



OIL & GAS CONSERVATION COMMISSION
- MINUTES OF MEETING - OCTOBER 28, 1994 -
STEVEN L RAUZI, PROGRAM ADMINISTRATOR



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

845 North Park Avenue, #100
Tucson, Arizona 85719
(602) 882-4795



Larry D. Fellows
Director and State Geologist

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 October 28, 1994, at 10:00 a.m. in Room 500 of the State Capitol located at 1700 West Washington, Phoenix, Arizona 85007. 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 Executive Session of July 8, 1994
3. Statement of Director and State Geologist
4. Report of Oil & Gas Program Administrator
5. Discussion and vote to release #1 and #2 Power Ranches geothermal bonds
6. Policy on Indian lands
7. Goals, objectives, and exploration incentives
8. Call to the public
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.

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 Oil and Gas Program Administrator's office, 845 North Park Avenue, Suite 100, Tucson, Arizona 85719.

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 up a time limit on individual comments.

Dated this 14th day of October 1994.

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi
Oil and Gas Program Administrator

PLEASE ADVISE PAM OR ME ASAP IF YOU WILL NOT BE ATTENDING THIS MEETING



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Dated this 14th day of October 1994.

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi

Steven L. Rauzi
Oil and Gas Program Administrator

OIL AND GAS CONSERVATION COMMISSION

845 North Park Avenue, #100
Tucson, Arizona 85719

Minutes of Meeting
July 8, 1994

Present:

Dr. J. Dale Nations, Chairman
Mrs. Lisa C. Worthington, Vice-Chair
Mr. James C. Lanshe, Member
Mr. Zed Veale, Member
Dr. Larry D. Fellows, State Geologist
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

The regular Commission Meeting of July 8, 1994, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 500, State Capitol Tower, Phoenix, Arizona.

On behalf of the Commission, Dr. Nations welcomed Mr. Lanshe to the Commission as a member and presented him with Governor Symington's certificate of appointment.

APPROVAL OF MINUTES OF MEETING AND THE EXECUTIVE SESSION OF
MARCH 11, 1994

The minutes of the regular Commission Meeting of March 11, 1994, were corrected on page 3 to read AAPG rather than AIPG.

Mrs. Worthington moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING AND THE EXECUTIVE
SESSION OF MARCH 11, 1994, BE ACCEPTED AS CORRECTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that fiscal year 1993-94 ended June 30th. He noted that the 5% budget cut resulted in a 4 page rather than 12 page *Arizona Geology* and elimination of an editor position. He reported that fiscal year 1994-95 appropriation includes no increase or decrease except for the statewide salary increase which starts in July. He is working on the 1994 annual report which will have a section on the Oil and Gas Conservation Commission. He welcomed any comments or suggestions from the Commissioners on that. He reported the fiscal year 1996-97 budget will be the first biennial budget and is due September 1. He reported that the contractor's three final reports on the Alpine geothermal hole will be

released in the contributed report series and will be announced in the fall issue of *Arizona Geology*.

Dr. Fellows passed out copies of the Mined Land Reclamation Bill which passed the last legislative session. He pointed out that part of the bill dealing with the formation of a study committee to determine who will administer reclamation of mines on private land and review the need for a consolidated department of mineral resources. Dr. Fellows indicated that he will follow this closely as both the Commission and the Geological Survey will be considered in this consolidation. He will keep the Commission advised on its progress.

Dr. Fellows passed out copies of proposed oil & gas projects for the coming fiscal year. He described the projects as providing a basic service to independent companies that generally do not have the staff to prepare such information. He asked for comments and suggestions from the Commission with the request that they consolidate their comments through the Chairman, preferably by September 1. He noted the underlying themes of the projects was the best use of limited staff time to publicize oil and gas potential to cause people to come in and do additional exploration and drilling. After short discussion on the projects, Dr. Nations and Mrs. Worthington suggested putting further discussion including discussion of goals and objectives on the agenda for the next meeting.

Mr. Lanshe acknowledged these areas as a good first step but noted his interest in the Commission being proactive in a more comprehensive program of generating interest in the state, one which also included programs of inducement to exploration since Arizona is competing with states that have incentive programs and better known reserve potential than Arizona. He welcomed the opportunity to be part of a more comprehensive program.

Dr. Fellows asked about establishing an agenda and if the Commission had a policy for how that was done. He asked if any Commissioner could request an item be included, if it was cleared through the Chair, or just how it was done. He requested some guidance on this. Dr. Nations indicated a policy was never established because the Commission was never faced with a need to have one. He stated it was a good idea, however, to have the Chair clear which items were to be placed on the agenda. He asked Mr. Rauzi to include establishment of policy for agenda development on the agenda for the next meeting.

Dr. Nations noted the elimination of the budget item for dues to the Interstate Oil and Gas Compact Commission (\$3,000) and asked Dr. Fellows to again request funds for the dues and travel to at least one of the four IOGCC meetings. Mrs. Worthington requested that notice of such meetings be provided to the Commissioners. Dr. Fellows acknowledged that Mr. Rauzi could provide that. Dr. Nations suggested going beyond the budget request and write a letter requesting the Governor to consider supporting it.

Mr. Lanshe asked if the Commission's sunset review was connected with the consolidation in the new department. Dr. Fellows explained that it was not, that it was separate.

REPORT OF THE OIL AND GAS PROGRAM ADMINISTRATOR

The activity report of Mr. Rauzi was sent to the Commissioners and has been made a part of these minutes. Mr. Rauzi noted the recent good press for Arizona and passed out two articles on the new well to be drilled near St. Johns. He reported that he had delivered the bond for the well to the State Treasurer this morning and that he would be issuing the permit to drill on his return to Tucson. Mr. Rauzi advised the Commission on the status of the certification of the 3rd set of rules by the Attorney General.

STATUS OF #1 AND #2 POWER RANCHES GEOTHERMAL WELLS

Mr. Rauzi introduced Mr. L. W. Brooks Jr. and acknowledged a letter authorizing Mr. Brooks to act on behalf of the Power Ranches' interests with respect to getting the two wells plugged. Mr. Brooks noted that he just moved to Scottsdale from Denver, reviewed his background in the oil and gas industry, and indicated that he will be getting together with Mr. Rauzi in about a month to work out a program to plug the wells in compliance with the Commission's rules. Mr. Rauzi reported that the rules allow for the use of bridge plugs and that this alternative will be considered when he and Mr. Brooks get together.

COMMISSION OIL & GAS POLICY ON INDIAN AND FEDERAL LANDS

Mr. Rauzi reviewed the background material sent to the Commissioners. He noted that he had sent a letter to the Navajo Nation Minerals Department inviting their participation in this meeting after he had received a phone call from them requesting a copy of the Commission's oil and gas rules. Mr. Rauzi included Utah and New Mexico's policy in the background material because the Navajo Nation extends into both of these states.

Dr. Fellows introduced Mr. Larry Bauer, Deputy State Director of Minerals, State Office of the U.S. Bureau of Land Management (BLM), and John Haas of his staff. They reviewed the BLM's policy on native lands. Mr. Bauer reported that a four-state BLM agreement leaves all regulation of the Navajo Nation to the Farmington Office, which has 20 inspectors. He pointed out that the BLM has in place a memorandum of understanding with the Arizona Geological Survey for the exchange of information and that this could be expanded to include wellsite inspection data. He indicated that he and Mr. Haas would be going to Farmington in about a month and offered to advise the Commission of the Farmington inspectors' plans for Arizona for the next year.

Dr. Fellows reported that he requested Mr. Rauzi to include this item on the agenda because with the small staff, limited budget, and probable lack of Commission jurisdiction on Navajo Lands, witnessing wellsite activities on Navajo Lands may not be the best use of the limited resources. Mr. Dulsky stated that the Commission has no jurisdiction on Indian lands.

The Commission acknowledged there was no need to duplicate the work of the BLM. Dr. Nations recommended that the Commission identify areas of duplication and address those

left over. Mr. Lanshe agreed and pointed out that before the Commission could consider what they were responsible for it first needed to know which wells the BLM is and is not covering. Dr. Nations noted that the Commission does not have enough information at this time to make a decision and suggested that the Commission accept the offer of Mr. Bauer and Mr. Haas to talk with the Farmington office and advise the Commission at a later meeting. He asked Mr. Rauzi to include this item on the agenda for the next meeting.

OIL AND GAS EXPLORATION INCENTIVES

Mr. Rauzi reviewed the background material sent to the Commissioners. He noted the economic incentives being passed in the major producing states and concluded, based on the need to stimulate drilling activity, that a tax credit per well similar to the one in Texas may be the most appropriate for Arizona. Other factors that may be considered as types of incentives would include reasonably low bond amounts, low application fees, more than competitive leasing terms, reasonable environmental regulation, and a unified approach of all state agencies.

Mrs. Worthington indicated that it may be possible to make the leasing terms on State Trust Land more competitive than they are. Dr. Nations asked Mr. Rauzi about the letter to the State Land Commissioner the Commission requested him to prepare in the March 1994 meeting. Mr. Rauzi read the letter to the Commissioners and advised that no action was taken on the letter. Dr. Nations asked Mr. Rauzi to add a paragraph inviting the State Land Commissioner to the next meeting to discuss leasing terms on State Trust Land as an incentive. He indicated that if the Commission gave him authority he would sign such a letter and send it.

Mr. Lanshe moved, seconded by Ms. Worthington:

THAT DR. NATIONS SIGN AND MAIL THE LETTER

Motion carried unanimously.

Mr. Rauzi advised that in addition to preparing geologic reports the Commission could actively promote the State of Arizona by participating in selected industry-related meetings. He noted several that were not available because of budgetary constraints. Dr. Nations suggested that the Commission request out-of-state travel funds for the purpose of promoting potential in Arizona. Dr. Fellows pointed out that for the past two years the Office of Strategic Planning and Budgeting had approved out-of-state travel for only the agency director to attend national meetings and limited him to two.

Mr. Lanshe acknowledged the need for geologic reports and establishing memberships in organizations but considered the first step is to determine whether or not there really is additional oil potential in Arizona which could be represented to people as worth exploring for. He noted that if there really is something in Arizona where experts could agree the

data supports a concerted effort then there are lots of ways to exploit those opportunities but that it could not be done if one could not legitimately look someone in the eye and say it is worth going into Arizona.

Dr. Nations advised that it was generally recognized in the geological community that Arizona does have oil and gas potential. He noted, however, that native lands could not be excluded from the Commission's efforts because that is where the greatest potential is and that the state did gain some benefits from production there. He agreed with Mr. Lanshe that the Commission needed to develop a promotional mentality.

Mr. Lanshe observed that the first step is to sell the people in the state because the Commission needed a bigger budget. He pointed out that efforts right now are very restricted and that the Commission needed to get people in the state to believe there is potential here in order to provide some funding to put some of these things in place. He hoped that out of this discussion the Commission could work on getting the right people at the state government level to help the Commission carry out its job.

Dr. Fellows reported on the Geological Survey's budget process and indicated that some support on the part of the Commission towards budget items such as IOGCC dues and travel to out-of-state meetings would be helpful. Mr. Lanshe noted that the Commission was trying to achieve certain goals and objectives and asked Dr. Fellows what input it had in the budget that he was overseeing. Dr. Fellows responded that it had a lot and described the process of going through the budget analysts and the Appropriation Subcommittee hearings in the House and Senate noting that if someone from the Commission testified or submitted something in writing to either the analysts or at the hearings, the Legislators themselves factor those things in.

Mr. Lanshe asked if after the budget has been allocated to the Geological Survey did the Commission interface with Dr. Fellows in any way with respect to how those funds are subsequently allocated. Dr. Fellows explained that he submits a detailed budget outlining how funds are to be spent and that once he gets it, he is obligated to spend it in the way they said they were going to when the budget was submitted. Dr. Fellows noted the matter of getting additional funds to do things.

Mr. Lanshe asked, absent the availability of additional funds, if the Commission had any flexibility in dealing with Dr. Fellows toward how much money is going to be allocated to its activities. Dr. Fellows responded by explaining the allocated amount of the Geological Survey's budget and noted his hesitancy to shift money from basic geologic mapping and research and put it on to something which had not been requested. In closing this discussion, Dr. Nations requested that this item be on the agenda for the next meeting.

PROPOSED STATUTORY AMENDMENTS TO A.R.S. §§ 27-516(A)(3) AND 27-654

Mr. Rauzi reviewed the background material and the need for the statutory changes.

Ms. Worthington moved, seconded by Mr. Lanshe:

THAT THE COMMISSION APPROVE THE PROPOSED STATUTORY
AMENDMENTS TO A.R.S. §§ 27-516(A)(3) AND 27-654

Motion carried unanimously.

ELECTION OF VICE-CHAIR

After a short discussion,

Dr. Nations moved, seconded by Mr. Lanshe:

THAT LISA WORTHINGTON BE ELECTED AND SERVE AS VICE-
CHAIR OF THE OIL AND GAS CONSERVATION COMMISSION

Motion carried unanimously.

CALL TO THE PUBLIC

None.

DISCUSSION OF RULE ON UNANTICIPATED SITUATIONS and

STATUS OF #1 AND #2 POWER RANCHES GEOTHERMAL WELLS

Ms. Worthington moved, seconded by Mr. Veale:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION

Motion carried unanimously. At 11:40 a.m., the Executive Session began.

The regular meeting resumed at 11:55 a.m.

ANNOUNCEMENTS

The next meeting was scheduled for October 28, 1994, at the Capitol Tower.

ADJOURNMENT

Mrs. Worthington moved, seconded by Mr. Veale:

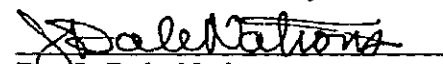
THAT THE MEETING BE ADJOURNED

Oil and Gas Conservation Commission Minutes July 8, 1994

Page 7

Motion carried unanimously. Time of adjournment was 12:00 p.m.

APPROVED


Dale Nations
Chairman

GUESTS IN ATTENDANCE:

Beryl I. Dulsky	Assistant Chief Council, Attorney General's Office
L. W. Brooks, Jr.	Power Ranches Interests
Larry Bauer	Bureau of Land Management
John Haas	Bureau of Land Management



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Larry D. Fellows
Director and State Geologist

October 17, 1994

TO: **Oil and Gas Conservation Commissioners**
FROM: *SLR* Steven L. Rauzi, Oil and Gas Program Administrator
SUBJECT: **Activity Report for October 28, 1994, Meeting**

Ridgeway Petroleum announced its well near St. Johns as a potential helium and carbon dioxide discovery. Whether this discovery is commercial or not will depend on Ridgeway's ability to develop a market for the carbon dioxide and helium. Ridgeway plans to drill three additional wells to confirm this discovery but has not, as yet, submitted applications to drill any confirmation wells.

I witnessed L.W. Brooks (Haliburton) plug Power Ranches 2 in accordance with A.A.C. R12-7-232(A) on the 12th and Power Ranches 1 on the 14th. Bridge plugs were placed above the perforations in the two wells and cement was placed on top of the bridge plugs with a dump bailer. I witnessed Brooks set the 20-foot surface plug on Power Ranches 2 on the 14th. Mr. Brooks plans to set the 20-foot surface plug on Power Ranches 1 and erect the surface monuments on both wells sometime this week. With the completion of this work, Power Enterprises will have brought the two wells into full and final compliance with our rules. As a result, our files on these two wells may be closed and the bonds released to Power Enterprises.

I discussed the release of the bonds to Power Enterprises with Mr. Dulsky. He advised that the quiet title action established that Cam-Roy is out, that the owner of the wells is the owner of the land, and that transfer of the property does not release the bonds. I reviewed this with the bank issuing the bonds and if the Commission moves to release the bonds to Power Enterprises (and I provide a copy of the minutes showing this to the bank) they will release the bonds to Power Enterprises.

A copy of the *draft* memorandum of agreement (MOA) between the Commission and the Department of Environmental Quality for regulating underground injection in Arizona is enclosed for your information. As you can see, the Commission will continue the enforcement responsibility over class II and class V geothermal wells under this agreement.

DRAFT

Rough Draft
Folder #0026
09/01/94 /dt

REFERENCE TITLE: plugging oil and gas wells

State of Arizona
House of Representatives
Forty-second Legislature
First Regular Session
1995

H. B. _____

Agency Sponsor: Arizona Geological Survey (Prefiling Required)

Introduced by _____

AN ACT

AMENDING SECTIONS 27-516 AND 27-654, ARIZONA REVISED STATUTES; RELATING TO
OIL, GAS AND GEOTHERMAL WELLS.

- 1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 27-516, Arizona Revised Statutes, is amended to
3 read:
4 27-516. Rules
5 A. The commission shall make rules and amend them as deemed
6 necessary for the proper administration and enforcement of this article,
7 including the following rules, ~~regulations~~ and orders:
8 1. Requiring the drilling, casing and plugging of wells in a manner
9 to prevent:
10 (a) Escape of oil and gas from one stratum to another.
11 (b) Intrusion of water into an oil or gas stratum from a separate
12 stratum.
13 (c) Pollution of fresh water supplies by oil, gas or salt water.
14 (d) Waste.
15 2. Requiring reports showing the location of oil and gas wells and
16 requiring filing of logs and drilling ~~record~~ RECORDS within thirty days
17 from the completion of a well drilled for oil or gas.
18 3. Requiring a reasonable bond with good and sufficient surety
19 conditioned on the performance of the duties prescribed in paragraphs 1
20 and 2 of this subsection including the obligation to plug each dry or
21 abandoned well. THE OWNER OR OPERATOR IS RESPONSIBLE FOR THE FULL COST OF
22 PLUGGING EACH DRY OR ABANDONED WELL. IF THE OWNER OR OPERATOR FAILS TO
23 PLUG AND ABANDON THE WELL ACCORDING TO THIS PARAGRAPH:

- 1 (a) THE COMMISSION MAY FORFEIT THE BOND AND USE THE MONEY FOR THAT
2 PURPOSE.
3 (b) SUE THE OWNER OR OPERATOR FOR SUCH COSTS IN EXCESS OF THE
4 AMOUNT OF THE BOND, AND THE OWNER OR OPERATOR IS LIABLE FOR THAT AMOUNT.
5 4. Preventing drowning by water of any stratum or part capable of
6 producing oil or gas in paying quantities and preventing the premature and
7 irregular encroachment of water which reduces or tends to reduce the total
8 ultimate recovery of oil or gas from any pool.
9 5. Requiring the operation of wells with efficient gas-oil ratio
10 and fixing the limits of such ratios.
11 6. Preventing ~~blow-outs~~ BLOWOUTS, caving and seepage.
12 7. Preventing creation of unnecessary fire hazards.
13 8. Requiring identification of ownership of oil and gas wells,
14 producing leases, refineries, tanks, plants, structures and storage and
15 transportation equipment and facilities.
16 9. Regulating shooting, perforating and chemical treatment of
17 wells.
18 10. Regulating gas cycling operations.
19 11. Regulating secondary recovery methods, including introduction of
20 gas, air, water or ANY other substance into producing formations.
21 12. Regulating spacing of wells and establishing drilling units.
22 13. Limiting, allocating and apportioning production of oil and gas
23 from a pool or field for prevention of waste, and allocating production
24 between tracts of land under separate ownership in a pool on a fair and
25 equitable basis so that each tract will be permitted to produce not more
26 than its just and equitable share from such pool.
27 14. Preventing, so far as practicable, reasonably avoidable drainage
28 from each developed unit, not equalized by counterdrainage.
29 15. Requiring a producer of oil or gas to submit for each oil or gas
30 well operated, on a form prescribed by the commission, a monthly report of
31 actual production from each oil or gas well. Such report shall be
32 submitted on or before the twenty-fifth day of the next succeeding month.
33 16. Requiring persons making settlement with the owner of oil or gas
34 interests to render statements to the owner showing the quantity and
35 gravity purchased and the price per barrel of oil or the price per one
36 thousand cubic feet of gas.
37 17. Requiring, either generally or in a particular area, a
38 certificate of clearance for transportation or delivery of oil, gas or any
39 product.
40 18. Requiring the applicant for a drilling permit, if the surface of
41 the land is owned by another not in a contractual relationship with the
42 applicant, to post bond in a reasonable sum with good and sufficient
43 surety conditioned on payment of just compensation to the landowner for
44 actual damages to the surface of or improvements on the land caused by the
45 drilling permittee's operations.
46 19. Requiring all forms and reports requested by the commission to
47 be submitted to the commission on or before the twentieth day of the next
48 succeeding month for monthly reports or within twenty days following the

1 completion of the action requiring the report, except as otherwise
2 provided by the commission.

3 20. Requiring the permitting of all wells and the approval of all
4 equipment and methods:

5 (a) To create or use existing storage space for the underground
6 storage of hydrocarbon substances, whether liquid or gaseous.

7 (b) Used for the injection of any substance into geological strata
8 for the purpose of pressure maintenance or for the purpose of increasing
9 ultimate recovery.

10 (c) Used for the purpose of secondary and tertiary recovery.

11 (d) Used for the disposal of any substance.

12 B. No rule, ~~regulation~~ or order, or change, renewal or extension,
13 except as otherwise provided by this article, shall, in the absence of an
14 emergency, be made by the commission under the provisions of this article
15 except after a public hearing of which not less than ten days' notice has
16 been given. The public hearing shall be held at such time and place as
17 may be prescribed by the commission, and any interested person shall be
18 entitled to be heard. Notice shall be given by personal service, by
19 publication or by United States mail, addressed, postage prepaid, to the
20 last known mailing address of the person or persons affected. The date of
21 service shall be the date on which service was made in the case of
22 personal service, the date of first publication in the case of notice by
23 publication and the date of mailing in the case of notice by mailing. The
24 notice shall issue in the name of the state, and shall be signed by a
25 member of the commission or its deputy, shall specify the style and number
26 of the proceeding, AND the time and place of the hearing and shall briefly
27 state the purpose of the proceeding. Should the commission elect to give
28 notice by personal service, such service may be made by an officer
29 authorized to serve process or by the commission in the same manner as is
30 provided by law for the service of process in civil actions in the courts
31 of this state. Proof of service by the commission shall be by the
32 affidavit of the commission or its authorized representative making
33 personal service. If service is made by the sheriff, the proof of service
34 shall be as required by law for service of process in civil actions. If
35 the matter to be heard concerns the adoption, amendment or repeal of a
36 regulation of general applicability, notice shall be by publication.

37 C. If an emergency is found by the commission to exist, which in
38 its judgment requires making, changing, renewing or extending a rule,
39 ~~regulation~~ or order without first having a hearing, the emergency rule,
40 ~~regulation~~ or order shall have the same validity as if a hearing had been
41 held after due notice. The emergency rule, ~~regulation~~ or order shall
42 remain in force FOR not to exceed thirty days from its effective date but
43 shall expire when a rule, ~~regulation~~ or order with respect to the subject
44 matter of the emergency rule, ~~regulation~~ or order becomes effective after
45 due notice and hearing.

46 Sec. 2. Section 27-654, Arizona Revised Statutes, is amended to
47 read:

48 27-654. Drilling bond; amount

- 1 A. The commission shall require that every person who engages in
- 2 the drilling, ownership or operation of a well, or the entering or
- 3 deepening of an abandoned well, shall file with the commission, on a form
- 4 to be determined by the commission, a reasonable bond with good and
- 5 sufficient security conditioned upon the performance of the duties
- 6 required by this section and the abandonment, as approved by the
- 7 commission, of such well in an amount to be determined by the commission.
- 8 ~~but~~
- 9 B. In no case may the bond be less than five thousand dollars for
- 10 each individual well or less than twenty-five thousand dollars for any
- 11 number of wells.
- 12 C. Such bond shall remain in full force and effect until all
- 13 requirements of the commission have been satisfied or until otherwise
- 14 released by the commission.
- 15 D. THE OWNER OR OPERATOR IS RESPONSIBLE FOR THE FULL COST OF
- 16 PLUGGING EACH DRY OR ABANDONED WELL. IF THE OWNER OR OPERATOR FAILS TO
- 17 PLUG AND ABANDON THE WELL ACCORDING TO THIS SUBSECTION:
- 18 1. THE COMMISSION MAY FORFEIT THE BOND AND USE THE MONEY FOR THAT
- 19 PURPOSE.
- 20 2. SUE THE OWNER OR OPERATOR FOR SUCH COSTS IN EXCESS OF THE AMOUNT
- 21 OF THE BOND, AND THE OWNER OR OPERATOR IS LIABLE FOR THAT AMOUNT.

DRAFT

MEMORANDUM OF AGREEMENT
BETWEEN
THE ARIZONA OIL AND GAS CONSERVATION COMMISSION
AND
THE ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

PURPOSE

This Memorandum of Agreement ("MOA") between the Arizona Oil and Gas Conservation Commission ("AOGCC") and the Arizona Department of Environmental Quality ("ADEQ") establishes procedures to promote interagency cooperation, ensure a flow of communication between AOGCC and ADEQ, distribute funding, optimize resources, and allow both AOGCC and ADEQ to discharge their legal responsibilities relating to the regulation of underground injection wells within the State of Arizona, excluding Indian lands, in accordance with the requirements of the U.S. Environmental Protection Agency as set forth below.

ASSUMPTIONS

This document is based on the following assumptions:

- 1) That the U.S. Environmental Protection Agency ("EPA") will delegate primary enforcement authority of the Underground Injection Control ("UIC") program pursuant to Section 1422 of the Safe Drinking Water Act, for all classes of injection wells to ADEQ as lead agency for the State of Arizona, excluding Indian lands.
- 2) The program for implementing the UIC program is to be carried out in accordance with the Safe Drinking Water Act, as amended (P.L. 93-523; 88 Stat. 1660; 95-190; 91 Stat. 1393) ("SDWA"), the Arizona Revised Statutes ("A.R.S.") and the appropriate implementing rules of the Arizona Administrative Code ("A.A.C.").
- 3) That both agencies AOGCC and ADEQ recognize ADEQ as the lead agency possessing jurisdiction to implement the Safe Drinking Water Act in the state, pursuant to A.R.S. § 49-202(A).
- 4) That ADEQ has made a finding that the rules found in A.A.C., R12-7-175 and 176 are sufficient to comply with the federal requirements for Class II injection and Class V geothermal wells.

DRAFT

Such finding allows ADEQ to exempt Class II injection wells and Class V geothermal wells from ADEQ's Aquifer Protection Permit Program ("APP") for the State pursuant to A.R.S., Title 49, Chapter 2, Article 3 (A.R.S. §§ 49-241 through 49-251) and Article 4 (A.R.S. §§ 49-261 through 49-265).

- 5) The Arizona Geological Survey (AZGS) is authorized pursuant to A.R.S. 27-515 (A) to provide staff support to the AOGCC to administer the statutory provisions of A.R.S. Title 27, Chapter 4.

DURATION

This Agreement shall take effect on the date it is filed with the Secretary of State.

FUNDING

- 1) ADEQ shall receive any funds EPA makes available to the State of Arizona to establish or administer a UIC program in Arizona. Should any funds thus be made available, ADEQ shall annually contract with AZGS to compensate AZGS for the duties performed to implement the requirements for UIC set forth in this agreement.
- 2) When and if EPA funds become available, AZGS, with the concurrence of AOGCC, shall submit annually a program plan and budget sheet for the duties called for in this Agreement. Such plans and budgets shall be submitted to ADEQ annually, 12 months in advance of the State fiscal year in which the funds are to be expended.

GENERAL PROVISIONS

For purposes of UIC primacy, the following shall be understood and agreed upon:

- 1) AOGCC shall continue to issue permits required by its statutes and rules for Class II injection wells associated with oil and natural gas production, enhanced recovery wells, brine injection wells, storage wells, and for Class V geothermal wells.

DRAFT

- 2) AOGCC shall continue enforcement responsibility for protecting groundwater quality from contamination from Class II and Class V geothermal activities as required by A.R.S. Title 27 and the AOGCC rules.
- 3) A.R.S. § 49-241 provides ADEQ's jurisdiction and authority to administer the provisions of this agreement regarding the federal UIC program.
- 4) A.R.S. § 27-501 et. seq. provide AOGCC's jurisdiction and authority to administer the provisions of this agreement regarding the federal UIC program.
- 5) ADEQ and AOGCC agree to provide each other reasonable access to files and other information as necessary for program administration.

SPECIFIC PROVISIONS

A. ADEQ understands and agrees that AOGCC has the jurisdiction concerning injection operations associated with oil and gas production, underground storage of hydrocarbon fluids, Class II injection wells and Class V geothermal operations by AOGCC statutes and rules, including but not limited to:

- 1) Review of applications to drill injection wells, approving or disapproving each application within 30 working days of receipt. Providing a copy of each application to ADEQ for review and comment before approval or disapproval;
- 2) Inspection of injection wells during drilling and after completion, and resolving inquiries and complaints concerning such wells;
- 3) Inspection and monitoring of on-stream injection wells and injection facilities;
- 4) Ensuring that all Class II wells are drilled, maintained, and abandoned in accordance with AOGCC statutes and rules;
- 5) When AOGCC determines enforcement action is necessary, AOGCC shall exclusively act to enforce remedial action to correct the deficiency.

DRAFT

- B. AOGCC agrees to cooperate with ADEQ with respect to the following:
- 1) AOGCC shall not issue an approval to drill an injection well until ADEQ has been given 10 working days to review and comment upon each application and proposed approval to drill an injection well.
 - 2) AOGCC shall notify ADEQ within 24 hours of any condition pertaining to an active or abandoned injection well that is known to or threatens to cause contamination of any groundwater presently or potentially serving as a source of drinking water;
 - 3) If plugging operations for an abandoned well are not commenced within 90 days after AOGCC has notified the owner or operator in writing of an injection well that the well is abandoned as defined by AOGCC rules, AOGCC agrees to seek enforcement of the performance bond executed for that purpose in favor of the State of Arizona, to ensure that such well is plugged in accordance with the AOGCC rules and the plugging and abandonment plan filed by the owner or operator.
 - 4) AOGCC shall notify ADEQ within 24 hours when any enforcement has been or is to be taken by AOGCC regarding injection wells;
 - 5) AOGCC shall notify ADEQ within 24 hours prior to commencement of abandonment operations of an injection well and within 24 hours after the completion of abandonment and furnish ADEQ with a copy of the abandonment report;
 - 6) AOGCC shall supply ADEQ with a copy of the following on a semi-annual basis:
 - a. Well monitoring reports
 - b. Non-compliance reports
 - c. Other reports pertinent to the protection of groundwater quality from contamination by geothermal injection wells.
 - 7) AOGCC shall notify ADEQ within 24 hours of any complaint directed to AOGCC regarding any emergency or any emergency revealed to AOGCC involving an injection well in order that ADEQ and AOGCC may, as necessary and

DRAFT

to minimize duplication, jointly conduct inspections, conduct or require monitoring, or take emergency action or enforcement action;

C. ADEQ agrees to perform the following:

- 1) ADEQ shall submit written comments to AOGCC in response to any oil, gas, or geothermal injection well permit application and AOGCC's proposed permit action within 10 working days of ADEQ receiving such application;
- 2) ADEQ shall supply support to AOGCC to accomplish any necessary joint ADEQ/AOGCC efforts provided in provision (B) (1-7) of this section.

SIGNATURES

Arizona Department of Environmental Quality

By _____

Director

Date _____

Arizona Oil and Gas Conservation Commission

By _____

Chairman

Date _____



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

845 North Park Avenue, #100
Tucson, Arizona 85719
(602) 882-4795



Larry D. Fellows
Director and State Geologist

September 1, 1994

Memo to: Oil & Gas Conservation Commissioners
From: *SR* Steve Rauzi, Oil & Gas Program Administrator

Commissioner Lanshe called this office to advise that the Governor's Office recently expressed interest in supporting the Commission in legislative incentives. He requested that I advise Chairman Nations of this interest and draft a list of possible incentives for the Commission's consideration. In addition, Dr. Fellows advised me that Mr. Joe Lane of the Governor's Office had called him to indicate their interest in lining up sponsors for and in getting such legislation drafted. I advised Chairman Nations and have drafted this list of possible incentives as a result.

I contacted the American Petroleum Institute (API), several independent operators, and University Lands of Texas for some ideas before drafting the list included in this memo. Before the actual list, however, is a summary of recent oil and gas activity in Arizona. Please keep in mind that this list is a draft only and that I would welcome the benefit of each of your opinions and comments for improvement on any and all parts of this memo.

Recent and Ongoing Activity

Five development wells were drilled in the known producing fields in northeastern Arizona and two service wells related to LPG storage were drilled since 1988. With respect to exploration drilling activity, one wildcat well was drilled in 1988 and another was deepened in 1990 before the following exploration drilling and leasing activity: (1) Arrowhead Oil and Gas drilling near Phoenix in September 1992, (2) Tonto coring near Alpine in August 1993, (3) Medallion drilling south of St. George in June of this year, and (4) Ridgeway drilling near St. Johns in July and August of this year. Ridgeway announced its test as a possible carbon dioxide and helium discovery and plans to drill a couple more wells to confirm this.

With respect to recent leasing activity, over 29,000 acres of state land were leased near St. Johns and 30,000 acres of state land were leased in Cochise County since the first of this year, 24,000 acres of state land are being considered for leasing in the Holbrook basin, and over 40,000 acres of federal land were leased in Cochise County and 2,760 acres were leased near St. Johns at the BLM's August 18 lease sale. Total private land under lease is not known but may be considerable because the recent well drilled near St. Johns was drilled on private land.

Memo to Commissioners

September 1, 1994

DRAFT/ 2

This activity shows that segments of the industry believe in the viability and real possibility of finding additional reserves of oil and gas in Arizona. This, in spite of the generally high risk of making a profit on oil and gas exploration in Arizona. One of the goals of the included incentives would be, therefore, to help reduce, not eliminate, this risk and to further encourage and stimulate the momentum of this recent activity.

One of the significant points about this recent activity is that it may be, in part, responsible for the current interest from the Governor's Office in supporting the Commission in preparing some sensible incentive legislation. If the Commission could, with the current expression of support from the Governor's Office, get some sensible incentive legislation enacted, it could benefit the state by possibly further stimulating the amount of drilled footage and expenditure of exploration funds in Arizona. As we all know, exploration is a numbers game, the more wells drilled the better the chance of a discovery. And discoveries, in turn, lead to more economic activity and an increase in the tax base for the state.

Draft List of Possible Incentive Legislation

The following list of possible incentives to go to the legislature was, in part, discussed in your July 8 meeting. This list includes a reason for each and possible pros and cons for each. The reason or goal for each incentive in the list is pretty much the same: to take advantage of the recent momentum of activity and the Governor's Office's expression of support to further encourage and stimulate interest in exploring in Arizona and, ultimately, to increase the amount of drilled footage in the state. Please note that these incentives will be more attractive to small independents and speculators, the ones that make things happen in rank wildcat states like Arizona.

Wildcat Drilling Incentives

Tax write off for first well (100%, 75% or 50% of drilling costs or risk capital)

State and County taxes only, no affect on federal taxes.

Plausible because not a significant source of state and county tax revenue to start with.

If first well results in discovery, tax write off would more than pay for itself.

Tax Credit for investments in wildcat wells (i.e. \$10,000, \$50,000, etc.)

Similar in effect but amount not as flexible as tax write off incentive

May be more acceptable to legislature and tax revenue departments

Additional depletion allowance for wildcat producers

Tax credits on investments may encourage risk capital and thus drilling

No state or county tax or tax break on first producing well

Second well may be better producer than first and taxed at full rate

Extend tax break to wells producing less than 20 BOPD (scale upward to full tax)

May lead to choking back production (need to verify production)

Memo to Commissioners

September 1, 1994

DRAFT/ 3

Bonus or reward payment bill for first well

Grant straight \$250,000 to \$500,000 reward for first discovery well (failed in 1964)

*Provide premium above posted price for each barrel of discovery oil

*Provide per-barrel bonus for wildcat discovery well

*Provide subsidy payment (same affect as raising crude price in Arizona)

Dry-hole support bill (\$5.00 per foot, etc. Not paid if discovery) [also failed in 1960's]

Model after industry dry-hole support contract, minimum depth of hole required

Footage payments based on geological not political merit as determined by Commission

Funding review board bill (i.e. Commission itself)

Review exploration prospects for qualification and drillability

Seek in and out of state investors (retirement funds, risk capitol financiers, etc.)

Provide loans on approved drilling prospects

Host and/or fund "exploration potential in Arizona seminars" (advertise call for papers)

Frontier acreage incentives

Large blocks or parcels on individual state trust leases (i.e. five to ten sections)

NRI 87.5% if drilled in first two years, NRI 80% next two, NRI 75 % next two, etc.

Adopted by University Lands in Texas to stimulate exploration on frontier acreage

Collaboration of State Land Commissioner

Increase maximum size of lease acreage from 15,360 acres to 250,000 or more acres

Maximum on federal acreage is 246,080 acres

Large blocks and maximums attractive in rank prospect areas

Large blocks less likely to be dropped without being drilled

Collaboration of State Land Commissioner

Decrease filing fee for leasing from \$100 to \$25 (Administrative decision)

Decrease rental from \$1.00 per acre to 75 to 50 cents per acre

Probably will only attract speculators, however, speculators make things happen

Texas rentals on frontier acreage has been dropped to 10 to 20 cents per acre

C: Larry Fellows



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

845 North Park Avenue, #100
Tucson, Arizona 85719
(602) 882-4795



Larry D. Fellows
Director and State Geologist

August 22, 1994

Ms. Joan Salvañiera
LF, Inc. for ADEQ
3033 North Central, Suite 467
Phoenix, Arizona 85012

Dear Joan:

The following comments are in response to your letter of August 17. An organization chart from the Arizona Geological Survey's 1992-93 annual report is enclosed.

As far as I can tell, R12-7-104(D) is the only emergency permit provision in the Commission's rules. We could amend the language to more clearly include class II wells or maybe add a section in R12-7-176 to provide for this provision. I am open for suggestions.

The Commission's enforcement authority is provided by A.R.S. §§ 27-524 through 27-527, 27-663, and 27-676 and 27-677. These do not seem to explicitly provide for criminal penalties pursuant to CFR 145.13(a)(3)(ii) as stated in your letter. That is, these statutes do provide for:

1. Class 2 misdemeanor for knowingly violating program requirements [27-527(B) and 27-663]. I would assume that this is a criminal penalty.
2. Civil penalty of not more than \$1,000 per day [27-527(A) and 27-677]. I can't find where \$5,000 per day is explicitly provided for in these statutes.
3. An injunction to restrain from continuing violations or carrying out a threat of violation 27-524(A) and an injunction to restrain from moving or disposing of illegal oil, gas, or product (27-524(B)). It would seem this latter injunction would carry the same affect as to sever pipelines but I'm not sure if this is the same as authority to sever pipelines as required in CFR 145.13.

I would recommend that you review this listing and discuss these points with Jon Fiegen as I would have to defer further opinion on them to him.

Joan Salvatierra
August 22, 1994
Page 2

The draft MOA between AOGCC and ADEQ enclosed with your letter looks good. One point of clarification with respect to subcontracting and submitting a program plan and budget sheet as noted on page 2 is that the Arizona Geological Survey provides the administrative and staff support to the Commission even though the Commission has regulatory jurisdiction as noted on page 3. These details may not need to be explicitly addressed in the MOA and we probably do not need to worry about them at this point, but I wanted to bring them up for your information. I've enclosed this draft with some minor annotations in the margins and offer the following additional comment.

The specific provisions part A on page 3 of the draft MOA are clearly stated and the Commission should have no problem with them as written. The special provisions part B, on the other hand, seems a little out of place in light of the provisions in part A. I don't see any reason to treat geothermal wells differently than the class II wells addressed in part A. As a result, I suggest dropping part B and expanding part A to include both class II and geothermal injection wells.

By the way, Luisa called me this morning and I plan to attend the meeting on August 31.

Sincerely,

Steven L. Rauzi

Steven L. Rauzi
Oil & Gas Program Administrator

Enclosures

bc: *Commissioners, LDF*



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

845 North Park Avenue, #100
Tucson, Arizona 85719
(602) 882-4795

August 12, 1994



Larry D. Fellows
Director and State Geologist

Ms. Joan Salvatierra
LF, Inc. for ADEQ
3033 North Central, Suite 467
Phoenix, Arizona 85012

Dear Joan:

The copy of 40 CFR Ch. 1 Parts 144-146 that you sent to me is enclosed with my annotations in the margins. These annotations represent either rules or statutes which expressly address the various concerns, conditions, and requirements in the several subparts of Parts 144-146. The redundancy in the several subparts of 40 CFR Ch. 1 Parts 144-146 results in the apparent redundancy of my annotations.

Some parts of 40 CFR Ch. 1 Part 144 seem to address states applying for primacy which have not permitted injection wells prior to the application for primacy. Please note, however, that the Commission has been permitting class-II injection wells pursuant to A.R.S. § 27-516(20) and A.A.C. R12-7-176 to 181 since 1978. The Commission's statutory authority and rules, however, are meant to be understood in practice since 1971 as a whole and not in isolation.

The enclosed review and annotation of 40 CFR Ch. 1 Parts 144-146 is not meant to be comprehensive but to sufficiently document those statutes and rules that expressly address the concerns, conditions, and requirements of 40 CFR Ch. 1 Parts 144-146. If you note a lack of which I am not aware, however, I would appreciate your bringing that to my attention.

Finally, I have enclosed an informative pamphlet, written at a non-technical level, that you may find helpful in understanding underground injection control.

Sincerely,

St. L. Rauzi

Steven L. Rauzi
Oil & Gas Program Administrator

Enclosures

*State of Arizona is applying for primacy
enforcement authority for UIC - see 1-14-94
minutes p. 4.*

cc: Commissioners, LF



FIFE SYMINGTON
GOVERNOR

Arizona
State Land Department

1616 WEST ADAMS
PHOENIX, ARIZONA 85007



M.J. HASSELL
STATE LAND COMMISSIONER

August 8, 1994

AZ OIL & GAS
CONSERVATION COMMISSION

AUG 15 1994

Mr. J. Dale Nations
Oil and Gas Commission
Arizona Geological Survey
845 North Park Avenue, No. 100
Tucson, Arizona 85719

Dear Mr. Nations:

This letter is in response to your July 15, 1994 letter regarding oil and gas leases on State Trust land. Arizona Statute 27-555 states that each noncompetitive oil and gas lease issued on State Trust land shall be for a primary term of five years with a right to extend for an additional 5 year term. This allows a lessee to hold an oil and gas lease for a total of ten years without production. Rental fees associated with these leases are \$1 per acre for the first 5 year term and \$2 per acre for the 5-year extension.

I have enclosed a comparison of lease terms and annual rental with the BLM and neighboring states. We believe our leasing terms are competitive and can find no evidence in Department records that suggests any major difference between the BLM's ten year primary term and the State Land Department's 5 year primary term with a 5 year extension.

Rather than try to get a statutory change in the lease period, and open the door to possible increase in rental fees, the Department may consider administratively the costs associated with the assignment of oil and gas leases. Currently, there is a \$200 fee for each lease assigned on State Trust land. A reduction in this cost may serve as an incentive for oil and gas exploration.

Mr. Barry Moody, a geologist in the Department's Mineral Section, is scheduled to attend your meeting of October 28th.

Sincerely,

M. J. Hassell
Commissioner
Arizona State Land Department

MJH:mlt
Enclosure

**AZ OIL & GAS
CONSERVATION COMMISSION**

AUG 15 1994

COMPARISON OF OIL AND GAS LEASE TERMS

	ARIZONA		UTAH	COLORADO	NEW MEXICO
	STATE TRUST	BLM			
Filing Fee	\$100.00	\$75	\$30.00	\$20.00	\$30.00
Annual Lease Rental	\$1.00 per acre \$40.00 minimum.	\$1.50 per acre \$960 minimum.	\$1.00 per acre \$20 minimum.	\$1.50 per acre	\$1.00-\$1.00 per acre. \$100 minimum.
Size of Leasable Tract	Each lease contains no more than 2,560 acres with a 40 acre minimum.	Each lease contains no more than 2,560 acres with a 640 acre minimum.	Each lease contains no more than 2,560 acres or four sections.	Each lease has a maximum of 640 acres.	Each lease contains no more than 2 sections of land.
Lease Term	Initial 5 year term. Second 5 year term is \$2.00 per acre.	Initial 10 year term. After 5 years rental is \$2.00 per acre.	Initial 10 year term.	Lease issued for 5 years with a one time renewal for one year at \$10 per acre.	Initial 5 year term. Second 5 year term has double the rental fee.
Royalty	12.5%. Shut in royalty for gas is \$1.00/acre for year 1, \$2.00/acre for year 2 and \$3.00/acre for year 3, 4 and 5.	12.5%	12.5% after 10 years annually increases 1% to a maximum of 16 2/3%.	12.5% of fair market value at the well or price received by lessee at the well, whichever is greater. Shut in royalty is \$2.00 per acre.	Varies from 12.5% to 20% depending on whether wildcat or development well.



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

845 North Park Avenue, #100
Tucson, Arizona 85719
(602) 882-4795



Larry D. Fellows
Director and State Geologist

July 15, 1994

Mr. M.J. Hassell, Land Commissioner
State Land Department
1616 West Adams Street
Phoenix, Arizona 85007

Dear Commissioner Hassell:

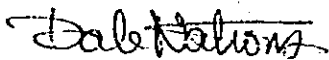
The Oil and Gas Conservation Commission recognizes that oil and gas leases on State Trust land are, for the most part, competitive with such leases in surrounding states. The Commission notes, however, that oil and gas leases on federal land in Arizona have a primary term of ten years whereas oil and gas leases on State Trust land have a primary term of five years. This may *discourage* oil and gas leasing on State Trust land.

As a result, the Commission believes, aside from any geological considerations with respect to leasing, the State Land Department may *encourage* oil and gas leasing on State Trust land by extending the primary term of oil and gas leases to ten years to be more competitive with leases on federal land. If, however, there are negative aspects to extending the primary term on State Trust land of which the Commission is not aware, it would appreciate your advice and guidance on the matter.

This Commission will be discussing incentives to oil and gas exploration in the State of Arizona in its next meeting on October 28, 1994. As leasing on State Trust land will be a part of that discussion and because the Commission would appreciate the benefit of your opinion and advice on this subject, I am extending this personal invitation to you to attend and participate in our discussion.

Sincerely yours,

OIL AND GAS CONSERVATION COMMISSION


J. Dale Nations
Chairman

7-14-94

Dale Nations, Chairman
Oil & Gas Conservation Commission

Dear Dale,

The letter requesting Commissioner Hassell's attendance and participation in your next meeting on October 28 is enclosed for your signature.

I've included a self-addressed & stamped envelope to Commissioner Hassell and a self-addressed & stamped return envelope to this office. I would appreciate it if you would return a copy of the Signed letter to me for this Commission's files. I will include a copy of your signed letter ^(as a reminder) with the agenda that I will mail to him in October.

Thanks

SLR

7-14-94

J. Dale Nations, Chairman
Oil & Gas Conservation Commission.

Dear Dale,

The minutes of Meeting and Executive Session for the July 8 meeting are enclosed for your signature. A self-addressed, stamped envelope is attached for your use.

Also enclosed is some general information on the IOGCC. I have provided this information to the Commissioners to give them an understanding of what the IOGCC is and what its attitude to meeting in certain states was in 1984. I note from the cc that this letter of 1984 is not new to you.

Steve

General info on IOGCC F.Y.I.

The Interstate Oil and Gas Compact Commission

**1993 ANNUAL BULLETIN
Volume VII**

INTRODUCTORY NOTE

The 1993 Midyear Meeting of the Interstate Oil and Gas Compact Commission was held in Tulsa, Oklahoma, June 27-29, 1993 and the Annual Meeting of the IOGCC was held in Santa Fe, New Mexico, December 5-7, 1993. Both meetings are featured in this issue of the Bulletin.

The Interstate Oil and Gas Compact Commission represents 35 states working together in a program of waste prevention. Its sole purpose is to promote and encourage the conservation of oil and gas through established state agencies. It is the functional organization set up to administer the Interstate Compact to Conserve Oil and Gas. All of its meetings are open to the public. It provides a forum for the discussion of any subject relating to oil and gas conservation. In order that the Compacting States may have the benefit of divergent views, controversial subjects are often discussed. *Therefore, it should be borne in mind that addresses, papers, or committee reports, and statements by individuals, committee members, or Commission officials may not represent the official viewpoint of the Commission, and must not be so construed unless the record shows specific approval.*

The Compact Bulletin is a free service of the Interstate Oil and Gas Compact Commission and is furnished without cost, except for postage and handling, to any state agency, library, school, association, company or individual requesting it.

The Interstate Oil and Gas Compact Commission is a voluntary organization of oil and gas producing states dedicated to the conservation of oil and gas, authorized by Article I, Section 10 of the United States Constitution and ratified by Act of Congress.

THE HONORABLE JOAN FINNEY
Chairman

PHILIP A. REALE
First Vice Chairman

EDWARD G. HEIDIG
Second Vice Chairman

CHRISTINE HANSEN
Executive Director

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INTERSTATE OIL AND GAS COMPACT COMMISSION

900 Northeast 23rd Street ■ P.O. Box 53127 ■ Oklahoma City, Oklahoma 73152-3127 ■ Phone: 405/525-3556 ■ Fax: 405/525-3592

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Governor of Wyoming

Executive Director:
Christina Hansen

DATE: July 12, 1994

TO: Steve Rauzi

FROM: Barbara Skelton

MEMBER STATES:

ALABAMA, ALASKA

ARIZONA, ARKANSAS,

CALIFORNIA,

COLORADO, ILLINOIS,

INDIANA, KANSAS,

KENTUCKY, LOUISIANA,

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UTAH, VIRGINIA,

WEST VIRGINIA,

WYOMING

1 pages including this transmittal sheet are being sent being sent from (405) 525-3592. If you have any problems receiving this entire transmittal or need to contact us for any reason, please call Barbara Skelton at (405) 525-3556.

The following are meetings held in Arizona:

May, 1952	Phoenix
December, 1960	Phoenix
December, 1966	Phoenix
December, 1974	Phoenix
December, 1978	Phoenix
December, 1990	Phoenix

If you have any further questions, please don't hesitate to call.

ASSOCIATES:

GEORGIA, IDAHO,

NORTH CAROLINA,

OREGON, SOUTH

CAROLINA, WASHINGTON

F.Y.I. With respect to meeting in AZ. Please note that this may not be representative of the current attitude of the IOCC

INTERSTATE OIL COMPACT COMMISSION

HEADQUARTERS OFFICE: 900 N. E. 23RD STREET

P. O. BOX 53127

TELEPHONE: (405) 525-3556

OKLAHOMA CITY, OKLAHOMA 73152

AUG 16 8 52 AM '84

Address Reply to Headquarters Office

TONY ANAYA
Chairman
Governor of New Mexico

W. TIMOTHY DOWD
Executive Director

August 13, 1984

RECEIVED

SEP 10 1984

O & G CONS. COMM.

Honorable Bruce E. Babbitt
Governor of Arizona
State Capitol
Phoenix, Arizona 85007

Dear Governor Babbitt:

The Interstate Oil Compact Commission has been privileged to have the State of Arizona as a signatory member since 1955. Since that time we believe that the IOCC has made a contribution to oil and gas regulatory activities in the state. It is recognized that Arizona is not a major oil and gas producing state, but many of the services and activities of the IOCC benefit the smaller states, with limited staffs, more than those states which have the professional expertise in abundance. The IOCC has also had the pleasure of meeting in Arizona on several occasions, the most recent being shortly after you became Governor in 1978.

In the past few years the financial problems of the state governments have become chronic and near universal. The IOCC is well aware that this includes the State of Arizona. Budgetary restrictions on the Oil and Gas Conservation Commission have resulted in Arizona's membership contribution to the IOCC being reduced for each of the last three years, from \$2,000 to a token payment of \$100. Under the terms of the charter of the IOCC, all contributions from the states are voluntary and the reduction in contributions cannot have the effect of making Arizona any less a member than it already was. However, there is a practical effect and it is the purpose of this letter to address that practical effect.

To be candid, there is a reluctance on the part of the Commission members to hold a meeting in a state which has unilaterally reduced its annual fund allocation to a token sum. That is unfortunate for all concerned because the IOCC participants are deprived of a delightful and popular location and the State of Arizona loses an economic benefit. Recently figures have been brought to my attention that will demonstrate what I mean.

We will usually attract approximately 500 persons into the state for a three-day meeting. According to studies made by the Bureau of Business and Economic Research at Arizona State University, a convention of the size held by the IOCC will, on the average, have an economic impact of

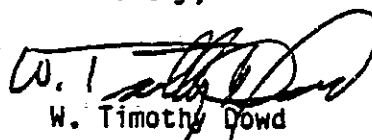
MEMBER STATES: ALABAMA - ALASKA - ARIZONA - ARKANSAS - CALIFORNIA - COLORADO - FLORIDA - ILLINOIS - INDIANA - KANSAS - KENTUCKY
LOUISIANA - MARYLAND - MICHIGAN - MISSISSIPPI - MONTANA - NEBRASKA - NEVADA - NEW MEXICO - NEW YORK - NORTH DAKOTA - OHIO
OKLAHOMA - PENNSYLVANIA - SOUTH DAKOTA - TEXAS - UTAH - VIRGINIA - WEST VIRGINIA - WYOMING
ASSOCIATES: GEORGIA - IDAHO - NORTH CAROLINA - OREGON - SOUTH CAROLINA - WASHINGTON

\$266,500 on the state and community in which the meeting is held. This represents the amount of money that out-of-state visitors will spend in the community during the course of a three-day meeting for food, lodging, transportation, etc. It does not include airfare to and from the host state. This figure also does not include the multiplier effect of economics in which the persons employed in the hotel and restaurant business, for example, spend for barbers, accountants, clothes, etc., as a result of having been employed for these meetings. Needless to say, the convention visitor pays sales tax, as much as \$8,000 for a meeting such as I am describing. The jobs generated also create taxes which flow through to the state.

I am certain that you have long since figured out what I am leading up to. It seems to me that if Arizona were to pay its annual contribution of \$2,000 and if the IOCC were to continue to hold meetings in Arizona every four to six years, that the net winner would be the State of Arizona from the standpoint of its economy and tax bases.

Governor Babbitt, I have been involved in state government for a number of years and I understand that things are not this simple. However, I believe that this is a matter that can be resolved to the benefit of all concerned if it is brought to your attention. I would appreciate having your views on this proposal.

Sincerely,


W. Timothy Dowd

WTD/gnb

cc: Dale Nations
A. K. Doss

ARTICLE 3. INTERSTATE OIL COMPACT

A.R.S. § 27-601. Authorization to enter compact

The governor is authorized and directed, for and in the name of the state, to join with the other states in the interstate oil compact to conserve oil and gas, which was executed in the city of Dallas, Texas, on February 16, 1935, and is now on deposit with the United States department of state as extended, all with the consent of the congress.

1955

A.R.S. § 27-602. Extension of expiration date

The governor is authorized, for and in the name of the state, to execute agreements for the further extension of the expiration date of the interstate compact to conserve oil and gas, and to determine if and when it is to the best interest of the state to withdraw from the compact following a sixty-day notice as provided by its terms. In the event of withdrawal, the governor may in his discretion effect the reentry of the state into the compact as provided in this article.

1955

A.R.S. § 27-603. Official representative

The governor shall be the official representative of the state on the interstate oil compact commission provided for in the compact, and shall exercise and perform for the state all the powers and duties as a member of the commission. The governor may appoint an assistant representative who shall act in his stead as the official representative of the state as a member of the commission. Such official representative, if not a state official, shall take the oath of office prescribed by law and file it with the secretary of state.

1955

October 28, 1994

R. J. Portenoy

John Haas

BARRY MOODY

[Signature]

OGCCM Visitors

Pine Key Research

Bureau of Land Mgmt.

State Land Dept

AGU