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 February 9, 1996, at 10:00 a.m. in Room 111 at 416 West Congress, Tucson, Arizona 85701. 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 September 15, 1995
3. Statement of Director and State Geologist
4. Report of Oil & Gas Program Administrator
5. Status of Sunset Review
6. Status of incentive legislation
7. Forfeiture of bonds
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, 416 West Congress, Suite 100, Tucson, Arizona 85701.

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 20th day of January 1996.

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rausz
Oil and Gas Program Administrator
NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION

OIL AND GAS CONSERVATION COMMISSION

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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 26th day of January 1996.

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rausi
Oil and Gas Program Administrator

PLEASE ADVISE THIS OFFICE ASAP IF YOU WILL NOT BE ATTENDING THIS MEETING

Title II of the Americans with Disabilities Act prohibits the Oil and Gas Conservation Commission from discriminating on the basis of disability in its public meetings. Individuals with disabilities who need a reasonable accommodation to attend or participate in the Commission’s meeting, or who require the information in an alternative format, may contact the Program Administrator to make their needs known. Requests must be made at least 23 hours in advance so the Commission will have sufficient time to respond.
To: Oil and Gas Conservation Commissioners  
From: Steven L. Rauz, Oil and Gas Program Administrator  
Re: Activity Report for February 9, 1996, Meeting

I am pleased to announce that Governor Symington reappointed Dale Nations to the Commission on January 10. This is Dale's fourth reappointment to the Commission since January 1976. A new roster is attached.

Five permits to drill were issued since your last meeting on September 15, 1995. One to Fremco Western for an 8,500-foot test about 14 miles southeast of St. George, Utah, and four to Ridgeway Arizona Oil Corporation for confirmation wells at its St. Johns carbon dioxide play. The Fremco hole is shut in at a depth of 825 feet, and Ridgeway plans to start drilling in early February. The Arron hole near San Simon is still shut in pending further analysis.

On January 17, the Senate Committee on Natural Resources, Agriculture and Environment initiated SB 1075 to continue the Commission through July 2006. SB 1075 continues several natural resource agencies. A copy of this bill is attached.

SB 1126, apparently to reduce the tax rate on produced oil from 100 percent of assessed value to about 29 percent of assessed value (the assessed value on mine production) is scheduled to be heard on January 29. As we understand it, Senator Henderson, Window Rock, sponsored this bill on behalf of Mountain States Petroleum, the operator at Dineh-bi-Keyah Field. Larry and I plan to attend the hearing, get a copy of the bill, testify if appropriate, and advise you at your February 9 meeting.

In response to the discussion about archeological surveys on State Trust Land in your last meeting on September 15, 1995, I advised Mr. Rozen by letter of October 3 that we would remind applicants for a permit to drill on State Trust Land to consult with the Land Department regarding any archeological studies that may be required under the terms of the oil and gas lease. Mr. Rozen has not expressed any dissatisfaction with this arrangement.

We are holding a cash bond for a well that was plugged & abandoned in 1981 in compliance with all applicable rules yet the operator never requested release of this bond. I wrote two letters to the operator about this but I received no response. One letter was returned, addressee unknown. This money should be transferred to our forfeited bond account where it may be used for enforcement when needed.

The Attorney General certified the rules you adopted in March 1993 on December 29, 1995. Just in time too, because we received notice from the Governor’s Regulatory Review Council that the next five-year review of oil and gas rules is scheduled for later this year. There is no need to discuss specifics at this time, but one issue you may want to consider is lowering the performance bond to $5,000 dollars for wells drilled to a depth less than 1,000 feet.
OIL AND GAS CONSERVATION COMMISSION
416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
September 15, 1995

Present:

Dr. J. Dale Nations, Chairman
Ms. Lisa C. Worthington, Vice-Chair
Dr. Donald C. Clay, Member
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 September 15, 1995, 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 Dr. Clay to the Commission as a member and presented him with Governor Symington’s certificate of appointment.

APPROVAL OF MINUTES OF MEETING OF March 17, 1995

Mr. Veale moved, seconded by Ms. Worthington:

THAT THE MINUTES OF THE MEETING OF MARCH 17, 1995, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that the AZGS is in the first year of its biennial budget, which is approved through fiscal year 1997. He reported that Mr. Rauzi had put together information for the Sunset Review, that a hearing will be scheduled sometime in October, and that legislation will be drafted to continue the Commission. Dr. Fellows noted the drilling at St. John's, and that drilling has been active this year.

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 testing of the Arzon hole is expected to begin...
soon, that the Ridgeway 3-1 well was drilled to 1813 feet and they plan to drill five more wells, that an individual expressed interest in drilling on the Arizona Strip, and that Hunt Oil expressed interest in analyzing samples and leasing State Land. Unitization of the St. Johns structure was discussed with Mr. Barry Moody, State Land Department.

Ms. Worthington asked about the meeting with the Governor that was discussed in the last meeting. Mr. Rauzi advised that it had fallen through but that he understood the Governor would support a bill if the Commission obtained a sponsor. Dr. Fellows noted that this was his understanding as advised by Mr. Joe Lane of the Governor's staff.

Mr. Laneshe stated for the record that he was a principal shareholder in an Arizona corporation leasing land on the Arizona Strip. He advised that he would abstain from acting on any future matter with respect to this project to avoid any conflict of interest.

SUNSET REVIEW 1996

Mr. Rauzi gave a chronological background of the Sunset Review and discussed the material sent to Ms. Victoria Tafoya of the Senate Research staff. The material included a report addressing the 12 factors in ARS § 41-2354, an agency questionnaire, annual reports for fiscal years 1991-94, and copies of Commission minutes for fiscal years 1984-94.

Dr. Fellows discussed the Sunset Review process, noting that the AZGS went through its Sunset Review in 1992. He suggested that Commission members review the draft reports and plan on testifying, either individually or through the Chairman, at the hearing, which will probably be scheduled in October. Discussion ensued. Dr. Fellows advised that Legislation will have to be introduced in the next session to continue the Commission.

Mr. Dulskey discussed the time frame of the Sunset Review and advised that time is late so to expect pressure. The Commission has 40 days according to ARS § 41-2953(C).

INCENTIVES

Mr. Moody distributed "Issues Regarding Oil and Gas and Geothermal Exploration on State Trust Land." He discussed the acreage limitation; the Condemnation Clause, which is triggered, and compensated for, by action of the Federal Government; A.R.S. § 37-108, dealing with the $200 per lease assignment fee; A.R.S. § 27-555 about rental rates; and geothermal applications, which require public auction. Discussion followed. Mr. Moody introduced Mr. Ken Rozen, to discuss archeological matters.

Mr. Rozen stated that in his opinion State agencies have an obligation to the State Historic Preservation Act to allow archaeologists 30 days to view and comment on plans of Agencies in the event of significant ground disturbance to archaeologically important sites. He suggested the survey be done by a staff archeologist, provided they knew in advance when a permit would be issued. Mr. Rauzi questioned a 30-day waiting period in areas
determined to contain no archaeologically important sites, and asked if the 30-day period applied to water wells. Mr. Rozen confirmed that it did.

Mr. Lanshe moved, seconded by Dr. Clay:

THAT STAFF OPEN DISCUSSION WITH THE LAND DEPARTMENT TO DETERMINE HOW THE COMMISSION CAN INCORPORATE THE ARCHEOLOGY REQUIREMENT IN THE DRILLING PERMIT PROCESS

Motion carried unanimously.

Ms. Worthington asked what was being done to pursue the legislative incentives discussed in the last meeting. Mr. Raussi answered that even though the meeting with the Governor did not occur, the material prepared for the meeting is available including the recommendations for a tax credit for move-in, move-out costs and a tax waiver on production from a discovery well until drilling and completion costs were recovered. He noted that the credit or waiver made sense because they would only be available if production were established. If production were not established, there would be no cost to the State, so there was nothing to lose by adopting them.

Dr. Fellows advised that if the Commission wanted to pursue this legislatively, he would try to find a sponsor for it, starting with the Chair of the House Natural Resources Committee. Mr. Raussi stated that it was probably too late to initiate a bill for the next session. Mr. Lanshe noted that the issue has been on the table for about a year and that it dovetailed nicely with the bill to continue the Commission. A discussion followed on the timing and feasibility of initiating the bill and combining it with the Sunset Review process.

Mr. Lanshe moved, seconded by Ms. Worthington:

THAT STAFF INITIATE THE PROCESS TO MOVE THE INCENTIVE SUGGESTIONS THROUGH THE UPCOMING LEGISLATIVE SESSION

Motion carried unanimously.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

The next meeting was scheduled for 10:00 a.m. on December 8, 1995, in room 500 of the Capitol Tower.

ADJOURNMENT
Mr. Lanshe moved, seconded by Ms. Worthington:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:50 a.m.

APPROVED

Dale Nations
Chairman

GUESTS IN ATTENDANCE:

Beryl I. Dulsky  Chief Council, Attorney General’s Office
Barry Moody  State Land Department
Ken Reznor  State Land Department
Termination Under Sunset Law

The oil and gas conservation commission shall terminate on July 1, 1996, unless continued. See §§ 41-296.11 and 41-2955.

Title 27, Chapter 4, Article 1, relating to production and conservation of oil and gas, is repealed on January 1, 1997 by § 41-2996.11.

7/31/95 Victoria Tafoya, Senate Research Staff, 582-3171, called to request mailing addresses for individual commission members. faxed her public roster of members.

8/3/95 Victoria Tafoya called to request oil and gas groups or organizations having dealings with the oil and gas commission. The research staff is preparing for the sunset review on July 1, 1996. (1) Harken Southwest (Rachael Montgomery), (2) Mountain States Petroleum (Roger Slayton), (3) Dry Mesa Corporation (Ken Hadi), (4) Maverik Oil & Gas Corporation (T. Greg Merriion), (5) Amerijagas (David Harbuska), (6) Ferrilgas (Dale Thompson), (7) Intermountain Refining Company (Rick Hutt), (8) High Plains Petroleum (John B. Summers), (9) Arizon Corporation (John Tuccari), (10) The Townscape Company (Irvin Townscape), (11) Ridgeway Arizona Oil Company & Walsh Engineering (Paul Thompson), (12) Ridgway Arizona Oil Company (Walter Ruck), (13) Medallion Oil Company (Jerald McQueen), (14) Shields Exploration Company (Jay Shields).

8/9/95 LDF receives Senator Buster’s letter requesting response to 12 factors in letter and attached agency questionnaire, copies of minutes 1994-94, an annual report. Agency questionnaire mailed to each commissioner.

8/16/95 Agency questionnaire mailed to commissioners in error, second short questionnaire mailed instead.

8/30/95 Call commissioners to request copy of completed second questionnaire. Clay returned blank form with note no meeting attended yet. Lisa already mailed both forms, Dale already mailed second form, left message for Zoe and James.

9/1/95 Complete and mail draft copy of reports in response to Buster’s 8/1/95 letter to commissioners with agenda mailing.

9/11/95 Mail reports, annual reports, and minutes of meetings with cover letter to Victoria.

9/15/95 Commission moves to dovetail incentive legislation with sunset review

9/25/95 Mail incentive memo and Utah incentive legislation to Victoria Tafoya

10/5/95 Larry gets word from Victoria that hearing to be scheduled after Thanksgiving. No word on status of incentive legislation.

11/17/95 Larry calls to advise hearing scheduled for Thursday, November 30.

11/27/95 Call Ginnette Karabees to solicit words of support at Thursday’s hearing.

11/28/95 Ginnette calls, John in Europe, conflict with tree festival, will fax statement of support to Victoria.

11/30/95 Committee of Reference votes unanimously to continue. Larry, Lisa, Don, & myself present.

12/19/95 Larry receives final sunset report on Oil & Gas Conservation Commission
1/5/96 Susan Amable, Senate Research Staff, advises Larry that Senate Natural Resources, Agriculture, & Environment Committee will sponsor SB 1075 (Omnibus Agency Consolidation Bill). Bill continues four agencies including Oil & Gas, Mines & Mineral Resources, Power Authority, and Outdoor Recreation Commission.

1/17/96 Senate Natural Resources, Agriculture, & Environment Committee passes SB 1075 by unanimous vote.

2/6/96 House Natural Resources & Agriculture Committee passes SB 1075 by majority vote. Representatives Pat Conner, Yuma, David Farnsworth, Snowflake, and Jerry Overton, Litchfield Park, vote no.
REFERENCE TITLE: natural resource agencies; continuation

State of Arizona
Senate
Forty-second Legislature
Second Regular Session
1996

SB 1075

Introduced By
Committee on Natural Resources, Agriculture and Environment

AN ACT

REPEALING SECTIONS 41-2996.09, 41-2996.10, 41-2996.11 AND 41-2996.25, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 41-3006.01 THROUGH 41-3006.04; RELATING TO
NATURAL RESOURCE AGENCIES.

Be it enacted by the Legislature of the State of Arizona:

Section 1. Repeal
Sections 41-2996.09, 41-2996.10, 41-2996.11 and 41-2996.25, Arizona
Revised Statutes, are repealed.

Sec. 2. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
amended by adding sections 41-3006.01 through 41-3006.04, to read:

41-3006.01. Arizona outdoor recreation coordinating commission;
termination July 1, 2006

A. THE ARIZONA OUTDOOR RECREATION COORDINATING COMMISSION TERMINATES ON JULY 1, 2006.

8. TITLE 41, CHAPTER 3, ARTICLE 1.2 IS REPEALED ON JANUARY 1, 2007.

41-3006.02. Department of mines and mineral resources;
termination July 1, 2006

A. THE DEPARTMENT OF MINES AND MINERAL RESOURCES TERMINATES ON JULY 1, 2006.

8. TITLE 27, CHAPTER 1, ARTICLE 1.2 IS REPEALED ON JANUARY 1, 2007.

41-3006.03. Oil and gas conservation commission; termination
July 1, 2008

A. THE OIL AND GAS CONSERVATION COMMISSION TERMINATES ON JULY 1, 2006.
B. TITLE 27, CHAPTER 4, ARTICLE 1 IS REPEALED ON JANUARY 1, 2007.
41-3006. Arizona power authority; conditional
termination on July 1, 2006
A. THE ARIZONA POWER AUTHORITY TERMINATES ON JULY 1, 2006, AND TITLE
30, CHAPTER 1, ARTICLE 1 IS REPEALED ON JANUARY 1, 2007, IF THE AUTHORITY:
1. HAS NO OUTSTANDING CONTRACTUAL OBLIGATIONS WITH THE UNITED STATES
OR ANY UNITED STATES AGENCY.
2. HAS NO OUTSTANDING DEBTS OR OBLIGATIONS THAT WERE ISSUED TO FINANCE
THE COST OF THE HOOVER POWER PLANT MODIFICATIONS PROJECT OR THE HOOVER POWER
PLANT UPRATING PROJECT.
3. HAS OTHERWISE PROVIDED FOR PAYING OR RETIRING THESE DEBTS OR
OBLIGATIONS.
B. IF ANY CONTRACTUAL DEBT OR OBLIGATION LISTED IN SUBSECTION A EXISTS
AND NO SATISFACTORY PROVISION HAS BEEN MADE TO PAY OR RETIRE THE DEBT OR
OBLIGATION, THE AUTHORITY, AND TITLE 30, CHAPTER 1, ARTICLE 1, SHALL CONTINUE
IN EXISTENCE UNTIL THE DEBT OR OBLIGATION IS FULLY SATISFIED.
Sec. 3. Purpose of Arizona outdoor recreation coordinating
commission
The purpose of the Arizona outdoor recreation coordinating commission
is to provide for the distribution of federal and state monies for
recreational projects and to assist and advise the Arizona state parks board.
Sec. 4. Purpose of the department of mines and mineral
resources
The purpose of the department of mines and mineral resources is to
assist in the exploration and development of this state's resources.
Sec. 5. Purpose of the oil and gas conservation commission
The purpose of the oil and gas conservation commission is to regulate
the drilling for and production of oil, gas, helium and geothermal resources,
to promote the conservation of these resources, to protect their ownership
rights, to safeguard the public health and to otherwise effect the public
policy of this state pursuant to section 27-502, Arizona Revised Statutes.
Sec. 6. Purpose of the Arizona power authority
The purpose of the Arizona power authority is to bargain for, take and
receive electrical or other forms of energy and make these forms of energy
available for the benefit of this state.
Sec. 7. Retroactivity
Sections 1 and 2 of this act are effective retroactively to July 1,
1996.
25 September 1995

Victoria Tafaya, Research Assistant
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

Dear Victoria:

The Oil and Gas Conservation Commission believes these incentives would help increase drilling in Arizona. If you have any questions, please call.

Sincerely yours,

Larry D. Fellows
Director and State Geologist
Memo: Larry Fellows, Director
From: Steve Rauzi, Oil & Gas Program Administrator
Re: Tax incentives proposed by the Oil and Gas Conservation Commission

Tax-incentive legislation has been enacted in surrounding states to stimulate increased production and revenue from existing oil and gas fields by (1) a tax exemption on incremental production from new wells and (2) a tax credit for workover or drilling costs.

Arizona has no existing oil or gas production on State Trust or fee land. As a result, tax-incentive legislation for Arizona must be aimed at stimulating a new discovery. Two tax incentives that may spur drilling in Arizona and result in a discovery include:

1. Severance tax or royalty exemption on production from a discovery well, and

2. Tax credit from future production for move in/move out costs.

A tax exemption on production from a discovery well could be for five years, one or two times payout of the well, or permanent. Development wells may have better production than the initial discovery well and will be taxed. The royalty exemption may spur drilling on State Trust land. The tax credit for move in/move out costs will help defray the very high cost of moving in the necessary drilling equipment for deep wells.

These incentives would not be available unless a discovery is made and production is established. The State of Arizona, therefore, has nothing to lose by adopting them. The benefits of a discovery far outweigh a tax exemption or credit on a single well. A discovery may produce hydrocarbons and generate revenue for 20 to 30 years, and create jobs and other benefits to the economy.

A copy of the tax-incentive legislation for Utah is attached. This includes the annual exemption incentive, § 59-5-102(2), and the tax credit incentive, § 59-5-102(3).
the oil or gas produced, saved, and sold or transported from the field where the substance was produced.

(b) Beginning January 1, 1992, the severance tax rate for oil is as follows:
   (i) 3% of the value up to and including the first $10 per barrel for oil; and
   (ii) 5% of the value from $10.01 and above per barrel for oil.

(c) Beginning January 1, 1992, the severance tax rate for natural gas is as follows:
   (i) 3% of the value up to and including the first $1.50 per MCF for gas; and
   (ii) 5% of the value from $1.51 and above per MCF for gas.

(d) Beginning January 1, 1992, the severance tax rate for natural gas liquids is 4% of the taxable value of natural gas liquids.

(a) If the oil or gas is shipped outside the state, this constitutes a sale, and the oil or gas is subject to the severance tax.

(b) If the oil or gas is sold or transported for more than two years, it is subject to the severance tax.

(2) No tax is imposed upon:
   (a) The first $50,000 annually in gross value of each well or wells as defined in this part, to be prorated among the owners in proportion to their respective interests in the production or in the proceeds of the production;
   (b) Striped wells, unless the exemption provided for is granted for federal purposes;
   (c) The first six months of production for wells started after January 1, 1950;
   (d) The first 12 months of production for wells started after January 1, 1980; or
   (e) The first six months of production for development wells started after January 1, 1950.

(3) A working interest owner who pays for all or part of the expenses of a recompletion or workover is entitled to a tax credit equal to 90% of the amount paid.

(4) The tax credit for each recompletion or workover may not exceed $50,000 per well during each calendar year through December 31, 1994, and beginning January 1, 1995, $30,000 per well during each calendar year through December 31, 1999. The tax credit shall apply to the taxable year in which the recompletion or workover is completed and shall be claimed quarterly beginning on the third quarter after recompletion or workover is completed under rules made by the commission.

(f) This subsection shall terminate at midnight on December 31, 1999.

(4) Those taxes are in addition to all other taxes provided by law and are delinquent, unless otherwise deferred, on June 1 next succeeding the calendar year when the first gas is produced, saved, and sold or transported from the premises.

(5) With respect to the tax imposed by this chapter on each owner of oil or gas in the proceeds of the production of those substances produced in the state, each owner inures for tax in proportion to the owner's interest in the production or in the proceeds of the production.

(a) The tax shall be reported and paid by each producer who takes oil or gas in kind pursuant to agreement on behalf of the producer and on behalf of each owner entitled to participate in the oil or gas sold by the producer or transported by the producer from the field where the oil or gas is produced.

(b) Each producer shall deduct the tax from the amounts paid to other owners for the production or the proceeds of the production.

(c) Each producer shall file a report under Section 59-2-102.

59-3-103. Valuation of oil or gas — Alternatives — Exceptions — Controversies on value to be determined by commission.

(a) For purposes of computing the severance tax, the value of oil or gas at the well is the value established under an arm's-length contract for the purchase of oil or gas.

(b) If the value of oil or gas at the well is the value established under an arm's-length contract for the purchase of oil or gas, or in the absence of such a contract, by the value established in accordance with the first applicable of the following methods:

(a) The value at the well established under a non-arm's-length contract for the purchase of oil or gas.

(b) The value determined by consideration of information relevant in valuing like oil or gas at the well in the same field or nearby fields or areas such as posted prices, prices received in arm's-length spot sales, or other reliable public or private market information.

(c) The value established using the net-back method as defined in Section 59-5-101.

(d) Oil or gas used in drilling operations in the same field or on other fields in the state shall be valued at the gross value for tax purposes.

(e) Any contract between a parent or subsidiary company, or between companies wholly or partially owned by a common parent, or between companies otherwise affiliated that specifies the value of oil or gas at the well in the same field or nearby fields or areas shall be reviewed by the commission at fair market value as defined under Section 59-2-102.

(f) If there is a controversy, the commission shall determine the value of oil or gas.


(a) Every producer engaged in the production of oil or gas from any well in the state shall file with the commission, on or before June 1 of each year, a statement in the form furnished by the commission, a statement containing the following information relating to the oil or gas produced, saved, and sold or transported from the oil or gas field where produced during the preceding calendar year:

(b) The number of barrels of oil, the cubic feet of gas, and the amount of other hydrocarbon substances produced;

(c) The value of this production at the well; and

(d) Any other reasonable and necessary information required by the commission.

(b) The statements or reports required to be filed with the commission shall be signed and sworn to by the producer or a designee.

(c) Any willful false swearing as to the purported material facts set out in this report constitutes the
REFERENCE TITLE: oil, gas and geothermal taxation

State of Arizona
Senate
Forty-second Legislature
Second Regular Session
1996

SB 1126

Introduced By
Senators Henderson; Goudinoff, Soltero

AN ACT

AMENDING SECTION 42-162, ARIZONA REVISED STATUTES; AMENDING SECTION 42-227, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 1995, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 2; REPEALING SECTION 42-227, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 1995, CHAPTER 294, SECTION 5; BLENDING MULTIPLE ENACTMENTS: RELATING TO PROPERTY TAX ASSESSMENT.

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 42-162, Arizona Revised Statutes, is amended to read:

42-162. Classification of property for taxation
A. There are established the following classes of property for taxation:

1. Class one:
   (a) Producing mines and mining claims, the personal property used thereon, the improvements thereto and the mills and smelters operated in conjunction therewith valued under the provisions of section 42-143.
   (b) Standing timber.
   (c) Producing oil, gas and geothermal resource interests valued under sections 42-143 and 42-227.01 through 42-227.04.

2. Class two:
   (a) All real and personal property used to provide local telecommunications service valued under chapter 4, article 5 of this title.
   (b) All property, both real and personal, of gas, water and electric utility companies and pipeline companies valued under the provisions of section 42-144 or 42-201, whichever is applicable.
(111) That both the improvements and the federal, state, county or
municipal property are located on a state, county, city or town airport or
a public airport operating pursuant to sections 2-311, 2-312 and 2-313.
(c) Property that is leased to or acquired by the government and used
to perform a government contract and that is defined as "contractor-acquired
property" or "government-furnished property" in the federal acquisition
regulations (48 Code of Federal Regulations section 45.101, as amended or
superseded by federal law or regulation).
(d) Property of a corporation organized by or at the direction of this
state or a county, city or town to develop, construct, improve, repair,
replace or own any property, improvement, building or other facility to be
used for public purposes that the state, county, city or town pledges to
lease or lease-purchase with state, county or municipal special or general
revenues and not otherwise exempt under section 42-271.
B. For the purposes of classification of property under this section,
partially completed or vacant improvements on the land including improved
common area tracts shall be classified according to their intended use as
demonstrated by objective evidence. For property not valued by the
department, an improvement on the land is considered to be partially
completed when the foundation of the structure or structures to be located
on the property is in place. The only portion affected by the
reclassification is the improvement on the land and that portion of the land
that is necessary to support the use of the structure or structures, except
that common area tracts in residential developments associated with partially
completed improvements shall receive the same classification as the partially
completed improvements. Property that is not valued by the department, that
does not have a structure or structures and that is actively used for
commercial purposes shall be classified as prescribed by subsection A of this
section. This subsection does not apply to property that is classified as
agricultural pursuant to section 42-167.
Sec. 2. Section 42-227, Arizona Revised Statutes, as amended by Laws
1995, first special session, chapter 9, section 2, is amended to read:
42-227. Determination of assessed valuation
A. As a basis for determining the assessed valuation for the different
classes of property specified in section 42-162, the following percentages
shall apply:
1. Class one: For tax year 1990 through tax year 1994, thirty per
cent of its full cash value. For tax year 1995, twenty-nine per cent of its
full cash value. For tax year 1996, twenty-eight per cent of its full cash
value. For tax year 1997, twenty-seven per cent of its full cash value. For
tax year 1998, twenty-six per cent of its full cash value. For tax year 1999
and each tax year thereafter, twenty-five per cent of its full cash value.
2. Class two: For tax year 1990 through tax year 1994, thirty per
cent of its full cash value. For tax year 1995, twenty-nine per cent of its
8. Class eight: Five per cent of its full cash value.

9. Class nine: The percentage of full cash value prescribed for class three property by this section, except that the assessed valuation of modifications intended to restore and rehabilitate the historic property as approved by the historic preservation officer under section 42-164 is one per cent of the full cash value for up to ten years.

10. Class ten: The percentage of full cash value prescribed for class six property by this section, except that the assessed valuation of modifications intended to restore and rehabilitate the historic property as approved by the historic preservation officer under section 42-164 is one per cent of the full cash value for up to ten years.

11. Class eleven: One per cent of its full cash value.

12. Class twelve: One per cent of its full cash value.

13. The valuation determined for producing oil, gas and geothermal resource interests valued under the provisions of sections 42-143 and 42-227.01 through 42-227.04 shall be the assessed valuation for such property.

14. Upon preparation of the rolls, the assessor shall apply the appropriate percentage to the full cash value and limited property value of all property so that the assessed valuation will be shown.

15. If a parcel of property has more than one percentage applied to its full cash value due to multiple uses pursuant to this section, the percentages shall be applied to the limited property value of the parcel in the same proportion and in the same manner as they were applied to the full cash value of the parcel.

Sec. 3. Repeal

Section 42-227, Arizona Revised Statutes, as amended by Laws 1995, chapter 294, section 5, is repealed.
shall encompass gradually increasing professional standards and qualifications.

II. On or before December 31 of each year, the department shall submit an annual education training and certification plan to the committee established by this section and to the president of the senate, the speaker of the house of representatives, the chairman of the senate finance committee or its successor, and the chairman of the house ways and means committee or its successor. The plan shall outline the previous year's achievements and problems and specify the coming year's expected education, training, and certification activities. The plan shall contain at least the following elements:

1. Requirements and procedures for admission to the education, training, and certification programs offered by the department.
2. Levels of achievement and requirements for attaining professional certification, basic certification, intermediate certification, and advanced certification.
3. A discussion of course contents of all courses offered by the department or courses offered by professional appraisal organizations approved as substitute courses for those offered by the department.
4. A discussion of certification implications for compensation systems of the state and counties, including possible options for building incentives into the compensation schedules of the state and counties for continued professional certification.
5. Procedures for ongoing evaluation of course content, student and instructor proficiency evaluations.
6. The provisions of subsection A shall not apply to elected officials, clerical and secretarial personnel.

42-143. Determination of valuation of producing and closed mines, mills and smelters, and processing oil, gas and geothermal resources interests; changing valuation.

A. On or before the first Monday in June the department shall determine the valuation of all patented and unpatented producing mines, the personal property used therein, the improvements thereto and the mills and smelters operated in conjunction therewith within the state and on or before the third Monday in June transmit to the several boards of supervisors the valuation thereof.

B. On or before the first Monday in June the department shall determine the valuation of all patented and unpatented unproducing mines which were producing mines on the first Monday in January of any of the three preceding tax years but which are no longer producing mines. The department shall value such non-producing mines for a period of three tax years subsequent to the tax year in which production terminated.

C. The department shall determine the valuation of all producing oil, gas and geothermal resource interests within the state in the manner provided in §§ 42-287.01 through 42-287.04 and on or before the third Monday in June the department shall furnish to the board of supervisors of the county in which oil or gas or geothermal resource interests of such person or persons are located, the valuation of such oil, gas or geothermal resource interests of each producer for each of his properties in the county as of January 1 of the year.

D. After the determination of the valuation of any producing oil, gas or geothermal resource interest and before certification of the valuation to the county the department may upon the application of the producer or on its own motion, change the valuation to properly reflect the gross yield thereof.

E. The valuations required by this section are the values determined as of January 1 of the tax year.

42-144. Determination of location, description and valuation of gas, water and electric utilities and pipelines: definitions.

A. On or before the first Monday in June the department shall prepare the following:

1. The location of each public utility or pipeline.
2. The description of each public utility or pipeline including length, pressure, and capacity.
3. The valuation of each public utility or pipeline.

B. The department shall determine the value of all public utilities or pipelines which are used for the production or transportation of natural gas, water, and electricity.

D. An electric, gas and water utility or pipeline shall consist of the following:

1. The equipment used in the generation, transmission, and distribution of electricity, gas, and water.
2. The land and improvements used in the generation, transmission, and distribution of electricity, gas, and water.

3. The value of such property shall be based upon the cost of construction and acquisition of the property and shall include all necessary equipment, materials, and supplies.

4. The valuation of such property shall be determined as of January 1 of the tax year.

5. The value of such property shall be subject to the provisions of this section and shall be reassessed at least once every five years.
TAXATION

42-237.01
(b) The total assessed valuation of all property for primary tax purposes in classes 1, 2, and 3 bears to the total assessed valuation used for primary tax purposes of such property and such ratio shall be used for primary tax purposes as required by federal law.

C. The valuation determined for producing oil, gas and geothermal resources under provisions of §§ 42-143 and 42-237.01 through 42-237.06 shall be the assessed valuation for such property.

D. Upon preparation of the rolls, the assessor shall apply the appropriate per cent to the assessed value of the parcel in the same proportion and in the same manner as they were applied to the full cash value of the parcel.

42-237.01. Definitions

In §§ 42-143 and 42-237.01 through 42-237.06 unless the context otherwise requires:

1. "Gas" means all natural gas, including casing-head gas, and all other hydrocarbons not defined as oil in paragraph 5 of this section and helium and other non-hydrocarbon substances of a gaseous nature.

2. "Geothermal resource" shall have the meaning given such term in § 27-651.

3. "Gross production" means all oil, gas or geothermal resources produced and saved except:
   (a) Any interest of the United States or any state of Arizona or any other person or entity exempt from application of the laws of the United States or the constitution or laws of the state of Arizona in any oil, gas or geothermal resources or in the proceeds thereof.
   (b) Oil, gas or geothermal resources used in producing operations or for representing or recycling purposes by the producer for the development and operation of his interests in oil, gas or geothermal resource wells in the area within Arizona.

4. "Gross yield" means the amount for which the gross production is sold to the immediate viciety of the field or, if not sold on the property, the field or posted price or representative market price at the well of oil, gas or geothermal resources transported from the property.

5. "Oil" means crude petroleum oil and other hydrocarbons, regardless of gravity, which are produced at the well in liquid form by ordinary production methods and which are not the result of condensation of gas after it leaves the reservoir.

6. "Permit" or "production" means any taking of oil or gas from any lands within the state of Arizona or under its jurisdiction.

7. "Producer" means any person owning, controlling, leasing, either as lessee or lessor, or having any interest in, any oil, gas or geothermal resources, land or oil, gas or geothermal resource wells on January 1 of the calendar year in which such production is produced if any person owning any royalty or other interest in any oil, gas or geothermal resource has its value, whether produced by him or by some other person on his behalf, either by lease, contract or otherwise.

42-237.02. Basis of valuation of producing oil, gas and geothermal resource interests

A. Producing oil, gas or geothermal resource interests shall be valued for tax purposes at the amount of the gross yield therefrom for the preceding calendar year. Such gross yield shall be the valuation of the oil, gas or geothermal resource interests of the lands from which such oil, gas or geothermal resource is produced as of the first day of January of the following year. This shall not affect the basis of valuation of property other than producing oil, gas or geothermal resource interests.

B. The basis of valuation of producing oil, gas or geothermal resource interests is set forth in this section and the oil, gas and geothermal resource deposits subject thereto for ad valorem tax purposes, notwithstanding any other provision of law to the contrary.

42-237.03. Annual report by oil, gas and geothermal resource producers; classification

A. Every producer shall annually, on or before the last day of February of each year, make and file with the department a return showing his gross production and gross yield thereof from each of his producing properties for the calendar year immediately preceding the year in which said return is required to be filed.

B. The return shall show the county in which the production took place and the description of the property from which the oil, gas or geothermal resource was produced. The return shall be verified by the producer or by some authorized representative of the producer. The department may upon request and for good cause grant a thirty-day extension of time for the filing of the annual return.

C. Every producer who knowingly fails to file the returns as provided for in this section or who knowingly files a false return is guilty of a class 2 misdemeanor.

42-237.04. Producing oil, gas and geothermal resource interests listed, assessed and taxed separately from land

Producing oil, gas and geothermal resource interests shall be listed, the valuation shall be determined and they shall be taxed individually as separate parcels of real estate separate and apart from the rest of the land where they are owned by a person other than the owner of the rest of the land.
Purpose

Effective for tax year 1997 reduces, from 100 to 27 per cent, the property tax assessment ratio for producing oil, gas and geothermal resource interests.

Background

In Arizona, parcels of property are segregated into separate classifications for property tax purposes. This concept was first introduced into the Arizona property tax structure in 1967 as a mechanism for differentiating the tax burden among the various classes of property. This differentiation of the tax burden is accomplished through the use of assessment ratios assigned to each class. Specifically, the assigned assessment ratio identifies the percentage of the property value that is used in the calculation of the tax burden for that parcel.

As an example, assuming a total tax rate of $10 per $100 of assessed valuation, a parcel of property valued at $100,000 with a 15 per cent assessment ratio has a $1,500 tax liability. The same property with a 30 per cent assessment ratio faces a $3,000 tax liability. Presently, the state has 12 different classes of property with assessment ratios ranging from one to 100 per cent.

Property class C includes producing oil, gas and geothermal resource interests and is subject to a 100 per cent assessment ratio. S.B. 1126 eliminates property class C and incorporates producing oil, gas and geothermal resource interests into property class 1. This has the effect of reducing the assessment ratio on these parcels for tax year 1997 from 100 to 27 per cent. The class 1 assessment ratio is scheduled to phase down to 25 per cent beginning for tax year 1999.

Although there is heightened interest in further exploration and development in this area, currently three parcels of class C property exist in the state. The total value of these parcels (for both primary and secondary purposes) for tax year 1995 is $853,334. Because all three parcels are located in the same school district, Red Mesa Unified in Apache County, all are subject to the same tax rate. For FY 1995-1996, the applicable combined tax rate is $3.1582 per $100 of assessed valuation and the total tax liability is $26,950. The fiscal impact on the state general fund (increased state aid and reduced education tax rates collections) of reducing the assessment ratio, assuming a static situation, is approximately $40,000 per year. Additionally, there will be some minor burden shifts among classes of property in Apache County.
FACT SHEET
S.B. 1126
Page 2

Provisions

1. For property tax purposes, reclassifies producing oil, gas and geothermal resource interests from class C (with a 100 per cent assessment ratio) to class 1 (with a tax year 1997 assessment ratio of 27 per cent).

2. Makes technical changes.

3. Contains a general effective date.

Prepared by Senate Staff
January 26, 1996

Passed Senate Finance Committee February 5 by unanimous vote.

Speaking in support were Senator James Henderson, Window Rock; Mr. Russell Swoboda, lobbyist Salt River Project; Mr. John Simers, High Plains Petroleum; Representative Jack Brown, St. Johns; and Dr. Larry Fellows, State Geologist.
01 February 1996

The Honorable Mark Spitzer
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

Dear Senator Spitzer:

I have a few comments about SB 1126, which addresses taxation of oil, gas, helium, and geothermal properties.

I believe there is potential for one or more of these resources in Arizona, both on and outside of the Indian reservations. Incentives for prudent exploration and drilling would be helpful in assessing the resources. Even if nothing was discovered, the information obtained from drilling would help us understand what is present in the subsurface.

Arizona currently has 20 producing oil wells and 6 gas wells, all on the Navajo Reservation. In the past there were several helium wells near the Petrified Forest. That resource was depleted. Because Arizona is not a major oil or gas producer, we do not have many residents who are in the business. Most of those who explore and drill for oil or gas are from one of the states that have a sizeable industry.

The Arizona Oil and Gas Conservation Commission, which regulates the drilling and production of oil, gas, helium, and geothermal resources, is attached administratively to the Arizona Geological Survey. One of our statutory objectives is to promote the drilling for these resources.

If my staff or I can provide additional information, please contact us. I will be present at the hearing for SB 1126, if one is held, to answer appropriate questions that might come up.

Sincerely yours,

Larry D. Fellows
Director and State Geologist
January 8, 1996

Senator Marc Spitzer
Chairman, Senate Finance Committee
Arizona State Senate
1700 W. Washington
Phoenix, Arizona 85007

Re: Important Tax Legislation

Dear Senator Spitzer,

It is our understanding that Senator James Henderson, Jr. will be introducing a bill to remedy an inequity in the taxation of oil and gas properties, which is presently discouraging drilling, economic development and the conservation and recovery of vital natural resources in Arizona. This matter is to request that Senator Henderson's bill, which is to be cosponsored by senators and representatives from both parties, be given consideration by your committees in this session of the legislature.

Please notify me as to any hearing(s) that may be scheduled so that I may have the opportunity to present testimony. This matter is of concern to all of those who are receiving a copy of this letter, and many other companies that are considering doing business in Arizona.

Sincerely,

[Signature]

John B. Smers II  
President  
High Plains Petroleum

The Salt River Project

Mr. Jay Blatt

[Signature]

Mr. Irv Townsend  
Townsend Co.

Mr. Larry Fellows  
Director  
Arizona Geological Survey

Mr. Gordon M. LeBlanc, Jr.  
President  
Grayhawk Oil & Gas, Inc.

cc: Senator James Henderson, Jr.

- Mr. Paul Slayton  
  President  
  Mountain States Petroleum Corp.

- Mr. J.D. Sfar  
  Vice President - Minerals  
  New Mexico and Arizona Land Co.

- Mr. Walter B. Ruck  
  Chairman  
  Ridgeway Arizona Oil Corp.
NEWS RELEASE
Symbol: RGW
Listed: VSE
January 23, 1996

"ARIZONA PROJECT"

"Land position increased to cover potential 6.4 trillion cubic feet of CO2/He gas reserve"

Ridgeway Petroleum Corp. (RGW) has been advised by Arizona Resources Industries, Inc. (ARI) (the owner and operator of the project) that as a result of new geological information, interpretation and consultation with the Arizona Geological Survey, leases have been obtained on an additional 144,000 acres bringing the total under lease to 166,000 acres.

The current leasing program is to acquire up to a total of 250,000 acres and should be completed within 15 days.

RGW controls in excess of 50% of ARI by share ownership and Guaranteed Convertible Notes.

ON BEHALF OF THE BOARD

Walter B. Ruck, Chairman

THE VANCOUVER STOCK EXCHANGE HAS NEITHER APPROVED NOR DISAPPROVED THE INFORMATION CONTAINED HEREIN.
UNCLAIMED BOND

Options:

1. Try to obtain current address for operator through AG's access to computer database and write certified letter to operator about release of bond.

2. If no address is found, no response is received, or certified letter is returned then:

3. Call Department of Revenue, explain our situation, and provide copies of relevant authorities (it appears that this type of abandoned property is to be referred over to the ADOR, which will take the necessary legal steps regarding the handling of the bond)
January 23, 1996

Ms. Anne Hamilton, Director
Boards & Commissions
1700 West Washington
Phoenix, Arizona 85007

Dear Ms. Hamilton:

Thank you for sending the updated membership roster for the Oil and Gas Conservation Commission with Dr. J. Dale Nations’ reappointment through January 15, 2001. I will advise the Commission of Governor Symington’s reappointment in the Commission’s next meeting on February 9 here in Tucson.

Please note that Commissioner Lisa Worthington’s address has changed. Her new address is 1501 E. Captain Dreyfus Avenue, Phoenix AZ 85022, phone 863-3096 (H).

Sincerely,

Steven L. Rauzi
Oil and Gas Program Administrator

cc  Larry D. Fellows
STATE OF ARIZONA
OFFICE OF THE ATTORNEY GENERAL
1275 WEST WASHINGTON, PHOENIX 85007

GRANT WOODS
ATTORNEY GENERAL

December 29, 1995

J. Dale Nations, Chairman
Arizona Oil and Gas Conservation Commission
845 North Park Avenue, Room 100
Tucson, Arizona 85719

RE: A.G. Rule No. R92-028; A.A.C. R12-7-101 through -119, -122, -125 through -129, -175, through -182 and -201 through -234

Dear Dr. Nations:

We have reviewed the above-referenced rule adopted by the Arizona Oil and Gas Conservation Commission on March 12, 1993. We have determined that the rule is in proper form, is clear, concise and understandable, within the power of the agency to adopt and within legislative standards, and was adopted in compliance with appropriate procedures.

Accordingly, pursuant to A.R.S. § 41-1041, I have affixed my certification to the original Form R102 and have forwarded it together with the original rule and concise explanatory statement and two copies of each to the Secretary of State.

We have enclosed a copy for your reference.

Sincerely,

Grant Woods
Attorney General

Copy to OSCEC "F, 99 prod. rept 1/14/96"
Memo: Oil & gas rules pending certification
From: Steven L. Rauzi, Oil & Gas Program Administrator
Date: December 12, 1995
Re: Oil & gas rules discussed and revised today

Jon Fiegen, Attorney General's Office called at about 8:00 a.m. to discuss the oil and gas rules still pending certification. He and Beryl Dulsky are scheduled to meet with Robert B. Carey, First Assistant Attorney General (last signature before Grant Woods), and Elizabeth Stewart, Rules Section, to discuss these rules @ 9:00 a.m.

We reviewed my memos of February 3 and 28, 1995, about permitting geothermal wells; the revisions and issues of February 6, 1995; interpretations of A.R.S. §§ 27-655, 27-659, and 27-651(6) and rules R12-7-122(C) and R12-7-181(I); and the terms stimulate, induce, and create. I faxed a copy of my February 28 memo to Beryl to Jon.

After the 9:00 a.m. meeting, Jon called back with three remaining issues, namely R12-7-122(C), R12-7-176(A), and R12-7-181(C) and (C)(1). After discussing these issues with Jon, I revised these rules as follows:

1. R12-7-122(C): on page 10, lines 16 & 17 remove the phrase "which are carried out in accordance with R12-7-117."

2. R12-7-176(A): on page 19, lines 8 & 9 add the phrase "for routine well operations" and strike the phrase "however, for substances utilized in formation fracturing, acidization or other well stimulation techniques."

3. R12-7-181(C): on page 30, lines 14 through 20 strike the phrase "Exceptions to this procedure must have prior approval of the Commission" and replace with "The Commission may administratively grant an exception to the requirement for two strings of cemented casing if the applicant can show that the exception is reasonable, justified by site-specific geologic or engineering parameters, is no less stringent, and consistent with the intent of these rules regarding physical and environmental safety, conservation of the resource, and the prevention of waste."

4. R12-7-181(C)(1): page 30, lines 24 & 25 strike "Exceptions to this cementing program must have prior approval of the Commission."

We also discussed the revised CES noting changes made after consultation with the attorney General. I faxed a copy of the agenda, my activity report, and the Minutes of the March 17, 1995, meeting in which Chairman Nations signed the revised CES. Finally, I called to discuss and faxed the revised rules to Chairman Nations on December 13. He agreed the changes improved the clarity of the rules.
ARIZONA OIL AND GAS CONSERVATION COMMISSION LEGAL COUNSEL

Leslie C. Hardy
Arthur E. Ross
C. Lawrence Huerta
Ross Anderson
David Luari
Ross Anderson
Edward I. Kennedy
Marion E. Marks (one meeting only)
Sydney Rosen
Jerry W. Lawson
Jordan Green (resigned, Bannister rpt 12/5/67)
Joseph E. Clifford
John M. McGowan II (Bannister report 10/11/66, 4/67; Allen report 9/9/70)
Craig Mosel (prepared Order 47 to show cause, Bannister report 12/3/74)
Charles S. Fierson
Russell A. Kolsrud
Timothy L. Fierson (certification of rules)
Melinda Garrahan (AOGCC - ADHS agreement on class II wells)
John Wactor
Joseph E. Clifford
Jon B. Fiegen
Sheldon H. Moller
Carol B. Lewin
Katherine L. Mead
Karen A. Clark [Elizabeth Stewart] (certification of rules, groups 1 and 2)
Beryl I. Dulskey, Civil Unit Chief (retired 12/31/95)
Jon B. Fiegen [Elizabeth Stewart] (certification of rules, group 3)
Edward B. Truman, Civil Unit Chief

05/60 to 07/60
07/60 to 02/61
02/61 to 04/62
04/62 to 09/62
09/62 to 12/62
12/62 to 02/63
02/63 to 11/64
October 1963
11/64 to 04/65
04/65 to 02/67
02/67 to 11/67
June 1968
11/74 to 01/75
December 1974
June 1979
11/81 to 03/85
02/82 to 11/82
01/83 to 07/83
02/84 to 10/85
10/85 to 08/87
08/87 to 01/88
01/88 to 01/89
01/89 to 02/91
09/91 to 07/92
07/92 to 01/94
03/93 to 12/95
05/93 to 01/96
ARIZONA OIL AND GAS CONSERVATION COMMISSION LEGAL COUNSEL

Leslie C. Hardy 05/60 to 07/60
Arthur E. Ross 07/60 to 02/61
C. Lawrence Huerta 02/61 to 04/62
Ross Anderson 04/62 to 09/62
David Luerti 09/62 to 12/62
Ross Anderson 12/62 to 02/63
Edward I. Kennedy 02/63 to 11/64
Merton E. Marks (one meeting only) October 1963
Sydney Rosen 11/64 to 04/65
Jerry W. Lawson 04/65 to 02/67
Jordan Green (resigned, Bannister rpt 12/5/67) 02/67 to 11/67
Joseph E. Clifford June 1968
John M. McGowan II (Bannister report 10/11/66, 4/67; Allen report 9/9/70) 11/74 to 01/75
Craig Musel (prepared Order 47 to show cause, Bannister report 12/3/74) December 1974
Charles S. Pierson June 1979
Russell A. Kolstrud 11/81 to 03/85
Timothy L. Pierson (certification of rules) 02/82 to 11/82
Melinda Garrahan (AOGCC - ADHS agreement on class II wells) 01/83 to 07/83
John Wactor 02/84 to 10/85
Joseph E. Clifford 10/85 to 08/87
Jon B. Fiegen 08/87 to 01/88
Sheldon H. Muller 01/88 to 01/89
Carol B. Lewin 01/89 to 02/91
Katherine L. Mead 09/91 to 07/92
Karen A. Clark [Elizabeth Stewart] (certification of rules, groups 1 and 2) 07/92 to 01/94
Beryl I. Dulsky, Civil Unit Chief (retired 12/31/95) 03/93 to 12/95
Jon B. Fiegen [Elizabeth Stewart] (certification of rules, group 3) 05/93 to
Edward B. Truman, Civil Unit Chief 01/96 to
Mr. Beryl I. Dulskey  
Chief, Environmental Enforcement Unit  
Attorney General’s Office  
1275 West Washington  
Phoenix, Arizona 85007

Dear Beryl,

I received word today that you will be retiring later this month. On behalf of the Oil and Gas Conservation Commission and the Arizona Geological Survey allow me to congratulate you on your retirement and extend our sincere appreciation for your capable legal assistance.

Sincerely,

OIL & GAS CONSERVATION COMMISSION

J. Dale Nations  
Chairman

c Commissioner & Larry Fellows
Memo: Oil & Gas Commissioners
From: Steve Razi, Oil and Gas Program Administrator
Re: Postpone January 26, 1996 meeting to February 9, 1996

The Sunset Review hearing held yesterday, November 30, went well. The Committee of Reference voted unanimously to continue the Oil and Gas Conservation Commission for another 10 years. The Committee of Reference will now prepare a bill, which will go through the normal legislative process including hearings before both the House and Senate Committees on Natural Resources. Commissioners Lisa Worthington and Don Clay attended the hearing. The proposed incentive legislation was not discussed at the continuation hearing but Larry plans to discuss them with Becky Jordan, Chair of the House Natural Resources Committee. I will keep you advised of the progress of both the continuation bill and proposed incentive legislation.

While discussing the January 26, 1996, meeting (rescheduled from December 8) at the continuation hearing, we realized that January 26 was the weekend of the Super Bowl in Phoenix. I called Chairman Nations on my return to Tucson to discuss this, and he agreed that it would probably not be a good idea to meet in Phoenix on Super Bowl weekend. He proposed that we reschedule the January 26 meeting for February 9, 1996, in Tucson. This is the weekend of the Gem & Mineral Show in Tucson, which will be held at the Tucson Convention Center, just a block or so south of our offices. Meeting at our offices in Tucson on February 9 provides a good opportunity for you to see our new offices and attend the Gem & Mineral Show.

Again, the January 26, 1996 meeting has been rescheduled for February 9, 1996, in Tucson, the second Friday in February. Please let me know as soon as possible if you have any conflict with the February, 9, 1996, date in Tucson. Thank you.
November 27, 1995

Memo: Oil & Gas Commissioners  
From: Steve Rauzi, Oil and Gas Program Administrator  
Re: Postpone December 8, 1995 meeting to January 26, 1996

The Sunset Review hearing is scheduled for this Thursday, November 30, at 1:30 p.m. in House Hearing Room #2. Chairman Nations will attend the hearing, and I understand, has advised each of you about the hearing. Larry and I will also attend the hearing.

I discussed the hearing and the Commission's next meeting on December 8 with Chairman Nations today. He felt that the December 8, 1995, meeting should be postponed to January 26, 1996, because the results of the hearing would not be available by December 8, and because there is nothing new to discuss on the recommended incentive legislation provided to Victoria Tafoya after your last meeting.

Again, the December 8 meeting has been rescheduled for January 26, 1996, the fourth Friday in January. Please let me know as soon as possible if you have any conflict with the January 26, 1996, date. Thank you.
October 3, 1995

Mr. Ken Rozens
State Land Department
1616 West Adams Street
Phoenix, Arizona 85007

Dear Ken:

A copy of the minutes of the Oil and Gas Commission's September 15, 1995, meeting in which archaeological studies were discussed is enclosed.

Because the archaeological study is a condition of the oil and gas lease, the Oil and Gas Conservation Commission will assist the State Land Department by reminding applicants for a permit to drill to contact the Land Department regarding any archaeological studies required under the terms of the oil and gas lease.

Please let me know if this arrangement is satisfactory.

Sincerely,

Steven L. Rauzi
Oil and Gas Program Administrator

c Commissioners Nations, Worthington, Clay, Lashle, Veale, Hassell
Larry Fellows
September 26, 1995

Memo: Commissioners
From: & Steve Rauzi

The enclosed cover letter by Larry, memo by myself, and Utah statute were sent to Victoria Tafoya yesterday. Victoria advised Larry to send this material in to be considered somewhat along with the sunset review material previously sent. Its progress now depends on the reaction of Senator Jim Buster, Chairman of the Committee of Reference.

The schedule of future IOGCC meeting dates is enclosed for your information.
September 22, 1995

Memo: Dale Nation, Chairman
From: Steve Rauzi

A copy of the minutes of the September 15 meetings is enclosed for your review and signature. A self-addressed, stamped, return envelope is enclosed for your convenience. Thank you.