



— OIL & GAS CONSERVATION COMMISSION —
Meeting: July 21, 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

July 7, 1989

NOTICE OF COMBINED PUBLIC MEETING
AND POSSIBLE EXECUTIVE SESSION

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 July 21, 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 March 17, 1989
3. Report of Executive Director
4. Report of Oil and Gas Specialist
5. Chuska Energy's Workover Program at Black Rock
6. Cam-Roy Research Corporation vs. Oil and Gas Commission
7. Discussion and Action on Employee Pay Raises
8. Interstate Oil Compact Commission Meeting in Arizona
9. Motion to Authorize Executive Director to Act for the Commission
10. Call to the Public
11. Announcements
12. Adjournment

The Oil and Gas Conservation Commission may vote to go into Executive Session (pursuant to A.R.S. § 38-431.03) for the purpose of consideration of employee salary increases for some or all employees of the Commission.

The Oil and Gas Conservation Commission may vote to go into Executive Session (pursuant to A.R.S. § 38-431.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.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 7th day of July 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.

OIL AND GAS CONSERVATION COMMISSION
3110 North 19th Avenue, Suite 390
Phoenix, Arizona 85015

Minutes of Meeting
March 17, 1989

Present:

Mrs. Jan C. Wilt, Vice-Chairman
Mr. A. R. Bennett, 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 March 17, 1989 was called to order by Mrs. Jan Wilt, Vice-Chairman, at 10:04A.M. in the Commission's office.

APPROVAL OF MINUTES OF MEETING OF JANUARY 20, 1989

Mr. Warne moved, seconded by Mr. Bennett:

THAT THE MINUTES OF THE MEETING OF JANUARY 20,
1989 BE ACCEPTED AS PRESENTED.

Motion carried unanimously.

REPORT OF EXECUTIVE DIRECTOR

The Activity Report of Dr. Brennan was sent to the Commissioners, and has been made a part of these minutes. Dr. Brennan advised he has been working on the exhibits to be presented at the AAPG Meeting in April in San Antonio. He received a letter from the AAPG from the science editor of the Bulletin that after going over the abstract suggested that Dr. Brennan should write his report for publication in the Bulletin.

Ferrellgas submitted four sonar surveys of their caverns at Adamana. They had been in noncompliance for not having run these surveys in their caverns within the last five years which is required by our rules. Other surveys will be run later. They are also letting out contracts for designing and building a flare for their pit which they did not have. It is hoped to have this completed in May for the semi-annual check which is due then.

Morton Salt should be starting to plug two wells within a few weeks, although we have not heard from them regarding a start date. There have been problems with the EPA and Morton, but the EPA is letting the Oil and Gas Conservation Commission supervise the plugging of the wells.

REPORT OF OIL AND GAS SPECIALIST

The Activity Report of Mr. Rauzi was sent to the Commissioners, and has been made a part of these minutes. Mr. Rauzi reported

that he observed the mechanical integrity test of the Cal Gas cavern and gave an explanation of the test.

He stated that progress is being made on the Precambrian map which he is preparing, and that base maps were ordered from Denver for this project.

He advised that a location near Wickenburg was inspected in order to release the bond.

Dr. Brennan stated that BP Petroleum has applied for authority to do business in Arizona for exploration of oil and gas. They were formerly known as Standard Oil Company.

POSSIBLE INTERSTATE OIL COMPACT COMMISSION MEETING IN ARIZONA IN 1990

No discussion was held on this subject since Dr. Nations was in Santa Barbara, California to make a bid for this meeting in Tucson in 1990. It is to appear on the agenda for the next meeting.

CHUSKA ENERGY'S WORKOVER PROGRAM AT BLACK ROCK

Dr. Brennan advised that Chuska is working over some wells for the Indian Nation at Black Rock. It is all right for them to test these wells, and they would not be in violation of our rules. Dr. Brennan commented that after testing, if commingling of wells is desired, that our Commission should be contacted for permission to do this. This topic is to be listed for the agenda for the next meeting also.

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

Dr. Brennan advised that our attorney, Carol Lewin, requested that this subject not be discussed until she can research the law further. Ms. Lewin is on jury duty. This topic is to be listed for the agenda for the next meeting.

Mr. Warne moved, seconded by Mr. Bennett:

THAT THE DIRECTOR BE DIRECTED BY THIS BOARD TO INCLUDE IN EACH AND EVERY NOTICE OF PUBLIC MEETINGS TO AUTOMATICALLY PLACE PRIOR TO ADJOURNMENT "CALL TO THE PUBLIC" FOR THAT PURPOSE. IT IS THEN UP TO THE CHAIRMAN TO SET THE GROUND RULES BY WHICH WE WILL SIT AND LISTEN TO THE PUBLIC.

Motion carried unanimously.

Mr. Warne moved, seconded by Mr. Bennett:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION.

Motion carried unanimously. The Executive Session began at 10:25 A.M.

At 10:55 A.M., the regular meeting resumed after completion of the Executive Session with all original Commissioners being present.

Mr. Bennett requested a list of the commissions and their budgets. Dr. Brennan will provide this information to him.

A discussion was held on the \$2,000 reduction we are required to make in our budget from the state travel expenses.

ANNOUNCEMENTS

The next meeting is scheduled for May 19, 1989.

ADJOURNMENT

Mr. Bennett moved, seconded by Mr. Warne:

THAT THE MEETING BE ADJOURNED.

Motion passed unanimously. Time of adjournment was 11:05 A.M.

APPROVED

Jan C. Wilt

Jan C. Wilt
Vice-Chairman

GUESTS IN ATTENDANCE:

John Haas
Sheldon Muller
John Saxman
Robert L. Stilmar

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



Oil and Gas Conservation Commission

STATE OF ARIZONA
3110 N. 19th AVENUE, SUITE 190
PHOENIX, ARIZONA 85015
PHONE: (602) 255-5161

July 7, 1989

ACTIVITY REPORT

Daniel J. Brennan
Executive Director

A handwritten signature in dark ink, appearing to read "DJB", is written over the typed name and title.

Since your last meeting, the legislature passed and the governor has signed SB 1044. This bill will do the following: allow the Commission to make agreements with agencies of state or local government or with Indian Tribes for the purposes of the Oil and Gas laws; allow the Commission to accept gifts and donations to the library; clarifies the conditions for emergency orders, grants enforcement powers and sets civil penalties for the geothermal laws.

This bill clears up some difficulties in the existing laws and will go into effect this fall.

The legislature passed our budget unchanged from my report on hearings at the March Meeting. Several agencies suffered severe cutbacks, so we are relatively fortunate to have been cut about \$2300. (\$2000 travel and \$300 replacement equipment.) My requests for funds for employee training and for equipment maintenance were rejected.

I presented a "poster session" at the American Association of Petroleum Geologists Convention in San Antonio in late April. The presentation seemed to be well-received. My booth was full of people for nearly all of the four-hour period the posters were displayed. The original posters will be on display at the meeting.

I have examined quite a number of properties for office space, since our lease here expires on August 31. We expect the management of this building to make a proposal to move us to space in the building to the north. We also expect several other proposals. The office market is distressed and we should be able to get enough space for the office and samples to be housed together for the same rent for the office alone this year.

ACTIVITY REPORT
Daniel J. Brennan

July 7, 1989
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We have received instruction for preparation of next year's budget request which is due before September 1. Once again, I will request funding for maintenance and employee training.

We purchased and installed two new software products for the computer. One, a new database program, is very powerful and flexible and will allow almost unlimited expansion. I have transferred the partial well database for northern Arizona which I have been working on into this new system.

The second program is a simple spreadsheet which we will initially use for the monthly production report.

I took about two weeks' sick leave for some simple surgery.



Oil and Gas Conservation Commission

STATE OF ARIZONA

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ACTIVITY REPORT

July 5, 1989

Steven L. Rauzi *SCR*
Oil & Gas Specialist

During April and early May, Cal Gas reworked the #2 Cavern at the Glendale LPG storage facility. A 90 foot cement plug was set from 1,760 feet up to 1,670 feet. Salt top is at 1,100 feet and cavern roof is at 1,840 feet. Next, cement was squeezed across the existing 10 3/4 inch casing shoe. After drilling out cement, the shoe was pressure tested with good results. A new string of 8 5/8 inch casing was then run to 1,662 feet and cement was circulated to the surface. After drilling out cement, the 8 5/8 inch shoe was tested at 350 psi for 30 minutes and successfully held pressure. New valves were ordered in May and the wellhead was redesigned and put together in late May and early June. In late June, a mechanical integrity test was conducted to ensure that the cavern was a pressure tight vessel before returning the well to service. The #2 Cavern was returned to service on June 24, 1989. I witnessed the placement of cement plugs, squeeze of the 10 3/4 inch shoe, circulation of cement for the 8 5/8 inch casing, pressure tests on the 10 3/4 and 8 5/8 inch casing shoes, and the mechanical integrity test performed June 21, 22, and 23.

On April 10, I attended a town meeting in Kingman. TranAm Energy of Tulsa, Oklahoma, arranged the meeting to discuss its proposed solution mining project in the Red Lake salt deposit. TranAm Energy presented their plans including details of the solution mining process, construction of a water pipeline from Lake Mead to Kingman, and the eventual conversion of the mining project to a natural gas storage facility. Project start-up is not expected for at least 3 to 5 years. Most questions addressed possible contamination or depletion of groundwater in Hualapai Valley, impact of product transport on the town of Dolan Springs, and the background and experience of TranAm Energy. The meeting went on for 3 1/2 hours.

On April 25, I contacted Chuska Energy after learning of a reported H₂S gas blowout near Teec Nos Pos. The well involved was the #1 Navajo A-C (#615) in the Black Rock Field. According to Chuska Energy, a safety contractor with H₂S detection equipment was on site, a contingency plan was in place and implemented for safety's sake, and the situation was then under control and was at no time as bad as news

reports had implied. Good rates of dry gas were recovered from a drill stem test of the Ismay. A previous test had produced a lot of water and some H₂S gas from the Akah. The Ismay test was isolated from the underlying Akah with a retrievable bridge plug. A retrievable packer was inflated above the Ismay. The well took a hard kick as the retrievable packer together with the bridge plug were being pulled out of the hole subsequent to the Ismay test. Eleven joints of pipe were pushed up hole, one of which was driven above the rig floor. Owing to the large amount of water now being produced from the Akah in this well, Chuska has expressed interest in converting the #1 Navajo C (#610) to a waste water disposal well in the Mississippian.

On May 22, Jay Shields submitted the required paper work to deepen the Shields Federal #12-24 near Fredonia. He plans to deepen the SF #12-24 from its current total depth of 3,183 feet to 5,700 feet. Jay had intended to commence operations about July 1. He now intends to commence as soon as he can secure financial support. The deepening will test all formations down to and including the Precambrian Chuar Group.

The Precambrian Chuar map of northern Arizona and southern Utah is currently being drafted for publication. The map shows the aerial distribution of the Chuar Group as well as structural contours at the top of the Precambrian.

On May 24, I inspected the Ferrellgas LPG storage facility at Adamana. Each well was examined. All pressure recording charts, product/brine safety switches, warning lights, and the central alarm were in good working condition. Unlike the Cal Gas facility at Glendale, pneumatic safety valves are not installed at the wellhead. The safety system works by closing the main brine valve and shutting down all brine pumps. The resulting static system prevents movement of product from the wells. A cement foundation for the new flare stack had been poured just south of the brine pits. The flare stack itself was being constructed from old propane tanks. The corrosive nature of brine will eventually lead to replacement of the flare stack. Cal Gas converted to a stainless steel flare stack as a result of repeated corrosion. Two signs listing phone numbers for emergency response had been prepared. One was attached to the warning sign at the junction of Adamana and Apache County Road just north of the office facility. The other will be attached to an explosive gas warning sign to be installed at the office facility itself.

On June 1, I attended the Bureau of Land Management's competitive oil and gas lease sale. The sale included 11 parcels totaling 22,775.81 acres of Federal land in Mohave County. The parcels are located in Township 39 North, Ranges 6 and 7 West. Two people registered to bid at the sale but neither bid on any of the parcels. The sale was over in five minutes. As of this date none of the leases have been picked up non-competitively.

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 JUNE 1989		
62,031	18	6011	1	Salaries: Staff	1	4,692	36	
49,160	36	6057	2	Appointed Official	2	3,917	16	
270	00	6058	3	Commission Members	3			
		6081	4	Temporary Help	4			
			5		5			
7,971	14	6111	6	Emp. Related: F.I.C.A.	6	636	28	
7,132	95	6113	7	Health Insurance	7	644	58	
60	90	6115	8	D&L Insurance	8	5	60	
222	60	6117	9	Unemployment Insurance	9	17	24	
380	78	6118	10	Dental Insurance	10	35	24	
721	77	6119	11	Workmen's Comp	11	55	26	
5,392	65	6155	12	Retirement	12	438	22	
824	70	6183	13	Personnel	13	63	70	
			14		14			
		6293	15	Prof. Serv.: Court Reporter	15			
		6499	16	Cartographic Symbols	16			
50	00	6499	17	Cartographer	17			
			18		18			
		6511	19	Travel-State: Air Fare	19			
4	84	6531	20	Taxi; parking	20			
727	88	6541	21	Mileage-Private Vehicles	21			
2,460	59	6551	22	Mileage-State Vehicles	22			
472	75	6582	23	Lodging	23			
391	00	6583	24	Per Diem	24			
4	31	6595	25	Telephone	25			
		6598	26	Travel Advance	26			
		6599	27	Other	27			
			28		28			
414	00	6611	29	Travel-Out of State: Air Fare	29			
58	00	6631	30	Taxi; rail	30			
20	00	6639	31	Other (Public transport.)	31			
286	08	6641	32	Personal Auto	32			
932	96	6682	33	Lodging	33			
343	00	6683	34	Per Diem	34			
17	85	6695	35	Telephone	35			
		6698	36	Travel Advance	36			
		6699	37	Other	37			
85	01	6621	38	Car Rental	38			
		7019	39	Other Operating: Other (Advertising)	39			
469	20	7036	40	Postage	40	105	00	
817	93	7044	41	Telephone: ATS Services	41	30	25	
1,519	08	7045	42	Line Costs	42	223	29	
		7046	43	Station Equipment	43			
142	98	7047	44	Long Distance	44			
380	84	7048	45	Other	45	30	82	
		7049	46	Communication: Other	46			
			47		47			
2,127	00	7066	48	Risk Management	48			
			49		49			
16,489	05	7103	50	Office Rent	50	2,778	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

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 JUNE 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	
1,047	21	7553	6	Copy Machine	(Maintenance Contract)	6	216 32
			7			7	
		7581	8	Data Processing - Magnetic Media		8	
		7582	9	Data Processing - Paper		9	
14	40	7583	10	Data Processing - Other		10	
1,853	26	7586	11	Drafting Supplies		11	459 80
		7595	12	Field Supplies		12	
			13			13	
		7621	14	Stationery & Envelopes		14	
		7624	15	Reproduction Supplies		15	
1,411	26	7625	16	Office Supplies		16	453 15
			17			17	
		7655	18	Tires		18	
36	28	7659	19	Vehicle - Other supplies		19	
		7962	20	Revolving Fund		20	
230	14	7967	21	Books		21	11 00
3,220	00	7971	22	Organization Dues		22	
		7973	23	Education and Training		23	
310	00	7975	24	Registration Fees		24	160 00
			25			25	
400	00	7980	26	Computer Software		26	
			27			27	
6	46	7985	28	Freight and Moving		28	
			29			29	
117	00	7997	30	Subscription; Newspaper		30	
96	50	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	
46	50	7039	44	Postage - Other		44	8 75
			45			45	
13	40	7689	46	Highway -Other		46	
			47			47	
			48			48	
			49			49	
			50			50	
			51			51	
			52			52	
			53			53	
			54			54	
			55			55	
171,818	95		TOTAL				14,982 27

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF JUNE 1989	2 CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 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
	TOTALS - MONTH AND YEAR TO DATE	4,327 00		

6 CLAIMS PAID MONTH OF JUNE 1989	7 FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
8,609 52	1 Personal Services	115,800 00	111,461 64		4,338 36
1,896 12	2 Emp. Related Exp.	23,700 00	22,707 49		992 51
	3 Professional Services	400 00	50 00		350 00
	4 Travel - State	7,100 00	4,648 46		2,451 54
	5 Travel - Out of State	2,500 00	2,156 90		343 10
4,476 63	6 Other Operating Exp.	29,100 00	30,294 49		11,894 49
	7 Capital Outlay-Equipment	1,500 00			1,500 00
	8				
	9				
	10				
	11				
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14,982 27	TOTALS	180,100 00	171,815 98		8,281 02

