

OIL & GAS CONSERVATION COMMISSION  
MINUTES OF MEETING / JANUARY 20, 1995  
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 January 20, 1995, 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 the Minutes of Meeting of October 28, 1994
3. Statement of Director and State Geologist
4. Report of Oil & Gas Program Administrator
5. Discuss establishment of a policy manual
6. Discuss policy on federal and 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 6th day of January 1995.

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**

THIS NOTICE IS AVAILABLE IN AN ALTERNATIVE FORMAT



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Larry D. Fellows  
Director and State Geologist

January 6, 1995

**TO: Oil and Gas Conservation Commissioners**  
**FROM:** *SLP* Steven L. Rauzi, Oil and Gas Program Administrator  
**SUBJECT: Activity Report for January 20, 1995, Meeting**

Ridgeway Arizona Oil Corporation drilled a shallow offset to its Plateau Cattle #1 in November to test a Moenkopi sand. The sand was dry, but Ridgeway requested approval for long-term shut-in of the hole until a final decision on development of the area is reached. I approved this request as Ridgeway has posted a \$25,000 blanket bond and the hole could easily be plugged at the same time they plugged the #1 hole, should it come to that. Ridgeway plans to drill a confirmation hole later this month.

First Interstate Bank, pursuant to your motion in your last meeting to release the Cam-Roy performance bonds to the entity performing the work of plugging the two Power Ranches geothermal wells, issued a cashiers check payable to Power Enterprises. I forwarded the cashiers check to Power Enterprises on November 28, 1994.

We have yet to receive any word on the status of the certification of your rules that were reviewed and approved by the Governor's Regulatory Review Council on January 5, 1993, and which you subsequently approved, subject to certification by the Attorney General, on March 11, 1993.

John Haas, Bureau of Land Management, will be in this office next week to discuss an agreement covering activities on federal and Indian lands (agenda item 6).

All of the 1:500,000-scale county well location maps have been updated through January 1995. These maps show selected water well data that is available for review in our office.

Finally, two entities have contacted this office about the possibility of drilling sometime this spring. One in the western Holbrook basin and the other in southeastern Arizona. Nothing is definite, however, until an application for a permit is received.

**OIL AND GAS CONSERVATION COMMISSION**  
845 North Park Avenue, #100  
Tucson, Arizona 85719

Minutes of Meeting  
October 28, 1994

Present:

Dr. J. Dale Nations, Chairman  
Mrs. Lisa C. Worthington, Vice-Chair  
Mr. James C. Lanshe, Member  
Dr. Jan C. Wilt, 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 October 28, 1994, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 500, State Capitol Tower, Phoenix, Arizona.

APPROVAL OF MINUTES OF MEETING AND THE EXECUTIVE SESSION OF JULY 8, 1994

Mr. Lanshe moved, seconded by Mrs. Worthington:

THAT THE MINUTES OF THE MEETING AND THE EXECUTIVE SESSION OF JULY 8, 1994, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

After handing out copies of the 1993-94 annual report, Dr. Fellows reported on the first submission of the biennial budget on September 1. He included requests for IOGCC dues and travel expenses and replacement of the 4-wheel-drive field vehicles. Dr. Fellows advised that the JLBC budget analyst plans to recommend elimination of the oil and gas conservation fund to reduce the large number of small funds. Drilling permit fees would go into the general fund instead. He updated the Commission on the plans to move the office to 416 West Congress in June of 1995, the Mined Land Reclamation bill, the new format of *Arizona Geology*, and the positive results of the recent AIPG convention in Flagstaff and the Bootprints convention in Tucson.

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 reported that the good shows of carbon dioxide in the recent

well near St. Johns may lead to the construction of a sulphur-grinding plant for fertilizer and a hydroponics facility, both of which would use the carbon dioxide. In addition to the carbon dioxide, the helium tested in the well is of interest to a helium processing firm with several small helium fields in Colorado. He updated the Commission on the status of the primacy application for underground injection and the amendments to §§ 27-516(A)(3) and 27-654, the Commission's bonding statutes.

DISCUSSION AND VOTE TO RELEASE #1 AND #2 POWER RANCHES  
GEOTHERMAL BONDS

After introducing Mr. Pomeroy of Cam-Roy Research Corporation, Mr. Rauzi 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. Furthermore, that Cam-Roy did not plug and abandon the wells after the Commission refused to extend the temporary abandonment status of the wells and because Power Enterprises, the owner of the land, did plug and abandon the wells, and thereby bring them into full and final compliance with the Commission's rules, the Commission should move to release these performance bonds to Power Enterprises.

Mr. Pomeroy stated that the bonds were posted by Cam-Roy as drilling bonds and that since Cam-Roy never did any drilling on the wells the bonds should be released back to Cam-Roy. Mr. Rauzi advised Mr. Pomeroy that the bonds were performance bonds to insure compliance with the Commission's rules including the operator's obligation to plug and abandon them if commercial production was not established.

Dr. Wilt moved, seconded by Mrs. Worthington:

THAT THE PERFORMANCE BONDS ON THE #1 AND #2 POWER  
RANCHES GEOTHERMAL WELLS BE RELEASED TO THE ENTITY  
DOING THE WORK OF PLUGGING THE WELLS (POWER  
ENTERPRISES)

Motion carried unanimously.

POLICY ON INDIAN LANDS

Mr. Rauzi reviewed Mr. Haas' summary of the authorities and processes followed by the Bureau of Land Management (BLM) in carrying out its Indian Trust responsibilities on the Navajo Indian Reservation and suggested the Commission, in lieu of performing its own inspection and enforcement, write to the BLM Farmington office and request a copy of all approved permits to drill, workover reports, and abandonments on Navajo lands. Upon receipt of the approved federal permit to drill the Commission could issue a permit to facilitate internal recording keeping. The \$25 fee would not be charged for this permit.

Mr. Haas explained that BLM inspection and enforcement on Navajo lands focused on

production verification and indicated that providing copies of permits, workover, and abandonment reports to the Commission would be no problem. Mr. Rauzi asked how the new BLM spacing review on Indian lands affects the Commission's spacing order at the Black Rock Field. Mr. Haas advised that the BLM was aware of that order and had no problem with it. He pointed out that since state Commissions already have a notice and hearing process in place, the BLM generally accepts their decisions with respect to spacing and other such orders. Mr. Dulsky advised that unless the Navajo's ceded some of their sovereignty, the Commission had no authority on Indian lands but that in some instances it did have jurisdiction on federal lands. Mr. Lanshe asked Mr. Dulsky to report in a later meeting on the Commission's authorities on non-Indian federal lands. Mr. Haas indicated that he would prepare a draft memorandum of agreement concerning non-Indian federal lands for the Commission to review at a later meeting.

GOALS, OBJECTIVES, AND EXPLORATION INCENTIVES

Dr. Fellows reviewed the list of projects that were discussed in the July 8 meeting, pointing out that the order of listing was random, and asked for comments and direction from the Commission. All of the Commissioners thought the projects were good ones. They discussed the relative importance of each and, considering the current manpower situation, concluded that providing up-to-date basic data was most important followed by subsurface studies. Dr. Nations asked Dr. Fellows to consider a request for additional staff depending on how the possible discovery near St. Johns develops.

After reviewing the letter from the State Land Commissioner and the table comparing the state's leasing terms with the surrounding states and the federal government, Mr. Rauzi introduced Mr. Barry Moody of the State Land Department. Mr. Moody advised that the state's statutory maximum acreage limitation of 15,360 acres to any one entity is a problem, especially when compared to the 230,000-acre limitation for federal acreage. He reported that plans to increase the maximum are being considered. Dr. Nations indicated that the Commission would support any plan to increase the maximum acreage amount. Noting the lack of significant production in Arizona compared to surrounding states, Mrs. Worthington pointed out that Arizona's leasing terms could stand to be more competitive than they are.

Dr. Nations reviewed the list of incentives from the July 8 meeting with the indication that the Commission devote more time to them in the upcoming year. Mr. Rauzi reported that Texas has initiated a second round of incentives that would provide grants to colleges and universities for studies in petroleum geology.

CALL TO THE PUBLIC

Mr. Moody reported that the Land Department could offer competitive leasing on known geologic structures of producing oil and gas fields and asked about the structure near St. Johns. Mr. Rauzi indicated that some confirmation wells would be required before the structure could be considered a producing field.

ANNOUNCEMENTS

The next meeting was scheduled for January 20, 1995, at the Capitol Tower.


ADJOURNMENT

Dr. Wilt moved, seconded by Mr. Lanshe:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 12:20 p.m.

APPROVED

  
Dr. J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE:

Beryl I. Dulsky	Assistant Chief Council, Attorney General's Office
R.J. Pomeroy	Cam-Roy Research Corporation
John Haas	U.S. Bureau of Land Management
Barry Moody	State Land Department





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Larry D. Fellows  
Director and State Geologist

December 9, 1994

Dr. J. Dale Nations, Chairman  
Oil and Gas Conservation Commission  
P. O. Box 4099  
Flagstaff, Arizona 86011

Dear Dale:

I have enclosed the several items that we talked about this afternoon on the phone. These include a copy of the Commission's October 28 minutes, Mr. Dulsky's letter addressing the Commission's authority on federal lands, and a copy of E.S. Shaw's 1936 report on the Buttes Anticline near St. Johns. A self-addressed, stamped return envelope is also enclosed for your convenience in returning the signed minutes.

Sincerely,

Steven L. Rauzi  
Oil & Gas Program Administrator

Enclosures



STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

GRANT WOODS  
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX 85007-2926

MAIN PHONE : 542-5025  
TELECOPIER : 542-4085

December 2, 1994

*rc'd 12-6-94*

Mr. Stephen L. Rauzi, Administrator  
Arizona Oil & Gas Conservation Commission  
845 North Park Avenue, #100  
Tucson, AZ 85719

Re: Commission jurisdiction over federal land

Dear Steve:

As per the commission's request at its last meeting, I have had the question researched of its jurisdiction and authority, if any, over federal land.

The simple answer is that the commission, like any other state agency, has no authority or jurisdiction over federal land. There is an exception which may be created by statute as, for example, in the cases of certain federal environmental statutes such as CERCLA and RCRA which contain explicit waivers of federal sovereign immunity. Absent such specific statutes, states simply have no authority or jurisdiction over federal land.

This includes, not only federal land used by the federal government itself, but land leased by the federal government to others. In other words, the states have no authority to compel the federal government to comply with state law nor do they have authority to compel private entities using federal land to comply.

This same concept extends to "Indian Country" although the rule is differently stated. States can only regulate on Indian lands "when state control is not preempted by federal law, as determined largely through a balancing of tribal, federal and state interests. The rule is also stated as allowing state regulatory authority over Indian lands "only where the state interests in regulating constitute exceptional circumstances." This presupposes that the balancing of interests results in the state interests outweighing the other, competing ones.

In the case of the commission, although state interests are high, the area of conservation and regulation of the use of natural

Stephen L. Rauzi  
December 2, 1994  
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resources such as oil and gas is heavily regulated by the federal government, as well as in some cases, by tribal laws as well.

Therefore, in summary, the Arizona Oil & Gas Conservation Commission has no authority or jurisdiction over federal lands.

If you have any questions, please call at your convenience.

Very truly yours,



BERYL I. DULSKY  
Chief, Civil Unit  
Environmental Enforcement Section

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Oil & Gas Conservation Commission Meeting 1/20/95

Guests:

Beryl I. Dulsky      AGO      542-1610