drill			4,327 00
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
	TOTAL CURRENT MONTH RECEIPTS			XXXXXX
	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD	4,327 00		XXXXXX
	<b>TOTALS - MONTH AND YEAR TO DATE</b>	4,327 00		

6 CLAIMS PAID MONTH OF FEB. 1989	7 EXPENDITURES FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
8,669 52	1 Personal Services	123,300 00	72,688 80		50,611 20
1,896 69	2 Emp. Related Exp.	23,700 00	14,512 22		11,187 78
	3 Professional Services	400 00			400 00
265 12	4 Travel - State	7,100 00	3,565 37		3,534 63
	5 Travel - Out of State	2,500 00	1,041 64		1,458 36
2,519 16	6 Other Operating Exp.	29,100 00	19,214 68		9,885 32
	7 Capital Outlay-Equipment	1,500 00			1,500 00
	8				
	9				
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	29				
13,350 49	<b>TOTALS</b>	189,600 00	111,022 71		78,577 29

