Oil and Gas Conservation Commission

STATE OF ARIZONA
5150 N. 16TH STREET, SUITE B-141
PHOENIX, ARIZONA 85016
PHONE: (602) 255-5161

May 9, 1991
NOTICE OF COMBINED PUBLIC MEETING
AND POSSIBLE EXECUTIVE SESSION

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 May 31, 1991 at 10:00 A.M. at 5150 N 16th Street, Suite B-141, Phoenix, Arizona 85016. 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 of April 19, 1991.
3. Hearing on application of Dry Mesa Corporation for amendment to conditions of operation of an injection well, Sec. 11, T40N-R28E, Apache Co.
5. Report of Oil and Gas Program Administrator.
6. Funding for the agency and proposed legislation.
7. Call to the public.
8. Announcements.

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.

A copy of the agenda background material provided to Commission members (with the exception of material relating to possible executive sessions) is available for public inspection at the Commission's office, 5150 N. 16th St., Suite B-141, Phoenix, Arizona 85016.

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 13th day of May, 1991.

[Signature]
OIL AND GAS CONSERVATION COMMISSION

Daniel J. Brennan
Executive Director

IF YOU ARE NOT GOING TO BE ABLE TO ATTEND THIS MEETING PLEASE NOTIFY THE OFFICE AS SOON AS POSSIBLE
OIL AND GAS CONSERVATION COMMISSION
5150 North 16th Street, Suite B-141
Phoenix, Arizona 85016

Minutes of Meeting
April 19, 1991

Present:

Mrs. Jan C. Wilt, Chairman
Mr. J. E. Warnke, Jr., Vice-Chairman
Mr. A. R. Bennett, Member
Mrs. Barbara H. Murphy, Member
Dr. J. Dale Nations, Member
Dr. Daniel J. Brennan, Executive Director
Mr. S. L. Rouzi, Oil and Gas Specialist

The regular Commission Meeting of April 19, 1991 was called to order by Mrs. Jan C. Wilt, Chairman, at 10:05 A.M. in Room B-141, 5150 North 16th Street, Phoenix, Arizona 85016.

APPROVAL OF MINUTES OF MEETING OF FEBRUARY 15, 1991

Dr. Nations moved, seconded by Mrs. Murphy:

THAT THE MINUTES OF THE MEETING OF FEBRUARY 15, 1991 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. He reported receiving a call from an independent oil company in Denver inquiring about the seismic map he made of the Tuna area. They expressed interest in running about 150 miles of seismic in the Fortuna Basin. This area is on the west side of the Air Force Range. Mr. Haas, representing the Bureau of Land Management, stated that anything in the Barry Goldwater Range is closed to mineral entry. An application is to be filed through the Corps of Engineers to work with the Department of Defense.

Dr. Brennan advised he has an appointment in the afternoon with Rita Pearson, an executive assistant, in the Governor’s office to discuss the continuing of this commission since funding for the agency is not planned for next year.

A request was made from a company in Tulsa for forms to apply for a drilling permit in the northwestern part of the state.

Dr. Brennan prepared a position paper advocating that the tentative move of an employee and the files of the Commission to Tucson not be done. He suggested that the employee be housed with the museum people at the Shrine Auditorium under the jurisdiction of the Geological Survey in Tucson. Phoenix is a better location accesswise for doing business with operators. He also stated that it is necessary
Minutes of Meeting
April 19, 1991
Page 2

to maintain the Commission as a policy-making body, and that the employee be kept
under the Commission rather than the Geological Survey. The budget could be
handled as a line item under the Geological Survey.

It was decided that Dr. Brennan would hold off sending his position paper to the
Governor’s office, until after his visit with Mr. Pearson, and the commissioners
are requested to send their own letters to the attention of Rita Pearson.

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. He reported one of the hottest oil plays in the Rocky
Mountain Region is occurring in Utah. Outside of Moab, a company in partnership
with Exxon drilled a horizontal well which produced 11,000 barrels a day in a
horizontal hole. Mr. Rauzi stated he received a call from a man in New York who
is interested in getting potential fractured shale plays in Arizona. He informed
him that the Chuar Group is a shale type formation, and a copy of Mr. Rauzi’s
report was ordered by him.

Mr. Rauzi stated that Ken Hand did not get started on his pipeline. Activity is
expected to start on the wells at Toec Nos Pos. The BLM has given them until May
1 or their approval has expired to plug and abandon them. There could be plugging
and abandonment in the Black Rock Field.

"POWER RANCH" GEOTHERMAL WELLS SEC 5, T10S-R26E

Dr. Brennan stated that Mr. Swayne reported that there should be financing
available within sixty days, and that negotiations are being made with the Power
Ranch people.

RED LAKE PROJECT

No report

CONTENDER OIL 1 AMAN, SEC 5, T10S-R23W, YUMA COUNTY

Dr. Brennan advised that plugging is necessary, and has been referred to the
Attorney General’s office for action to enforce the law and the rules.

CALL TO THE PUBLIC

Effective May 1, 1991, Mary Catherine Barnes announced she would be taking Early
Retirement from state service. She expressed her enjoyment in working with the
Commission for almost nine years.

Mr. Hues reported an interest in the Strip near the Nevada border of about 212,000
acres. Offering for competitive sale has been delayed until the St. George or
Arizona Strip completed their resource management plan. That plan was completed
and sent for public review around February 1. Though some protest was received, a
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April 19, 1991
Page 3

Record of Decision has been prepared on the plan. Hopefully, by early September the sale will occur; if not, then early December is contemplated.

Mr. Haas stated that recently permit applications were received in the Red Lake area. Over the coming years, $300,000,000 is expected to be spent according to Dr. Brennan.

GEOTHERMAL PROJECT NEAR NUTRISO

Dr. Brennan explained that a call was received from Ed Dougherty in Albuquerque stating that a well program was planned for a geothermal project near Nutrioso. This drilling is to be done with an oil overcharge the state received from oil companies for overcharges in the past. Mr. Dougherty is working with people at White Sands, and a hot dry rock project is expected. This means there will be little water to transfer the heat, and that a source of water will be required to make the project work.

ANNOUNCEMENTS

The next meeting was scheduled for May 31, 1991.

Dr. Nations said that he would make every effort in contacting the Governor's office in behalf of the Commission.

ADJOURNMENT

Dr. Nations moved, seconded by Mr. Bennett:

THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 11:08 A.M.

APPROVED

[Signature]
Dan C. Wilt
Chairman

GUESTS IN ATTENDANCE:

John Haas
Bureau of Land Management

Carol Lewin
Attorney General's Office
Oil and Gas Conservation Commission
STATE OF ARIZONA
5150 N. 16th STREET, SUITE B-141
PHOENIX, ARIZONA 85016
PHONE: (602) 255-5161
NOTICE OF HEARING
CASE NO. 67

Oil and Gas Conservation Commission, State of Arizona, 5150 N. 16th Street Suite B-141, Phoenix, Arizona 85016, Phone (602) 255-5161.

Notice is hereby given to all parties that pursuant to ARS 27-516.B and 41-1061 and 1062, the Oil and Gas Conservation Commission will hold a hearing during its meeting beginning at 10:00 A.M. on May 31, 1991 at 5150 N. 16th Street, Suite B-141, Phoenix, Arizona to consider the application of Dry Mesa Corporation to amend its permit for an injection well in Section 11, T40N-R28E, Apache County, to permit injection of water produced from other formations into the Mississippian formation and to add perforations from 5589 feet to 5618 feet to the perforations already authorized. In addition, Dry Mesa requests authority to substitute "Driscopipe" for "coated corrosion-resistant tubing" in the well. Dry Mesa also requests authority to increase its maximum injection rate to the amount indicated as safe by a documented step-rate injectivity test. Authority for this type of action is contained in ARS 27-516.A.20 and R-12-7-176. The public may review materials submitted in support of this request at the Commission's office at 5150 N. 16th Street, Suite B-141, Phoenix, Arizona.

Interested parties will have the opportunity to be present and to be heard during the hearing.

OIL AND GAS CONSERVATION COMMISSION
STATE OF ARIZONA

[Signature]
Daniel J. Brennan
Executive Director

Done this 13th day of May, 1991, at Phoenix, Arizona.
May 16, 1991

ACTIVITY REPORT

Daniel J. Brennan
Executive Director

As of this writing it is less than a month since your last meeting. It really has been a quiet time, or at least it was until I started this sentence.

We will have one hearing at the meeting on May 31. This will be for an amendment to the conditions for the operation of a produced-water injection well. This is the well for which you granted approval about a year ago.

I had thought that we might have a second hearing on an application for approval of a non-standard location. I have now been given to understand that the operator has reached an agreement with BLM for a drillsite on a standard spot.

We have had several visits with regard to an operator proposing to re-enter the deep Phillips dry hole near Florence for the purpose of converting it into a Class I injection well. This is not something we usually get into since it falls mainly under the purview of the Department of Environmental Quality. However, we do have the records from the original drilling of the well and the new operator is making good use of them.

Katie Barnes did retire on May 3, as she announced at the last meeting. We really do miss her knowledge and expertise when it comes to doing the administrative work of the agency.

So far there has been no change in the outlook for the Oil and Gas Conservation Commission. The State Senate passed their version of the budget, without adding funding for the agency. I have heard that this was also adopted by the joint senate-house conference committee. Since there isn't any difference on this matter, I don't see much possibility of the funding being added.
May 17, 1991

ACTIVITY REPORT

Steven L. Rauzi
Oil & Gas Specialist

From April 2 to May 1, I witnessed Mountain States Resources re-enter and re-plug their Navajo O-16 well. They drilled out a good cement plug at the surface, tagged the lower plug, brought the mud between cement plugs up to 50 cp viscosity, shot off the 4 1/2 inch casing at 1552', and set a cement plug from 1743' to surface. The BLM also witnessed this operation and remained to witness the re-plugging of the Navajo O-12 and Navajo O-16 wells.

On May 9, I returned to Farmington to witness Chuska Energy plug and abandon their Black Rock 2 well. This is the well that had the H2S blowout in April of 1989. I witnessed Chuska set and tag a cement plug from total depth of 6147' up to 3948' (covering the producing zones and perforations), and two 25 sack cement plugs at 2700' and at 2635'. The BLM witnessed the remainder of this plugging job.

On May 10, I did the annual inspection of the Dineh-bi-Keyah Field. The field is in very good shape, all wells are fenced and have adequate identification and warning signs. No leaks or unusual circumstances were observed. I will have photographs available for viewing at the meeting.

On May 16, I did the semi-annual inspection of the Ferrellgas underground LPG facility. All wellheads and safety shut-offs were in good working order. They have installed a new fence around the entire perimeter of their property and have installed 7 additional warning and identification signs.

Gary Stewart of Melange Associates stopped in the office on May 14 with a potential investor from Texas to discuss the possibility of drilling another well into the Luke salt.

Ken Hand has installed the pipeline from his 138-2 well at the Dry Mesa Field to the gas plant at the Black Rock field. With this Paradox gas well on stream, he will be requesting a modification to his SWD permit to dispose of water from formations other than the Leadville.

Petroleum Information continues to borrow logs from our files.
FISCAL YEAR THE ADMINISTRATOR SHALL REFUND THE EXCESS TO THE STATE TREASURER FOR DEPOSIT IN THE ARIZONA HIGHWAY PATROL FUND ESTABLISHED IN SECTION 29-1891.

C. An insurer shall report and pay the taxes required by this section in the manner prescribed by section 20-224. An insurer who fails to pay the tax on or before the prescribed payment dates is subject to a civil penalty determined pursuant to section 20-225.

Sec. 24. Section 21-428, Arizona Revised Statutes, is amended to read:

21-428. Costs and expenses: state grand jury fund

A. In addition to the fees and amounts stated in section 21-221, persons serving on a state grand jury shall be provided by the county in which the assignment judge is serving with reasonable per diem expenses as established by the Arizona supreme court.

B. There is established a state grand jury fund. The fund shall consist of monies provided by appropriation to pay costs and expenses authorized by this section. The state treasurer shall administer the fund.

C. The costs and expenses incurred by a county arising out of or in connection with impaneling a state grand jury and for the performing of its functions and duties or arising out of the prosecution and trial of state grand jury indictments shall be paid for by the state out of the state grand jury fund on certification monies appropriated to the state treasurer for these purposes. The supreme court shall approve county requests for reimbursement after certification by the assignment judge that the amount requested is owed.

D. All costs and expenses incurred by the attorney general arising out of the investigation, prosecution and trial of matters cognizable by a state grand jury are payable from the state grand jury fund on certification to the state treasurer by monies appropriated to the attorney general that the amount requested is owed for these purposes.

Sec. 25. Section 27-152.02, Arizona Revised Statutes, is amended to read:

27-152.02. Powers and duties of state geologist

1. The state geologist shall:
   1. Establish such administrative functions and offices as necessary to achieve the purposes of this article.
   2. Prescribe the number and professional disciplines of the technical staff and their office and laboratory associates.
   3. Direct the work of the Arizona geological survey and the formulation of its program and policies.
   4. Adopt such rules as are necessary to carry out the purposes of this article.
   5. Purchase or lease necessary office and laboratory equipment and acquire facilities from the state or lease necessary office and laboratory space.
   6. Accept gifts, bequests or legacies or real or personal property or any other contribution, financial or otherwise, for use pursuant to the
direction of the donor or, in the absence of an express direction, to be
disposed of for the best interests of this state. The state geologist
shall honor any restriction imposed by the donor on divulging contributed
information or tangible personal property.

7. Accept from the federal government or its agencies monies made
available to this state for the purposes of this article.
8. Enter into cooperative agreements with the federal government
and its agencies or with any agency established by the law of this or any
other state for the purpose of carrying out the provisions of this
article.
9. Contract with persons and organizations, public or private, to
provide services for the Arizona geological survey.

10. APPOINT A PERSON WITH A BACKGROUND IN OIL AND GAS CONSERVATION
TO ACT ON BEHALF OF THE OIL AND GAS CONSERVATION COMMISSION AND ADMINISTER
AND ENFORCE THE APPLICABLE PROVISIONS OF CHAPTER 4 OF THIS TITLE RELATING
TO THE OIL AND GAS CONSERVATION COMMISSION.

B. THE STATE GEOLOGIST OR HIS DESIGNEE, AT ANY TIME, MAY ENTER UPON
PROPERTY AND INSPECT WELLS DRILLED FOR OIL OR GAS AND WELL RECORDS AND
SHALL CONTROL PROPERTY, MACHINERY AND APPLIANCES NECESSARY TO GAUGE THE
WELLS.

Sec. 26. Section 27-515, Arizona Revised Statutes, is amended to
read: 27-515. Powers and duties of commission; fees;
compensation of personnel; executive director;
publication revolving fund

A. The commission shall have jurisdiction and authority over all
persons and property deemed necessary to administer and enforce the
provisions of this article and other laws relating to conservation of oil
and gas. The commission or its representative or employee may, at any
time, enter upon property and inspect wells drilled for oil or gas, and
well records, and shall control property, machinery and appliances
necessary to gauge the wells. THE ARIZONA GEOLOGICAL SURVEY SHALL PROVIDE
STAFF SUPPORT TO THE COMMISSION TO ADMINISTER THE PROVISIONS OF THIS
CHAPTER.

B. The commission may employ personnel necessary to enforce this
article: The commission may:

1. Administer oaths to a witness in any hearing, investigation or
proceeding held under this article or other law relating to conservation
of oil and gas.

2. Issue subpoenas requiring attendance and testimony of witnesses
and production of books, papers and records deemed material or necessary,
and direct service of subpoenas by a sheriff or other officer authorized
by law to serve process.

3. Prescribe rules and do all acts necessary or advisable to carry
out the provisions of this article.

4. Collect such fees as will cover the costs of such services as,
but not limited to, reproduction of records or any portion thereof and
copies of rules. The monies so collected shall not be subject to the
provisions of section 27-523, but shall be transmitted by the commission
to the state treasurer for deposit in the fund from which the
expenditure
was originally made.
6. Publish, in cooperation with the resource analysis division of
the state land department, technical maps, cross sections and reports and
sell these materials for such fees as will cover the costs incurred in
their preparation, reproduction and distribution.
C. The commission may enter into cooperative agreements with
agencies of the United States government, with agencies of state or local
government or with Indian tribes for the purpose of protection of the
fresh water supplies of the state from contamination or pollution brought
about by the drilling of any well or for any other purpose of this
article.
D. The commission may accept gifts, devises and donations of books,
well records, maps or other materials. All donated materials shall become
public records.
E. Personnel employed under the provisions of this article shall
receive compensation as determined pursuant to section 38-611.
F. The commission may appoint an executive director who may:
pursuant to and as authorized by order of the commission, act on behalf of
the commission.
G. Monies collected under subsection B, paragraph 5 of this
section shall be deposited in the oil and gas conservation commission
publication revolving fund and used to prepare, reproduce and distribute
further publications. Monies in the publication revolving fund are not
subject to section 27-523 and are exempt from section 35-190, relating to
laping of appropriations, except all monies in the revolving fund
exceeding five thousand dollars shall revert to the state general fund.
Sec. 27. Section 28-1598, Arizona Revised Statutes, as amended by
Laws 1991, chapter 3, section 1, is amended to read:

38-1598. Distribution of highway user revenues; budget
and expenditure of local tax revenues
required; definitions
A. All highway user revenues, as defined in section 28-1595 and in
article IX, section 14, Constitution of Arizona, and all taxes, fees and
fines collected under sections 28-221, 28-225, 28-1011 and 28-1031 shall
be transferred by the officer collecting the revenues to the department.
The department, after deduction of all exemptions and refunds, shall
immediately transfer the revenues to the state treasurer who shall deposit
the revenues in a fund designated as the Arizona highway user revenue
fund. The revenues in the Arizona highway user revenue fund shall only be
expended for the purposes prescribed in article IX, section 14,
Constitution of Arizona. In the event of any default all amounts required
by law or any resolution authorizing the issuance of bonds of the board to
be placed in the principal funds, interest funds, reserve funds, or sinking
funds or any other funds created to service bonds issued or to be
issued by the board shall be deducted by the department before the
revenues are deposited in the Arizona highway user revenue fund.
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OIL AND GAS CONSERVATION COMMISSION
STATE OF ARIZONA

PUBLIC MEETING

FRIDAY, MAY 31, 1991
10:00 A.M.

5150 North 16th Street
Suite B-141
Phoenix, Arizona 85016

REPORTER'S TRANSCRIPT
OF
PROCEEDINGS

ORIGINAL

KENT L. CARTER, RPR, CM
Court Reporter
APPEARANCES

JAN C. WILT, Chairman
J. DALE NATIONS, Ph.D., Member
BARBARA H. MURPHY, Member
JAMES E. WARNE, JR., P.E., Member

DANIEL J. BRENNAN, Ph.D.
Executive Director

LARRY FELLOWS
State Geologist, State of Arizona

STEVEN L. RAUZI
Oil and Gas Specialist
PROCEEDINGS

CHAIRMAN WILT: I have 10:00 o'clock. Let's call the meeting to order on May 31st, 1991.

The first order of business is the approval of the Minutes of the meeting of April 19th, 1991.

MR. WARNE: Move.

CHAIRMAN WILT: Okay, Jim moved to approve.

MS. MURPHY: Second.

CHAIRMAN WILT: Barbara seconded the motion.

DR. NATIONS: I have one correction.

CHAIRMAN WILT: Okay.

DR. NATIONS: The report of the Executive Director there is a reference to Ruth Pearson, that should be Rita Pearson, I believe. Otherwise that's all I have.

CHAIRMAN WILT: Okay. Is there a motion to approve the Minutes as amended?

Jim?

MR. WARNE: Amended as described.

MS. MURPHY: Second.

CHAIRMAN WILT: All in favor?

(Unanimous ayes.)

CHAIRMAN WILT: Okay. Minutes are approved.

The second order of business is the hearing.

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(Hearing in the matter of Dry Mesa Corporation, Case No. 67, is transcribed separately.)

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CHAIRMAN WILT: Okay, the next item on the agenda is the report of the Executive Director.

DR. BRENNAN: Well, you have my written report, so you all have seen that. Been such a short time since the last meeting that not a whole lot has happened.

Had a call from a person at Sandia Labs in Albuquerque. They are working on a proposal to build additional caverns for strategic petroleum reserves in the west, and he called and asked about Luke Air Force Base, Luke dome. And I have some materials I am going to send him today about Luke that he asked for.

And I also recommended that he consider Red Lake. I think that's probably a whole lot more suitable than is the Luke because of the encroaching urbanization in the Luke area. So anyway, there is interest in that; and you may remember I proposed this same thing last fall. So I don't know, maybe somebody got the idea.

DR. NATIONS: Who called you, did you say?

DR. BRENNAN: The geologist at Sandia Labs; and they are working on a contract, I think, for the Department of Energy.

Tran Am, the people who are developing some
caverns at Red Lake, called and they wanted to know exactly where the gas pipelines in the area were; and I was able to find somebody in El Paso Natural Gas for them to deal with. So they are progressing, I talked to them yesterday. So they are progressing on their project out there.

We had expected when I prepared the agenda and everything to have a second hearing today on an irregular location, company called United Gas Search out of Tulsa is planning to drill a well in extreme northwestern Arizona, about here, Township 40 north, 11 west. And they had thought they would have to have an exceptional location because of some restrictions put on by the Bureau of Land Management to protect eagles.

But they say they have reached an agreement with BLM and they can drill at a regular location, and they are planning to go ahead with that, but they still haven't sent in the drilling application yet. I don't know what's delaying them, but the call I had about the irregular location came from Powers Elevation, which is a company that goes out and actually stakes wells; so they're getting close when they are talking to them. We have earlier had calls from cementing people and other people about what's needed to drill a well in Arizona, so it looks like they are serious.

DR. NATIONS: Did they say what their objective
DR. BRENNAN: No, sir.

DR. NATIONS: They don't usually do that; do they?

DR. BRENNAN: It's right near these Red Lake faults in that area. Looks to me like they are planning on an upside fault trap. But it could be that I don't know what the faults are like and that it's an overcharge play. Simply don't know.

MR. RAUZI: They haven't given us a proposed total depth; have they?

DR. BRENNAN: No.

MR. RAUZI: I would suspect they are going to go through the whole section and hit granite because Barrett or somebody called up and were putting together a mud program for them and wanted to know if they were going to encounter swelling, clay. It will probably be a deep test and they will take whatever they can get, whether it's shallow or deep.

DR. BRENNAN: I am not sure the structure is that well known in that area, but we shall see.

DR. NATIONS: Do you have the specific location? Can you tell me?

DR. BRENNAN: No, I don't have a specific location. I have a Township. But that's all I know. I can
show you about where I think it will be, I've got a map in
my office I can show you later.

You may remember several years ago we filled a
deep well at Florence. There has been I think I reported to
you about a year ago a proposal to use that well for
injection of waste materials. It appears that that proposal
is still being pushed forward. And that may happen sometime
in the future. That would be primarily a responsibility of
DEQ rather than us. But I thought it was just of interest.

CHAIRMAN WILT: Refresh my memory. What is a
Class 1?

DR. BRENNAN: Is a forbidden hazardous and
radioactive waste injection well. This would probably be a
Class -- I think it's a Class 3 hazardous waste injection
well.

DR. NATIONS: What would be involved in drilling
through the cement that they plugged that with?

DR. BRENNAN: Not a whole lot.

DR. NATIONS: Probably a lot easier --

DR. BRENNAN: It's like drilling rock. Cement.

MR. RAUZI: It's pretty hard. When the State
resources drilled out their seam, it took them a whole day
to do that surface plug; so they had some good, hard cement
in there that was for nothing.

DR. NATIONS: Do you recall how much cement was
put in that one?

    MR. RAUZI: It would also depend -- now, they were just using a power swivel, they didn't have a rotary table. So you're not going to have as much power. A power swivel is hooked on the top of the pipe. And that was a 425-foot plug and it took them about, oh, a day to drill through it; but it was good, hard cement, you know, the chips were there; just like Dan said, it's just like drilling through a carbonate rock.

    DR. NATIONS: How much is in this Florence well?

    DR. BRENNAN: A number of plugs.

    MR. RAUZI: I'd have enough rigs and I'd have plenty of power. I'd just drill out the cement. You're not going to have a lot of circulation, it's inside casing.

    DR. BRENNAN: They've got casing down good and deep, so it's a real feasible-sounding project.

    DR. NATIONS: Interesting concept.

    DR. BRENNAN: And the logs indicate extensive fracture at about 14,000 feet; and they did a little circulation in that zone, so it looks like a zone that would take quite a bit of fluid. So, possibility.

    And I should tell you probably that he's asked me to join his company after I get done here.

    DR. NATIONS: Really?

    DR. BRENNAN: Well, I don't know whether it's on
a paid basis or not.

MR. WARNE: Tell me again what this hole is going
to be used for?

DR. BRENNAN: Disposal of --

MR. WARNE: Junk fluid?

DR. BRENNAN: Hazardous waste. Probably mostly
industrial wastes.

MR. WARNE: Junk fluid.

DR. BRENNAN: You can think of a lot of things
you can do with that kind of stuff. One, of course, is to
recover valuable materials.

MR. WARNE: It's a totally dry hole?

DR. BRENNAN: Yes.

MR. WARNE: Totally.

CHAIRMAN WILT: That section where they lost
circulation and so on some people believe there's the
Catalina fault that comes out of the surface in Catalina.

DR. BRENNAN: That's interesting.

MR. RAUZI: Pumps enough in there we'll find out.

CHAIRMAN WILT: The Arizona Geological Society
there is an article by Robinson and Reef, I'll send you a
copy of it.

MR. WARNE: All faults in Arizona sooner or later
lead to water.

CHAIRMAN WILT: That's the one that was on the
seismic, the seismic test. Some people claimed it had crustaceous microfossils in it.

DR. BRENNAN: It didn't.

CHAIRMAN WILT: I know they didn't, but it was the driller that had contaminated the zone; but I think it's all the same zone.

DR. BRENNAN: Tried real hard to kill that rumor, because I got real excited when that rumor came. I was in Texas at the time and I was really excited.

DR. NATIONS: Now, if this comes up, you say we don't need to get into it, but surely the DEQ would ask some opinions, wouldn't they, before they would approve such a thing?

DR. BRENNAN: I don't know what DEQ would do.

MR. WARNE: Hell, no.

DR. BRENNAN: But certainly EPA, it also takes EPA approval.

MR. RAUZI: Well, we have never heard from DEQ on the two salt wells out at Morton, so I don't know if they would or not.

DR. BRENNAN: They are, you know, so habitually understaffed that I once listened to the head testify at the house appropriations committee and I almost cried for him. If I hadn't known what I was going to testify, I might have. But he is habitually 20 percent short of people, he has a
high rate of turnover, and just can't get his work done. So it's a terrible situation over there.

I hear they are hiring a whole bunch of people for an underground storage tank project, leaking underground storage tank project. But that's something that happened and I don't know that I will do it even if he asked me, but it's tempting.

Anyway. I didn't know there was a paper like that, though. That's good information. That's all I have.

CHAIRMAN WILT: Okay. What about Katie retiring?

DR. BRENNAN: Katie did retire very well. We paid her all her unused leave pay, which took all the rest of the money we had for salaries for the rest of the year; so we don't have any money to hire a temporary, so Steve and I are trying to keep the books. And I hope the accountants are forgiving when they come in and audit us, because we are not perfect. But we're trying.

Yeah, she came in and got her money, and I guess she went on her vacation.

CHAIRMAN WILT: Well, I received a thank you note, so you must have gotten something for her.

MS. MURPHY: Yes, I got a really nice bouquet of flowers, it was an English garden basket; and I had to get her a rock, the geologist.

MR. RAUZI: A Brazilian amethyst.
MS. MURPHY: And also I got her a road atlas for her travel.

CHAIRMAN WILT: So we probably all owe you some money for that.

MS. MURPHY: Yes, we can discuss that later.

CHAIRMAN WILT: Thank you very much for doing that, Barbara.

MS. MURPHY: No problem.

DR. BRENNAN: I should report on one more thing. After the meeting last time Roy Bennet and Jan accompanied me down to the Governor's suite on the Ninth Floor where we met with Rita Pearson, and it's like talking into a -- hitting a sponge or something, it just didn't seem to cause any effect. She listened very politely and dismissed us.

CHAIRMAN WILT: She was very nice and she understood, but it was just obvious that the money was the more important issue. I just had the feeling we were small potatoes. Frustrating.

DR. BRENNAN: And after Jan left, Roy and I stopped at the old Shrine Temple, which is being converted into a museum, and looked at it; there's a lot of room in there where you could put a person. But we have found out that the Department of Mines and Mineral Resources is not part of the equation any more, they have been saved by the
mining industry; and so that space will not be part of a
united agency space and probably would not be available to
us. So that option which we recommended is out.

We'll quit for now and then come back to it later
on the agenda.

CHAIRMAN WILT: Okay, item number five, the
report of the Oil and Gas Program Administrator.

Steve?

MR. RAUZI: Okay, well, to talk about the report
that I sent to you, I am going to speak about I said in here
that they tag the cement; and I'm not sure if you are
familiar with that, but they wait until it sets up and gets
hard and then they go down with their tubing and they tag it
to make sure there hasn't been any fall off. So that's just
explaining what I meant by tagging cement.

Since I wrote this, in fact, just Wednesday of
this week Ferrellgas, I said here Ferrellgas has a new fence
around their facility and everything looked good and they
have some new warning signs there; and when I got back Dan
noticed on the report that they had three caverns empty, or
four caverns empty. They had some empty caverns. So Dan
wrote a letter to them, and they have a new man down in
Houston who likes to get things done in order, and they ran
a sonar caliper in the three caverns that are empty; so we
are slowly but surely getting all those caverns up to
compliance.

DR. NATIONS: Were there any surprises?

MR. RAUZI: No, no surprises. And it's a simpler matter now because the tool that they have can be run with a string of pipe in the hole, whereas before you had to pull all your pipe out; it was very expensive, time consuming. They brought a rig in, they had two strings of pipe in one of the caverns and they wanted to pull that one string out; but aside from that, it's just a very simple matter and they got them all done in one day, about three hours on each cavern; so everything is good in that regard.

DR. BRENNAN: We have been working with them for a couple years after we realized that they were not in compliance with the rules for sonar in caverns, and they wanted to use a volumetric method adding and subtracting the amount of inage and outage of LPG over a period of time; and that gave me a lot of problems because I know there are so many errors in measuring LPG or any kind of fluid with meters. So I was working with a consultant rather than directly with the company, and apparently consultant is gone and the new guy with the company is amenable to doing things right.

MR. RAUZI: Sounds like the consultant was like a sponge, everything went into the consultant and never made it to the company.
DR. BRENNAN: He promised to get the rest of the wells sonared, I think there are three or four more that have to be done by February the 28th; so we have finally gotten through to them.

MR. RAUZI: Dale said that he was still planning on getting that done by February.

Now, on the Black Rock well I put a note in here this is the well that had that blowout, you probably recall that; I guess Dale heard it on the news, he called here and said he had heard it on the news; but that was back in the days when we had the big controversy about the Indian reservation up there.

I will say they took down the blowout preventers, their wellhead had two or throw blowout preventers; and when they dismantled that wellhead the maximum HTS reading they had on that wellhead was eight parts per million, which is a very low figure, and they did have higher figures during the blowout; but they either exhausted that or something. But that's a little piece of information I didn't have in here.

And I said I'd have some pictures of the field here, and after the meeting I will pull those out and you can look at them if you want.

CHAIRMAN WILT: Thank you.

I guess we are on to item number six, funding for the agency and proposed legislation.
DR. BRENANAN: Well, I've passed out to each of
you a copy of this thing, says ORB at the top, that means
Omnibus Reconciliation Bill; and when the Legislature passes
its budget each year they also change a lot of things. And
to do that, make those changes, they write up one bill that
covers everything.

And you can see we are here on section 25 down
here by the red mark of this bill on page 33 of this bill
already before we get down to the Powers and Duties of the
State Geologist. And everything on page 33 under Powers and
Duties of State Geologist are things that are already in
existing law, and you go to page 34 and down through number
nine, that's existing law already. Number 10 and B are new.
Things that are capitalized are new.

So what this does is gives the State Geologist
power to appoint a person with a background in oil and gas
conservation to act on behalf of the Oil and Gas
Conservation Commission and administer and enforce the
applicable provisions of Chapter IV of this Title relating
to the Oil and Gas Conservation Commission.

So those are the laws that set up oil and gas and
geothermal.

And then this gives the State Geologist or
designee power or authority to enter well things to make the
inspection, which the Commission already has and will
retain, by the way. And then Section 26 comes in here and changes the authority of the Commission.

And since it won't have any representative or employee any more, that's being deleted, and then it adds that the Geological Survey shall provide the staff support to the Commission to administer the provisions of this Chapter. And then it deletes the authority of the Commission by crossing it out to employ personnel. Does that two places. And otherwise the laws are unchanged.

So the other authorities of the Commission are exactly the same, you still have the same powers and duties to hold hearings and approve rules and everything that you do now and set policy, except that the staff support will be under the administrative handling of the State Geologist, I guess it is. Yeah.

Is that the way it says?

Yeah.

So under the Geological Survey. And they are not going to change the name of the Geological Survey from this, I guess, either, then. So that's what the changes will be.

Sometimes when they write these laws they provide for the transfer of persons from one agency to another. This one doesn't do that. However, sometimes that's understood, but that doesn't hold water really. The Personnel Department thinks they have rules that would cause
that to happen, but I don't think that would hold water either.

But it does say that the State Geologist has to appoint somebody. So there he is. So that's the status of things. There will be no office here after the first of July. If this all passes, which we expect it to do probably by I heard Tuesday, this morning.

MR. WARNE: The thing is written ambiguously in that it puts the Commission in a rather -- in a rather compromising position in that it does not allow the Commission to select their representative; on the other hand, it says they shall have the jurisdiction and authority over these persons and property deemed necessary to administer and enforce the provisions. Well, if you can't hire the person that you are going to be responsible for, then your authority is out, you know, you're normalized to where you cannot be responsible, you know, for your actions.

So this is a typical government response, in my opinion, to try and run a business.

DR. NATIONS: Yeah, and we pointed that out at several points during the consideration of this whole legislative process.

DR. BRENNAN: Well, this isn't a done deal yet, but I suspect that this will not be changed.

MR. WARNE: Not at this point. Might be changed
next year or something. At this point, it's here.

    DR. NATIONS: I wonder why there was no attempt
to say -- what do you call it -- well, to eliminate the
Commission at the same time.

    DR. BRENNAN: Because it's still necessary to
have a body to make this kind of policy. And their first
thought was to eliminate the Commission and start an Oil and
Gas Board. And I told them why bother? You've already got
a Commission and they're doing a good job, so why do that?
And, of course, not eliminating the Commission and not
starting an Oil and Gas Board is easier than -- than doing
those things, and you don't have to write up new laws. So
that's apparently what they decided.

    MR. RAUZI: What exactly is the difference
between a Board and a Commission?

    DR. BRENNAN: The name.

    MR. WARNE: Depends on what they empower you
with.

    DR. BRENNAN: Right.

    CHAIRMAN WILT: Well, maybe now would be the time
to ask Larry Fellows, our State Geologist, to explain what's
going to happen.

    MR. FELLOWS: Well, let me first make a couple
comments. And I appreciate Jan's graciousness through all
this; I was up earlier this week sometime to visit and will
be coming up again next week with our business manager, since we have inherited the responsibility of the 13th month closeout and we are hoping that your book work is very good.

But this is the first time I have seen this, today. Dan had it before when I was up here earlier and I didn't think to ask him about it, I forgot. We talked about quite a few other things. But a little background on this.

First of all, I did not ask for this responsibility, I was told that's the way it was going to be. And Keith asked how this is done in other states, do any other state surveys have responsibility for oil and gas regulation; and they said well, a few of them do. I thought there were eight or nine, turns out there may be seven or eight, something like that. And he said well, how do they do it with regard to a Commission? I said I don't have the foggiest idea, but I can tell you who to contact if you want to find that out.

And I know he did contact at least two, because the State Geologists immediately called me back and said what's going on, we had this strange call.

So I am assuming that the way it's worded in here closely resembles the way it's done by other state surveys that have this similar responsibility.

I think I did talk with the State Geologist from Alabama about it after he called me back and said he had had
a call; and he said by all means you want to have a Commission to -- you want to have this kind of a structure, because it's extremely important in carrying out the provisions of any oil and gas law to have a governing body that sets policy. And I know also that Keith contacted another person whose name I had not given him, and from an oil-producing state, and got similar information.

Now, with regard to hiring employee, I think it would be ridiculous on my part to hire somebody without involving the Commission. I intend to fully involve you here, that's the farthest thing from my mind is to go off and do it by myself. Now, after I'm gone, unless it's clarified there could be some problems; but there's not going to be any kind of a problem among us.

It's my understanding and it's kind of loose, but that the Oil and Gas Program Administrator, which Steve, that's your classification now, I believe.

MR. RAUZI: Um-hum.

MR. FELLOWS: Is being transferred to the agency. And again, I see no reason to not continue Steve and to not have somebody with expertise about how this is done and so on. So we're going to try to do it essentially as is being done now, with the exception of Dan, I'm sorry about. But I don't see any major breaks in what we'll do.

There will be a major impact on us because that
little part there that says the State Geological Survey shall provide staff support; we don't have the staff to do it and I am going to have to terminate a position and reclassify so we do have some secretarial support and backup person in case we have a couple things going on at once or Steve needs some help. So that will be not a solution that answers everything, but it may help.

So it is going to change our operation around, too; but we want to do the best we can under the circumstances. And it's an important matter. I told or tried to express to Keith that you can't take an agency that's had four positions until recently, three, and reduce it to one and expect to get the job done. And so he knows that. And made the recommendation anyway. So we'll do the best we can with it. That's about all I can say right now.

CHAIRMAN WILT: So when do you plan to start moving the files and so on? Does our lease here run out on the first of July?

DR. BRENNAN: Oh, no, our lease goes on for two and a half more years; but that has a 60-day termination if the money is not appropriated for rent. And the lease says that the Executive Director is the exclusive person to make that determination. So I shall have to make that determination pretty quick. And notify the landlord of that provision, remind them of that provision, and tell them we
are terminating.

I got a rent bill yesterday which I have to pay. I don't know, and I'd like some direction from you, whether to notify them with that rent bill now or to wait until the bill is passed. I think it's silly to wait, I'm sure that if a miracle happens and the State finds a trillion dollars and they fund us that they'd be glad to just continue in our lease here, don't think there is any problem with that. I think it's probably prudent to notify them right now.

CHAIRMAN WILT: How long do you think the move will take, Larry, and what do you recommend?

MR. FELLOWS: I would think first of all that it should be done as quickly as possible. I don't think there is any likelihood that's going to change. Right now they have the recommendations for most of the agencies, they are just working on K-12 education and the universities. I don't think they are going to likely go back and change anything they have done before.

And so the conversations that we've had with the facilities management people in DOA, they suggest it be done immediately. In fact, they would like to have had it done last week. But we, on the other hand, I don't think we have any authority to do anything until July 1 anyway. It's a gray area and they don't do this very often.

CHAIRMAN WILT: And do you have rooms down in
MR. FELLOWS: Well, that's another matter; we have room, I don't know where it's going to be yet, but we're going to make room. And we're short on rent money, they did not allow us any increase for rent; so that's part of the reason for terminating a position. I'm looking at a $10,000 shortfall that I know right now. And that doesn't include the provision for secretarial support and so on. But we can make room in our building. It may require that we move some of our cuttings and cores into another facility, but we will have room.

CHAIRMAN WILT: And will the State help you move, like do they have moving vans and so on? Or who does that?

MR. FELLOWS: I don't believe the State does that, but there is money budgeted for moving expense.

DR. BRENNAN: When we moved here we had to go out for bids and we worked through DOA, but we also worked, you know, with the movers and we went for bids. Don't take the cheapest one like we did. Didn't quite work out.

MR. RAUZI: Came over and did it in the evening; didn't he?

MR. FELLOWS: Do you remember how much it cost to move over to here?

DR. BRENNAN: I can find out.

MR. RAUZI: Well, I remember that the guy didn't
count on these samples being the job that it was, and he
ended up doing it in the evening on his own time because the
company, you know, they made their deal; so he's the one
that swung the deal, so he was over here in the evenings
filing samples.

DR. BRENNAN: He underbid so drastically.

MR. RAUZI: I don't understand why they're moving
around all these rocks and dirt. We said that's in
sequence, you know, get them in order. He said boy, these
guys are nuts. They didn't understand the importance of the
samples really. So that was something.

MR. FELLOWS: As I mentioned, I'm going to bring
our business manager up next week sometime, I'll make
arrangements with Dan as to what's a good time; and she
wants to look at books and she is going to help, she'll be
doing a lot of the arrangements.

MR. WARNE: You have a business manager?

MR. FELLOWS: Yes.

MR. WARNE: How big is your Department?

MR. FELLOWS: We have 13 employees.

MR. WARNE: What the hell do you need a business
manager for?

MR. FELLOWS: Well, you can call it a secretary
or an accountant; and I call her business manager because
she is responsible for all of the facilities, the personnel.
MR. WARNE: She's your administrative assistant.

MR. FELLOWS: Well, sure. That's the title that she carries in State government, is business manager.

MR. WARNE: Gives her more money.

MR. FELLOWS: Well, it still doesn't give her what she's worth, but we couldn't function without her. We do a lot of contracted projects and have a whole lot of different accounts, and it's kind of a nightmare.

DR. BRENNAN: Well, she will have several new ones, because this does leave intact all the different accounts of the Oil and Gas Commission. You may not be aware of it, but there is a fund that we have for bonds, there is a fund where all the permit fees go, there is a fund where income from copies goes, and then there is a publications revolving fund; so there are those four funds that will be additional funds for her to take care of. She will be glad to hear that.

CHAIRMAN WILT: So do you plan to start trying to get the move done the first of July?

MR. FELLOWS: As quickly as we can. For one thing, there is a money problem. There is not any money to operate the agency here after July 1. So after July 1 it's on us.

CHAIRMAN WILT: And I thought I heard that you had a hiring freeze. This is going to be an exception?
MR. FELLOWS: Everyone has a hiring freeze, not just us. And I don't know yet whether that's been lifted or not. I've heard rumors that it has, but we have not received anything. That wouldn't involve transferring a position.

CHAIRMAN WILT: I was just wondering that if you had a vacant position could you hire Dan temporarily to oversee the move, you know, for a month or two or whatever.

MR. FELLOWS: We don't have an empty position.

CHAIRMAN WILT: Okay. Does anyone else on the Commission have questions for Larry?

DR. NATIONS: Yes. I presume the Commission continues to set its own agendas? And if we -- so the question comes to mind, do we meet in Tucson, do we continue to meet in Phoenix, or is it up to us, do you have any opinions about that?

MR. FELLOWS: Well, my -- I think it would be most appropriate if you continue to meet in Phoenix just from the fact that Jan is the only one from Tucson that'll be there. So seems to me like it would be a lot more logical for you to continue. But I suspect that would be something that you'd want to decide.

DR. NATIONS: Well, in the past we have met in different places anyway, not in the past few years; but we used to do that, so we could certainly schedule meetings in
Tucson.

CHAIRMAN WILT: Will there still be money in the
budget to pay the Commissioners' travel expenses? Like Dale
coming from Flagstaff to Tucson is going to be --

MR. FELLOWS: There is an amount budgeted.

DR. BRENNAN: There are meeting rooms in some of
the public buildings that you could use; for instance, there
is one in the basement of the West Wing that's a reservable
meeting room. And there are other buildings, I'm sure, that
have spaces that you could use for meetings. And there is,
of course, a big State office complex in Tucson where you
can probably get a room with a month or so advance notice.
I'm sure you could find places to meet. They used the City
Hall one time up there in Flagstaff. I'm sure you could
find room.

MR. RAUZI: This would be the appropriate time
for me to ask a question?

CHAIRMAN WILT: Yes.

MR. RAUZI: Hopefully you will take the computer,
because we have got all of our well database on that
computer and many other things.

MR. FELLOWS: My understanding is that all
equipment transfers. So I don't think that's a problem.
And there is money in the budget for a replacement computer.
$2,700 to replace the computer that Dan had requested.
CHAIRMAN WILT: Is there anything else you want to add, or think of anything else?

MR. FELLOWS: Not really, other than to just do the best during the transition to make it work, and express my appreciation to Dan for his support through all this uncertainty. And bad news for his part.

DR. BRENAN: Mr. Pomeroy, did you have something you wanted to say?

CHAIRMAN WILT: It's time for the call to the public.

DR. BRENAN: I think he wanted to talk about this anyway.

MR. POMEROY: I appreciate the opportunity to eavesdrop here on this situation. I could say that we are certainly disappointed in the turn of events of the Legislature here. I have done some investigation and I can say that it was highly unsuccessful and really a brushoff, as far as that's concerned. It appears to me that the mind is made up and that the Commission is due for extinction.

This to me is a bad -- I represent the other side of this business. I'm an entrepreneur, of course, is a polite word for a promoter. In going back over my experiences, I've had some experience in gas wells in Louisiana and some oil in Texas and Missouri. There was always somebody that you could go to and talk over these
what your needs were. And you would have a consensus of
different people, which means something, see, in the raising
of money that goes into these deals.

Now, as I said before, there isn't anything
that's more unique than wildcatting. And unless there is
some real support and some real selling, it doesn't happen.
That's what I'm afraid is going to happen to our state here,
particularly in this geothermal business. There is a fog
over geothermal business here in the state of Arizona,
primarily because of those wells out in the Higley area.
That's one of the main reasons unless they were put into
production why it's a stigma. Yet there are vast areas that
are recommended for investigation and drilling perhaps in
the state of Arizona.

When you stop and think about the fact, this one
fact that 25 percent of the energy needs of the state of
California is produced from geothermal energy, it puts us to
shame. Now, there have been millions, hundreds of millions
of dollars that have gone into -- into California from the
United States government. We haven't had one nickel really
in comparison to what they've had over there. We won't get
any unless there is a Commission or some activity of some
sort in speaking up.

The Energy Commission has called numerous times
for voices, an individual like me going in there and making
suggestions to those people is like a guy from kindergarten
trying to enter your classes up in ASU -- or I mean Northern
California -- Northern Arizona University; so the power is
invested in a Commission and it's recognized as a universal
way of doing business, and I feel badly about it. I wish
there was something more I could do.

CHAIRMAN WILT: Well, thank you for your efforts
on our behalf, Mr. Pomeroy. We appreciate your support.

Is there any other items?

Larry?

MR. FELLOWS: Jan, I would like to respond to
Mr. Pomeroy. The Arizona Geological Survey was funded by
the Department of Energy for a five-year, '77 to '82 to
study geothermal potential in Arizona, and we've got a lot
of reports on our shelves that the project was terminated in
'82. Since then we have had practically no requests for
that. All those reports are listed on our publication list.
And it's like everything else. It's a matter of economics.
If you can get cheap energy someplace else, there is not
going to be a demand to try an unconventional new technology
that hasn't been proven yet. So we still have all of that
information.

MR. POMEROY: I don't think your information is
of a recent date. I think your highest or your nearest date
is 1978.
MR. FELLOWS: No, our final report was done in '82; and most of the reports that came out they are open file reports, but they were done from '80 to '82. And there's not been a whole lot -- well, that was just to assess the potential in Arizona. We didn't do any exploratory drilling or anything like that. But we also have in addition to -- Steve will have at least two other geologists that you can come and talk with about the geologic framework of the state, so I just want to point that out to you.

MR. POMEROY: Well, of course, our efforts have been primarily with the two existing wells and how to get them producible, if possible. And insofar as other areas, we just know they're out there, we're not particularly interested in going out there at this time.

CHAIRMAN WILT: Mr. Pomeroy, I suggest that you talk to Mr. Fellows after the meeting and you'll find him a source of a lot of information. Thank you for your comments.

Are there any other announcements?

MR. RAUZI: Maybe I ought to bring something up here. I should have brought it up earlier.

But I got a call, I guess it was about a week ago, from Frank Mancini over at the Department of Commerce. And this is a followup to something that we had brought up
in an earlier meeting. He has been in touch with Kaufman
out of Albuquerque, and he's requesting $600,000 to fund his
project, hot rock geothermal project at Nutriasgo, and he was
calling up wondering how much it would cost to drill a well.
I came up with a number, I said about 500,000 in my
estimation, plus or minus; and he said well, he said,
600,000; and he said we are in the ballpark, because you
don't know for certain.

And this is something Dan had on one of his
earlier agendas, and you might remember it, he wants to
drill down into the granite, drill 6,000 feet into the
granite. If the temperatures are sufficient, he wants to
drill a couple wells, fracture between them, and circulate
through them. So this project is still in the works. And I
guess it really hinges on this overcharge money that the
State has they are going to contribute to this project.

Since we are talking about geothermal I thought
maybe I ought to bring that to your attention. Just
reminded me of it.

CHAIRMAN WILT: Okay, I guess the next item is
our next meeting. Any suggestions as to time?

Are you busy for the summer, Dale?

DR. NATIONS: I'll be around. I'll be available
all summer.

CHAIRMAN WILT: Dan, would our regular meeting be
in August or July?

DR. BRENNAN: Well, it would be in August really, because this is really your June meeting. But that's up to you, of course. I don't know if I even have a calendar.

So the third Friday would be the 16th.

CHAIRMAN WILT: Okay, the third Friday in August is the 16th. Barbara, Jim, are you going to be around then?

MS. MURPHY: I should be back here.

MR. WARNE: I don't know.

CHAIRMAN WILT: How about you, Dale, 16th okay?

DR. NATIONS: That kind of rings a bell with something I planned to do up on the reservation, and I don't have my calendar here.

CHAIRMAN WILT: I think school at the University starts that next week like the 22nd.

DR. NATIONS: Always start pretty close to there. Well, let's see now. The move will be July.

Everything will be in Tucson in August.

CHAIRMAN WILT: What about your plans for August, Larry?

MR. FELLOWS: 16th is fine.

DR. NATIONS: But I would suggest schedule it for that if it seems like we have a majority able to go.

MS. MURPHY: And you will choose the place?

CHAIRMAN WILT: Well, let's do that now.
DR. NATIONS: Unless you want to wait until September. Do we need to meet in August?

DR. BRENNAN: You don't know when you need a meeting.

CHAIRMAN WILT: We don't know if there are hearings or what's going on.

MR. WARNE: Why don't we set it in September and if you find it's a need.

CHAIRMAN WILT: What about budget, isn't that what we normally do in August?

DR. BRENNAN: You don't have any budget responsibilities any more.

MR. FELLOWS: But the budget is done in August. Yes, it would be a lot better for me.

MS. MURPHY: Do you need our input for some of it?

MR. FELLOWS: Good question. I'm probably not going to know a lot more about it then than I do right now. In fact, we probably won't know enough about it until the next budget cycle.

DR. BRENNAN: I think they are talking about your budget request. They have always approved our budget requests and, of course, you have to make that up sometime in August. 'Cause, you know, it's due September 1st, but often it's not done by the 16th, to be real honest with you.
It's a hateful project, I think it tends to get put off; and it does get more complicated every year, seems like.

MR. FELLOWS: The budget request, unless there's something to request for the oil and gas activity, which I don't know enough now to even know what to ask for for the coming year. And I don't expect that you will be approving our whole geological survey budget.

DR. BRENNAN: No. You know, there are some issues that are going to come up. For instance, one is the car. Currently we have the car that's run out of the motor pool here in Phoenix. And how will that be handled? I mean, there's just a myriad of little details that need to be taken care of.

MR. FELLOWS: Can I ask a question on that? Does the Commission which sets policy get involved with things like cars and operating expenses and things like that?

DR. NATIONS: What we've done recently is basically the budget is put together by Dan, the Executive Director, and then the Commission reviews it before it is submitted. Seems to me like we've done that in September though; haven't we?

CHAIRMAN WILT: Generally.

DR. NATIONS: Then after it's done in August, then we ask to be able to review it before it's submitted.

DR. BRENNAN: And it has always had to be
approved by the Chairman, signed someplace on there by the Chairman.

DR. NATIONS: Would September be a reasonable time to do that, Dan? That would be; wouldn't it?

DR. BRENNAN: We had tried in recent years to get you together in August because it has to be submitted by September 1st. You can make changes in it after September 1st, but I think until October 1st or something like that; and then you can't do it any more without approval of the Chairman of the Joint Budget Committee; so I had always tried to get it to you in August if I could get you together.

MS. MURPHY: Will it have a separate budget?

MR. FELLOWS: There will not be a separate budget at all.

MR. RAUZI: The important thing about the car is that it has to be ready to go whenever you get a call. You have, of course, your regularly scheduled inspections; but, for instance, we are not going to know when he is going to be ready to do that MIT and get that pipe until he gets together with the people he is dealing with, and he will call up 24 hours or 48 hours in advance and set a date. And we had to rent a car because our car was vandalized, and we called the motor pool; and there's no way you can get a car on short notice down there.
CHAIRMAN WILT: You have your own cars; don't you?

MR. FELLOWS: Well, there is money in the budget. There is $52,500 transferred with the position and the responsibility. And there's money in there for a rented vehicle. And there is going to be a vehicle available at all times.

CHAIRMAN WILT: So at the Survey you have your own vehicles, they are not part of the pool?

MR. FELLOWS: That's right, we own five vehicles. But they are in field duty, they are all out. So it is going to be very important to have a car available and dedicated to the person who is doing the inspections and so on.

CHAIRMAN WILT: It would seem to me it would be cheaper to buy a car.

DR. BRENNAN: We may end up with a hybrid fleet, we may have his own cars and a motor pool car and they may just transfer the car to his, I don't know how they want to do it. Maybe they have a motor pool in Tucson.

MR. FELLOWS: We already have a hybrid fleet. We already own some of our own and some of which were purchased partly with federal funds; so it's not simple anyway. I don't see that as a problem.

DR. BRENNAN: No, it's just a detail that you
have to handle. It's paper that he has to shovel.

DR. NATIONS: I'd like to clarify in my own mind.

Now, the function, our relationship to the State Geologist
will be you will -- you have to put the budget together.

MR. FELLOWS: Yes.

DR. NATIONS: We would like some input into that
budget. So do you know when you are going to be in a
position where our input would be most timely?

MR. FELLOWS: I am going to be submitting that
budget on September 1. And I will be spending as much --
it's going to take all of August to do it. Now, as Dan
said, it can be modified after submittal. There is no
problem with that. It would be ideal to have some input,
say, in mid August. But again, I'm kind of new at this and
I'm trying to visualize what kind of input you are going to
want on here, because unless we have a policy issue or
something like that, it's going to be just cost to continue.
Unless we have new equipment that needs to be replaced or
something like that. That's a possibility there, the
equipment might be an important consideration.

DR. BRENNAN: Well, even there you are going to
know the condition of the equipment a lot better than the
Commissioners. They don't know about the computer that I
recommended that we replace. They don't know about the
condition of that copier. It has gotten better since you
were here, but it cost about $500.

So really, if you are the administrator, State
Geologist really has to take that upon himself to make sure
that things are done right. And that's what I've always
tried to do here. And I'm sure Larry or whoever is in that
position will do it. And there's really not a lot -- you
don't really know enough to have the input except to make
sure that he's got a section in there for you.

And I think probably you are going to have to
have that as a separate program, aren't you? I hadn't even
thought about that before.

MR. FELLOWS: I don't know whether we do or not.

DR. BRENNA N: Like these other departments have
programs and you might just do that as a program, and that
might -- at least the first year, so it would make your
thinking and bookkeeping clear. But, you know, there are
ways that this could be handled. But basically you will
want to assure that he's made some provision for the
following year for you. If you are not happy that year,
then you can go to the Legislature and yell at them. But,
you know, basically this is the administrative job.

CHAIRMAN WILT: So when would you prefer that we
meet, Larry, in August or September?

MR. FELLOWS: I would think September would
probably be the best. We'd have all of the thinking done on
it and then we'd have it submitted, but you'd still have a
chance to look at it and he can explain what we are asking
for and assure you that we have got funding in to cover
these activities; and if something comes up at that time, we
could modify it.

DR. NATIONS: I think that's what we need, is
just to review. Because we obviously don't need to decide
how much paper needs to be bought and things like that.
Couldn't anyway. We couldn't agree on it.

MR. FELLOWS: I can see some things coming up
though, Jan, if, for example, drilling activity steps up for
some reason, then we might want to go in and we will want to
go in and ask for extra positions, extra support. But right
now I don't think at this time that it's going to do any
good to ask for extra support when they just took it away.

CHAIRMAN WILT: Okay, the third --

DR. NATIONS: I would like --

CHAIRMAN WILT: The third Friday in September is
the 20th of September.

MR. FELLOWS: I am going to be out of town at
that time.

MR. WARNE: I'm glad that he's decided.

MR. FELLOWS: The second Friday or the fourth
Friday or actually the first Friday. The third one is the
only one I'm out of town.
DR. NATIONS: Why don't we schedule for the second? We traditionally meet on the third Friday every other month, that was what we were trying to follow; but that obviously doesn't have to be kept. Let's move to the second Friday of every other month.

DR. BRENNA: Sometimes it's the last Friday.

CHAIRMAN WILF: Well, I think the 13th. Oh, gee.

MR. FELLOWS: Friday the 13th?

MR. RAUZI: Heck of a note.

MR. FELLOWS: Would you rather have it the 27th?

DR. NATIONS: In Tucson?

CHAIRMAN WILF: I think it would be best to do it in Tucson just to see what arrangements have been made.

MS. MURPHY: I think we should see the facilities. Larry can take us on a tour.

MR. FELLOWS: That might have merit. We do have a conference room there that we can use, about the same size as this.

CHAIRMAN WILF: Actually the 6th would be a little bit more convenient for me. It would allow me to leave the last part of September to go back to the midwest.

DR. NATIONS: Fine with me.

CHAIRMAN WILF: Do you have any objection to that, Jim?

MR. WARNE: 6th?
CHAIRMAN WILT: 6th of September.

MR. WARNE: If I am here, I will be here.

MR. FELLOWS: See, he writes with a pencil, so he is very flexible.

MR. WARNE: I couldn't do anything with a pen. I don't understand those mathematicians that use a pen.

MR. FELLOWS: September 6 then.

CHAIRMAN WILT: So the next meeting is set for Friday, September 6th, at the Arizona Geological Survey in Tucson. And it is -- you all know where that is, at 845 North Park.

MS. MURPHY: 10:00 a.m.?

MR. RAUZI: That will have to be prepared and sent and will have the address on it.

DR. NATIONS: Well, I can make it down here by 10:00; but if it's in Tucson, I will just have to go the day before.

MS. MURPHY: Do you want to make it noon? That will be okay.

DR. BRENNAN: Then he can't get back.

CHAIRMAN WILT: Let's set it for 10:00 o'clock.

Okay, the meeting is adjourned.

(Concluded at 11:20 a.m.)

* * * * *
CERTIFICATE

I HEREBY CERTIFY that the proceedings had upon the foregoing hearing are contained in the shorthand record made by me thereof, and that the foregoing 43 pages constitute a full, true, and correct transcript of said shorthand record, all done to the best of my skill and ability.

Dated at Phoenix, Arizona, this 10th day of June, 1991.

[Signature]

KENT L. CARTER, RPR, CM
Court Reporter