

OIL & GAS CONSERVATION COMMISSION
— MINUTES OF MEETING / JANUARY 10, 1997
STEVEN L. RAUZI, OIL & GAS ADMINISTRATOR



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500



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 10, 1997, 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 May 17, 1996
3. Statement of Director and State Geologist
4. Report of Oil & Gas Program Administrator
5. Discussion and vote to forfeit United Gas Search Performance Bond
6. Discussion of Five-year Review Report of A.A.C. Title 12, Chapter 7, Article 1
7. Discussion of Licensing Time-frame Requirement pursuant to A.R.S. §41-1073
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 2nd day of January 1997

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi

Steven L. Rauzi
Oil and Gas Program Administrator

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Dated this 2nd day of January 1997.

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi

Steven L. Rauzi
Oil and Gas Program Administrator

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

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Larry D. Fellows
Director and State Geologist

January 2, 1997

To: Oil and Gas Conservation Commissioners
From: Steven L. Rauzi, ^{SLR}Oil and Gas Program Administrator
Re: Activity Report for January 10, 1997, Meeting

One well, the PetroSun 15-1 NMAL, was drilled to a total depth of 3,648 feet near Concho since your last meeting on May 17, 1996. A strong kick of methane gas was reported in the PetroSun well at a depth of about 1,030 feet, and the well has been shut-in since July 1996 pending further evaluation in the area. The Premco Western well in Mohave County and the Arzon well in Cochise County remain shut-in. Ridgeway Arizona Oil Company reinstated its five permits and plans to start drilling more wells on its CO₂ play near St. Johns as soon as favorable financing is arranged.

The U.S. Geological Survey plugged & abandoned the Tonto Drilling 1 Alpine-Federal geothermal test hole near Alpine on September 29, 1996. Our file on this well is now closed.

Discussion and vote to forfeit the \$5,000 United Gas Search performance bond is scheduled under agenda item 5. United Gas Search posted the bond in 1991 but did not transfer or restore the well location in accordance with A.A.C. R12-7-103. Rodney Ratheal, current lease holder, financed and performed the work of restoring and bringing the well location into compliance. I recommend forfeiture for noncompliance and subsequent release of the bond to the person that financed and performed the work of restoring and bringing the well location into compliance.

The Governor's Regulatory Review Council (GRRC) will consider our Five-year Review Report on Tuesday, January 7, 1997. Discussion of the Report and GRRC hearing is scheduled under agenda item 6. Remember to bring your copy of the Five-year report that I mailed to you in early November.

Pursuant to A.R.S. § 41-1073, agencies that issue licenses shall adopt by rule no later than December 31, 1998, an overall time frame during which the agency will either grant or deny the license it issues. GRRC has scheduled submission of our rule for June 1997. Discussion of this matter is set under agenda item 7.

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
May 17, 1996

Present:

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

The regular Commission Meeting of May 17, 1996, was called to order by Dr. J. Dale Nations, Chairman, at 10:20 a.m. in Room 500, State Capitol Tower, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF MEETING AND EXECUTIVE SESSION OF
FEBRUARY 9, 1996

Ms. Worthington moved, seconded by Mr. Lanshe:

THAT THE MINUTES OF THE MEETING AND EXECUTIVE SESSION
OF FEBRUARY 9, 1996, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that we have two new budget analysts, that he would be working on the next biennial budget this summer, and that finishing touches were being made to the core-storage facility. He reviewed current projects including the new one page FYI Series and the topical publication brochures, and discussed the status and availability of the AZGS bibliography, which currently contains 11,500 citations on Arizona geology.

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 reviewed his project to map the geology along the southwest margin of the ancient Defiance positive feature, and noted that he will co-author an abstract on storage opportunities in Arizona salt with James T. Neal, Sandia Laboratories. He handed out notices for the second annual State training for board and commission members to be held in Phoenix on September 20.

STATUS OF SB 1075 AND SB 1126

Mr. Rauzi reported that SB 1075 to continue the Commission through July 2006 passed the Legislature and was signed by the Governor. The tax equity for oil and gas interests, SB 1126, failed in the Legislature but its provisions were duplicated in the overall tax reform act, which passed the Legislature but was vetoed. He noted that tax reform may be re-addressed in a special session.

CLARIFICATION OF CONFLICT OF INTEREST LAW

Mr. Fiegen reviewed his February 29 letter to Chairman Nations and responded to questions about conflict of interest laws. Ms. Worthington asked about participating in economic or tax incentive proposals affecting industry in general. Dr. Nations noted the Commission's advisory role and its lack of authority to implement such proposals. Mr. Fiegen thought such participation would be appropriate, but advised that he would study that aspect further.

DISCUSSION OF UNITED GAS SEARCH PERFORMANCE BOND

Mr. Rauzi reported two individuals requested release of the United Gas Search performance bond, the permit applicant who posted the bond and the current lessee who restored the well site; the well was not drilled but a location was constructed by the applicant. Mr. Lanshe asked Mr. Fiegen what discretion the Commission had and what the right result would be if the Commission did have discretion.

Mr. Lanshe moved, seconded by Ms. Worthington:

THAT THE ADMINISTRATOR SCHEDULE THE MATTER FOR A
VOTE IN THE NEXT MEETING IF HE RECEIVES SATISFACTORY
OPINION FROM THE OFFICE OF THE ATTORNEY GENERAL

Motion carried unanimously.

VOLUME VERIFICATION SURVEYS PURSUANT TO A.A.C. R12-7-182(D)

Mr. Rauzi reviewed the history of sonar volume determination at the Ferrellgas LPG facility and recommended that volumetric measurements be accepted to fulfill the five-year volume determination. All agreed the sonar method was the best available technology to determine cavity shapes, and that accepting volumetric measurements would be no problem as long as sonar measurements continue to be used. Dr. Nations noted that sonar determinations could be waived in individual cases in appropriate situations.

ELECTION OF OFFICERS

Ms. Worthington moved, seconded by Mr. Lanshe.

THAT DR. NATIONS BE NOMINATED FOR CHAIRMAN

Motion carried unanimously.

Dr. Clay moved, second by Mr. Lanshe.

THAT MS. WORTHINGTON BE NOMINATED FOR VICE-CHAIR

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Haas reported on the final restoration of the Petroleum Technical Service well locations near Yuma, and updated the Commission on the progress of the Premco Western well in northwestern Arizona.

ANNOUNCEMENTS

After short discussion about meeting twice a year, the next meeting was scheduled for 10:00 a.m. on January 10, 1997, in room 500 of the Capitol Tower in Phoenix.

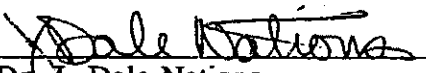
ADJOURNMENT

Mr. Lanshe moved, seconded by Dr. Clay:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 12:15 p.m.

APPROVED


Dr. Dale Nations
Chairman

GUESTS IN ATTENDANCE:

Jon E. Fiegen	Office of the Attorney General
John Haas	Bureau of Land Management

United Gas Search posted the bond in 1991 but did not transfer or restore the well location in accordance with A.A.C. R12-7-103. I recommend the performance bond be released to the person performing the work of restoring the well site because in cases where the location is not restored, the OGCC must forfeit the bond for noncompliance and contract with someone to perform the work. In this instance, Rodney Ratheal, the current lease holder, has performed the work.

Two previous instances of forfeiture of bond for noncompliance

(1) Minutes of Meeting, August 20, 1993

DISCUSS FORFEITURE OF CONTENDER OIL COMPANY BOND

Mr. Rauzi discussed getting the Aman #1 well plugged with the \$5,000 bond and reported that he wrote to Contender Oil Company and asked them to voluntarily forfeit their bond. His letter was returned unopened. He reported that the Arizona Department of Water Resources is interested in using the well as an observation well. They will accept responsibility for it if the Commission will transfer the bond money with the well and if they could work out an access agreement with the land owner. Since the property is being sold, the Department of Water Resources will need to wait until the sale is finalized before working out the access agreement.

Dr. Nations moved, seconded by Mr. Veale:

THAT THE COMMISSION FORFEIT THE CONTENDER OIL COMPANY BOND
FOR NONCOMPLIANCE WITH RULES AND STATUTES

Motion carried unanimously.

(2) Minutes of Meeting, October 28, 1994

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.

agenda item 5



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500



Larry D. Fellows
Director and State Geologist

Agenda item 5

December 6, 1996

Mr. Jon B. Fiegen
Environmental Enforcement Section
Attorney General's Office
1275 West Washington
Phoenix, Arizona 85007

Dear Jon:

A copy of the material we talked about yesterday is enclosed, including the OGCC's five-year review report submitted to GRRC in November, Rodney Ratheal's recent fax memo about reseeding of the United Gas Search location, a draft agenda of the OGCC's next meeting on January 10, 1997, and the minutes from the OGCC's last meeting on May 17, 1996, in which the United Gas Search performance bond was discussed.

Please recall that the OGCC felt the performance bond should be released to the person that performs the work of restoring the well site because in cases where the location is not restored, the OGCC must forfeit the bond for noncompliance with A.A.C. R12-7-103 and contract with someone to perform the work. In this instance, Rodney Ratheal, the current lease holder, has performed the work. The following pertinent information about this matter is attached for your file:

1. Performance bond in question, #2608781 (acct #8130-2093) with assignment.
2. Barcus letter of January 16, 1996, requesting release to Ruth Tucker.
3. My January 19, 1996, response to Barcus advising of A.A.C. R12-7-103.
4. Copy of A.A.C. R12-7-103.
5. Notes of my January 30, 1996, conversation with Ratheal about release.
6. Ratheal's March 15, 1996, request for release and notice of restoration.
7. Ratheal's FAX of reseeding of subject location.
8. Two instances of previous OGCC forfeiture of bond for noncompliance (OGCC Minutes of August 20, 1993, and October 28, 1994)

Let me know if you require any additional information.

Sincerely,

Steven L. Rauzi
Oil & Gas Program Administrator

Enclosures

Agenda 5

DRAFT

NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION

OIL AND GAS CONSERVATION COMMISSION

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- ot
- "Vote to release"
1. Call to Order
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 4. Report of Oil & Gas Program Administrator
 5. (Discussion) of United Gas Search Performance Bond
 6. Discussion of Five-year Review Report of A.A.C. Title 12, Chapter 7, Article 1
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Dated this 2nd day of January 1997

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi
Oil and Gas Program Administrator

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CLARIFICATION OF CONFLICT OF INTEREST LAW

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Mr. Lanshe moved, seconded by Ms. Worthington:

THAT THE ADMINISTRATOR SCHEDULE THE MATTER FOR A
VOTE IN THE NEXT MEETING IF HE RECEIVES SATISFACTORY
OPINION FROM THE OFFICE OF THE ATTORNEY GENERAL

Motion carried unanimously.

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Mr. Rauzi reviewed the history of sonar volume determination at the Ferrellgas LPG facility and recommended that volumetric measurements be accepted to fulfill the five-year volume determination. All agreed the sonar method was the best available technology to determine cavity shapes, and that accepting volumetric measurements would be no problem as long as sonar measurements continue to be used. Dr. Nations noted that sonar determinations could be waived in individual cases in appropriate situations.

ELECTION OF OFFICERS

Ms. Worthington moved, seconded by

8-1-96

Post-It™ brand fax transmittal memo 7671 # of pages 1	
To Jon Fiegen	From Steve Rauzi
Co. AGO	Co. AZGS
Dept.	Phone # 770-3500
Fax # 542-4084	Fax # 770-3505

Agenda 7

August 20, 1993

DISCUSS FORFEITURE OF CONTENDER OIL COMPANY BOND

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Dr. Nations moved, seconded by Mr. Veale:

THAT THE COMMISSION FORFEIT THE CONTENDER OIL COMPANY
BOND FOR NONCOMPLIANCE WITH RULES AND STATUTES

Motion carried unanimously.

October 28, 1994

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.

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GEOTHERMAL WELLS BE RELEASED TO THE ENTITY DOING THE WORK
OF PLUGGING THE WELLS (POWER ENTERPRISES)

Motion carried unanimously.

Faxed to Jon Fiegen 5/16/96

11-20-96 10:57 FAX 602 507 3778

Rod Ratheal

001

FAX TRANSMITTAL

FROM: Premco Western, Inc.
Rodney Ratheal

Office: 507-3778
Fax: 507-3778

DATE: 11/20/96

NUMBER OF PAGES INCLUDING THIS PAGE: 1

SENT TO: Steve Rauzi
Arizona Geological Survey
416 W. Congress, Suite 100
Tucson, AZ 85701

FAX # 520-770-3505

MESSAGE:

Dear Steve,

On Saturday, November 16, the reclaimed site on expired leases AZA 25153, AZA 25154, and AZA 25155 was re-seeded with the same quantity and mixture as was originally seeded last Spring. I dug down in two small spots and found a seed mixed with small chunks and flakes and slim layer of dirt.

My inspection of the surface soil appeared to show very little erosion which would result from a good, hard rain. A very slow rain may have occurred. I believe that there is a considerable amount of seed which may still come up from last Spring. Regardless, there should be plenty now after a double broadcasting.

I'm not real familiar with the desert weather nor the nature of these seeds, whether some or all the seed would sprout with a rain now or not. It sure seemed cool when I was there.

I'm hopeful to receive the bond money in time to use it to help pay rentals. I hope that the re-seeding of the reclaimed site in November, which I am told is the best time, will show that I will be committed to whatever is necessary to ensure continued quality reclamation work.

Sincerely,

Rodney Ratheal

My Father's Oil Company, LLC
777 S. 400 E. #69
St. George, Utah 84770
(801) 652-1723

March 15, 1996

Mr. Steven L. Rauzi
Arizona Geological Survey
416 W. Congress, Suite 100
Tucson, Arizona 85701

File 576

Dear Mr. Rauzi,

This letter is to serve as my request for a release of the Arizona state bond for lease number AZA 25155. The reclamation work has been completed and the land has been reseeded. The work was supervised and paid for by My Father's Oil Company, LLC. My Father's Oil Company, LLC is the current lease holder of AZA 25153, AZA 25154, and AZA 25155 as assignments were filed with the BLM from PermOK Oil, Inc. to My Father's Oil Company, LLC.

Also, the actual money used to establish the bond for United Gas Search five years ago was from money my company had raised and sent to United. Approximately 80% of the funds sent to United for this project has never been accounted for by Ruth or Terry Tucker of United. I have accepted the responsibility of completing this project regardless of the Tuckers and have a sense of obligation to my partners who trusted me with their money. It would be, in my opinion, a disgrace to allow Ruth and Terry Tucker to take any more of my partners money which could be used in a positive way towards the completion of the drilling project which is currently underway.

Thank you for your time and consideration in this matter. Your kind assistance is appreciated. I will keep you posted as to the progress of Mohave County 10-1. If you have any questions or comments regarding the release of the bond or the well, please do not hesitate to call.

Sincerely,

Rodney Ratheal

Rodney Ratheal
Managing Member



1-30-96

file 876

Rodney Ratheal called to request release of the United Gas Search performance bond to him because:

- (1) The lease was transferred to Pemco Western (via Perm Ok) and
- (2) He is physically performing the restoration of the UGS location with his own funds.

I advised Ratheals of Tucker's recent request for release of this bond to them because the property was transferred, and noted that I had advised the Tucker interests that pursuant to A.A.C. R12-7-103(C) simple transfer of property did not release the bond. Release of bond is conditioned upon either a properly completed transfer or the duty to "maintain and restore the well site" in accordance with A.A.C. R12-7-103.

As a result, I advised Rodney Ratheal that in no case could release of the bond be considered until the location had been restored. Once restored, he could petition the Commission for release to his custody by presenting evidence that

- (1) Bond is attached to the well and wellsite.
- (2) Simple transfer of property does not release the bond.
- (3) Ratheal interests are current lease holders
- (4) Ratheal interests financed and performed actual restoration of well site.



Fife Symington
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500



Larry D. Fellows
Director and State Geologist

January 19, 1996

Mr. E. Mark Barcus
James R. Gotwals and Associates, Inc.
Attorneys at Law
525 South Main, Suite 1130
Tulsa, Oklahoma 74103-4512

file 876

Dear Mr. Barcus:

I received your letter of January 16 about the United Gas Search bond today. The release procedures you asked about are explained in our bonding rule, A.A.C. R12-7-103, a copy of which is attached for your information and file.

As you can see from R12-7-103(C), simple transfer of property does not release the bond, at least not until the transferee accepts responsibility in writing and posts a bond. To date no such written acceptance or replacement bond has been received by this office.

In addition, R12-7-103(A) conditions release of bond upon restoration of the well site. As you may know, United Gas Search constructed the location for its #1 Mohave County well (State Permit No. 876) in the summer of 1991. As of this date the location has not been restored.

As a result, I am not at liberty to release this bond until either (1) the location is restored or (2) the transferee accepts responsibility in writing and posts a replacement bond.

Please advise if I may be of further assistance.

Sincerely,

Steven L. Rauzi

Steven L. Rauzi
Oil & Gas Program Administrator

Barcus called on January 6, 1997, to acknowledge receipt of agenda of the AOGCC's January 10, 1997, meeting. Item 5 was discussion & vote to forfeit the United Gas Search bond. Barcus asked if a successor bond was ever posted. I said no, no successor bond had been posted. SLR / 1-6-97

Arizona Administrative Code, Title 12, Chapter 7: Oil and Gas Conservation Commission

R12-7-103. Bond

A. An operator shall file a performance bond with the Commission prior to approval of a permit to drill a new well, reenter an abandoned well or assume responsibility as operator of existing wells. The bond amount shall be \$10,000 for a well drilled to a total depth of 10,000 feet or less, \$20,000 for a well drilled deeper than 10,000 feet, or \$25,000 as a blanket bond to cover all wells and shall be payable to the Oil and Gas Conservation Commission, State of Arizona, and conditioned upon the faithful performance by the operator of the duty to drill each well in a manner to prevent waste, plug each dry or abandoned well, repair each well causing waste or pollution, and maintain and restore the well site.

B. The Commission shall accept a bond in the form of a surety bond, executed by the operator as principal and a corporate surety authorized to do business in Arizona, a certified check, or a certificate of deposit at a federally insured bank authorized to do business in Arizona.

C. Transfer of property does not release the bond. If a property is transferred and the principal desires to be released from the bond, the procedure shall be as follows:

1. The principal on the bond shall notify the Commission in writing of the proposed transfer, giving the location of each well, the date and number of each permit to drill, and the name, address, and telephone number of the proposed transferee.

2. The transferee of any well or of the operation of any well shall declare to the Commission in writing acceptance of the transfer and of the responsibility of each well involved in the transfer, and shall submit a new bond or bonds unless the transferee's blanket bond applies to the well or wells.

3. When the Commission approves the transfer, the transferor is released from all responsibility with respect to the well or wells, and the Commission shall notify the principal and the bonding company in writing that the transferor's applicable bond or bonds are subject to release.

Effective 1-19-94

JAMES R. GOTWALS AND ASSOCIATES, INC.

ATTORNEYS AT LAW
1130 PARK CENTRE
525 SOUTH MAIN STREET
TULSA, OKLAHOMA 74103-4512
TELEPHONE (918) 599-7088
FAX (918) 599-7153

JAMES R. GOTWALS
THERESE BUTHOD
E. MARK BARCUS

OF COUNSEL
ARTHUR E. RUBIN

January 16, 1996

file 576

Steven Rauzi
Oil and Gas Program Administrator
Arizona Geological Survey
416 W. Congress
Tucson, Arizona 85701

RE: NE4, SW4, Section 10, Township 41 North, Range 11 West,
Mohave County, Arizona.

Dear Mr. Rauzi:

I represent Ruth Tucker, the Assignee of a Certificate of Deposit which is currently being held by the Arizona State Treasurer as security in lieu of cash deposit for compliance with Section 35-155, Arizona Revised Statutes. Since that original assignment, United Gas Search, Inc. has ceased as the operator of the subject well, having sold all of its interest to PermOk, Inc., out of Kansas City, Missouri. My client is no longer a principal in United Gas Search, Inc., but has received an assignment of this Certificate of Deposit.

Please advise me of the procedure we must go through to have the Certificate of Deposit released by the Arizona State Treasurer. It is our understanding that it would be the responsibility of whomever is now operating the well to post the necessary performance bond, and the Certificate of Deposit for United Gas Search (now assigned to Ruth Tucker) should be released.

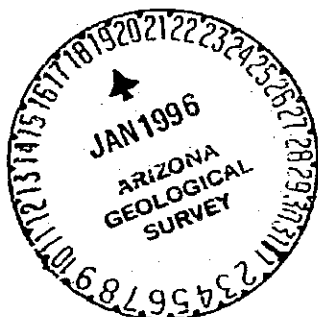
Thank you for your cooperation.

Yours truly,



E. Mark Barcus

EMB/cw
cc: Ms. Ruth Tucker



Valley National Bank of Arizona

Certificate of Deposit
NON TRANSFERABLE

2608781

BRANCH 30th Ave-Peoria

BRANCH NO. 154 DATE August 6, 1991

THIS CERTIFIES THAT THERE HAS BEEN DEPOSITED IN THIS BANK

VALLEY NATIONAL BANK 5,000 AND 00/100 DOLLARS

PAY TO

ARIZONA STATE TREASURER
DEPOSITED BY UNITED GAS SEARCH, INC.

ACCOUNT NO.
8130-2093

\$ 5,000.00

(UPON
SURRENDER
OF THIS
CERTIFICATE
PROPERLY
ENDORSED)

THIS CERTIFICATE MATURES IN 366 FROM ISSUE DATE
August 6, 1992 INTEREST IS TO BE PAID monthly

AT THE RATE OF 5.60 % PER ANNUM ON AN ACTUAL NUMBER OF DAYS PER YEAR BASIS

FIRST INTEREST PAYMENT DUE 9-6-91

☐ SINGLE MATURITY - INTEREST CEASES AT MATURITY

☒ AUTOMATICALLY RENEWABLE - THE CERTIFICATE WILL AUTOMATICALLY RENEW EVERY 366 days

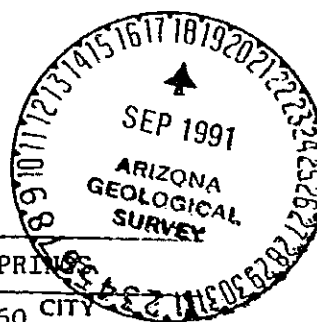
UNLESS REDEEMED WITHIN 10 CALENDAR DAYS (ONE BUSINESS DAY FOR MATURITIES OF 30 DAYS OR LESS) AFTER ANY MATURITY. THE BANK RETAINS THE RIGHT TO REDEEM THE CERTIFICATE OR CHANGE THE INTEREST RATE AND OTHER TERMS AS OF ANY MATURITY.

Jann Blackburn
AUTHORIZED SIGNATURE

0-100-0675 Rev. 7/91

ASSIGNMENT TO ARIZONA STATE TREASURER
SECURITY IN LIEU OF CASH DEPOSIT FOR COMPLIANCE WITH
SECTION 35-155 ARIZONA REVISED STATUTES

UNITED GAS SEARCH, INC.



NAME 24 W. 41st STREET SAND SPRING
STREET ADDRESS TULSA OK 918-245-2060 CITY
COUNTY STATE TELEPHONE NUMBER

hereinafter referred to as ASSIGNOR, does hereby assign and transfer to the Treasurer of the State of Arizona, hereinafter referred to as the TREASURER, all right, title and interest of any kind whatsoever, owned or held by Assignor in the principal, but not in the interest hereinafter accruing after the date of this assignment in the insured account of ASSIGNOR so long as such funds remain on deposit in the

VALLEY BANK

FINANCIAL INSTITUTION

whose address is 2950 W. PEORIA PHOENIX MARICOPA
STREET ADDRESS CITY COUNTY

Arizona, as evidenced by an account in the amount of FIVE THOUSAND dollars (\$5,000.00) identified by account number 8130-2093 (2608781) which account is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. This assignment is given as security for compliance with ARS 27-501 to 539 and with the Rules of the Oil and Gas Conservation Commission.

Dated this 1 day of AUGUST, 19 91, at PHOENIX Arizona.

IMPORTANT - SIGNATURE OF ASSIGNOR

UNITED GAS SEARCH, INC.

This Assignment shall be signed by the Individual Himself

NAME OF ASSIGNOR EXACTLY AS SHOWN ABOVE
BY: [Signature]
SIGNATURE OF ASSIGNOR

FIRST ENDORSEMENT - RECEIPT FOR NOTICE OF ASSIGNMENT

Receipt is hereby acknowledged to the Treasurer of the State of Arizona, hereinafter referred to as the TREASURER, of written notice of the assignment to said Treasurer of the above-identified account. We have noted our records to show the interest of the Treasurer in said account as shown in and by the assignment above. We have retained a copy of this document. We hereby certify that we have not received any notice of lien, encumbrance, hold, claim or other obligation against the above-identified account prior to its assignment to the Treasurer. We further hereby waive any current and future right of set-off against such account. We agree to make payment as required by the Rules and Regulations of the Treasurer adopted in accordance with applicable laws and the law applicable to this institution.

Dated this 6 day of August, 19 91, at Phoenix Arizona
Valley National Bank of Arizona

BY [Signature] AVP NAME OF FINANCIAL INSTITUTION
SIGNATURE OF OFFICER OF FINANCIAL INSTITUTION ASSISTANT VICE PRESIDENT
TITLE

Subscribed and sworn before me this 6 day of August, 19 91

[Signature]
NOTARY PUBLIC SIGNATURE
My Commission Expires Aug 31, 1994

COMMISSION EXPIRES

SECOND ENDORSEMENT - RECEIPT FOR SECURITY AND DIRECTION TO PAY EARNINGS

Receipt is acknowledged of the assignment above and the account identified in the assignment above. The financial institution named in the assignment above is hereby authorized and directed to pay any earnings credited after the date of this assignment on the above-identified account of the above-named assignor.

Dated this 17th day of September, 19 91, at Phoenix Arizona.

ARIZONA STATE TREASURER

Treasurer or Authorized Representative
By: [Signature]
(Prepare in duplicate. Please Type all Information)

Attach Original Assignment to Certificates of Deposit and File with State.

NOTICE OF RULEMAKING DOCKET OPENING

OIL AND GAS CONSERVATION COMMISSION

1. **Title and its heading:** Title 12. Natural Resources
Chapter and its heading: Chapter 7. Oil and Gas Conservation Commission
Article and its heading: Article 1. Oil, Gas, Helium, and Geothermal Resources
Section numbers: R12-7-104 and R12-7-183
2. **Subject matter of proposed rule:**
R12-7-104 specifies requirements for permitting oil, gas, helium, and geothermal resources wells in Arizona. R12-7-183 specifies requirements to transport oil, gas, or geothermal resources from a lease. These rules are amended to be consistent with the recently enacted time-frame statute, A.R.S. §41-1073.
The agency docket number, if applicable: None
3. **A citation to all published notices relating to the proceeding:** None
4. **The name and address of agency personnel with whom persons may communicate regarding the rule:**
Name: Steven L. Rauzi, Oil & Gas Program Administrator
Arizona Geological Survey
Address: 416 West Congress, Suite 100, Tucson, Arizona 85701-1315
Telephone Number: (520) 770-3500, Fax number (520) 770-3505
5. **The time during which the agency will accept written comments and the time and place where oral comments may be made:**

Written comments: 8:00 a.m. - 5:00 p.m.
Oral Comments: 8:00 a.m. - 5:00 p.m. at location given in 4 above
6. **A timetable for agency decisions or other action in the proceeding:** None

filed w/ SOS January 10, 1997. SLR

S.B. 1056

1 Sec. 42. Title 41, chapter 6, Arizona Revised Statutes, is amended by
2 adding article 7.1, to read:

3 ARTICLE 7.1. LICENSING TIME FRAMES

4 41-1072. Definitions

5 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

6 1. "ADMINISTRATIVE COMPLETENESS REVIEW TIME FRAME" MEANS THE NUMBER
7 OF DAYS FROM AGENCY RECEIPT OF AN APPLICATION FOR A LICENSE UNTIL AN AGENCY
8 DETERMINES THAT THE APPLICATION CONTAINS ALL COMPONENTS REQUIRED BY STATUTE
9 OR RULE, INCLUDING ALL INFORMATION REQUIRED TO BE SUBMITTED BY OTHER
10 GOVERNMENT AGENCIES. THE ADMINISTRATIVE COMPLETENESS REVIEW TIME FRAME DOES
11 NOT INCLUDE THE PERIOD OF TIME DURING WHICH AN AGENCY PROVIDES PUBLIC NOTICE
12 OF THE LICENSE APPLICATION OR PERFORMS A SUBSTANTIVE REVIEW OF THE
13 APPLICATION.

14 2. "OVERALL TIME FRAME" MEANS THE NUMBER OF DAYS AFTER RECEIPT OF AN
15 APPLICATION FOR A LICENSE DURING WHICH AN AGENCY DETERMINES WHETHER TO GRANT
16 OR DENY A LICENSE. THE OVERALL TIME FRAME CONSISTS OF BOTH THE
17 ADMINISTRATIVE COMPLETENESS REVIEW TIME FRAME AND THE SUBSTANTIVE REVIEW TIME
18 FRAME.

19 3. "SUBSTANTIVE REVIEW TIME FRAME" MEANS THE NUMBER OF DAYS AFTER THE
20 COMPLETION OF THE ADMINISTRATIVE COMPLETENESS REVIEW TIME FRAME DURING WHICH
21 AN AGENCY DETERMINES WHETHER AN APPLICATION OR APPLICANT FOR A LICENSE MEETS
22 ALL SUBSTANTIVE CRITERIA REQUIRED BY STATUTE OR RULE. ANY PUBLIC NOTICE AND
23 HEARINGS REQUIRED BY LAW SHALL FALL WITHIN THE SUBSTANTIVE REVIEW TIME FRAME.

24 41-1073. Adoption of time frames; exemption

25 A. NO LATER THAN DECEMBER 31, 1998, AN AGENCY THAT ISSUES LICENSES
26 SHALL HAVE IN PLACE FINAL RULES ESTABLISHING AN OVERALL TIME FRAME DURING
27 WHICH THE AGENCY WILL EITHER GRANT OR DENY EACH TYPE OF LICENSE THAT IT
28 ISSUES. AGENCIES SHALL SUBMIT THEIR OVERALL TIME FRAME RULES TO THE
29 GOVERNOR'S REGULATORY REVIEW COUNCIL PURSUANT TO THE SCHEDULE DEVELOPED BY
30 THE COUNCIL. THE COUNCIL SHALL SCHEDULE EACH AGENCY'S RULES SO THAT FINAL
31 OVERALL TIME FRAME RULES ARE IN PLACE NO LATER THAN DECEMBER 31, 1998. THE
32 RULE REGARDING THE OVERALL TIME FRAME FOR EACH TYPE OF LICENSE SHALL STATE
33 SEPARATELY THE ADMINISTRATIVE COMPLETENESS REVIEW TIME FRAME AND THE
34 SUBSTANTIVE REVIEW TIME FRAME.

35 B. IF A STATUTORY LICENSING TIME FRAME ALREADY EXISTS FOR AN AGENCY
36 BUT THE STATUTORY TIME FRAME DOES NOT SPECIFY SEPARATE TIME FRAMES FOR THE
37 ADMINISTRATIVE COMPLETENESS REVIEW AND THE SUBSTANTIVE REVIEW, THE AGENCY
38 SHALL ADOPT BY RULE SEPARATE TIME FRAMES FOR THE ADMINISTRATIVE COMPLETENESS
39 REVIEW AND THE SUBSTANTIVE REVIEW, WHICH TOGETHER SHALL NOT EXCEED THE
40 STATUTORY OVERALL TIME FRAME. AN AGENCY MAY ADOPT DIFFERENT TIME FRAMES FOR
41 INITIAL LICENSES, RENEWAL LICENSES AND REVISIONS TO EXISTING LICENSES.

42 C. IN ADOPTING TIME FRAMES, AGENCIES SHALL CONSIDER ALL OF THE
43 FOLLOWING:

LICENSE TIME FRAMES RULE SUBMISSION SCHEDULE

Agency	Statute	Type	Due to GRRC
Oil and Gas Conservation Commission	27-509	Certificate of Compliance	6/97
	27-513	Permit to Drill Well	6/97
	27-655	Stimulate, Induct, or Create	6/97
		a Geothermal Resource	6/97
	27-659	Application to Drill	6/97

A.R.S. 27-655 = Not applicable
 A.R.S. 27-513 + 27-659 = A.A.C. R12-7-104
 A.R.S. 27-509 = A.A.C. R12-7-183

12/06/96 15:02 602 542 1486

GRRC

002

GOVERNOR'S REGULATORY REVIEW COUNCIL 1997 DEADLINES

DEADLINE FOR ADOPTED RULES AND FIVE-YEAR REVIEW REPORTS	DATE OF COUNCIL MEETING	DATE REVISIONS DUE TO COUNCIL AFTER MEETING
November 25, 1996	January 7, 1997	January 21, 1997
December 23, 1996	February 4, 1997	February 18, 1997
January 20, 1997	March 4, 1997	March 18, 1997
February 17, 1997	April 1, 1997	April 15, 1997
March 24, 1997	May 6, 1997	May 20, 1997
April 28, 1997	June 3, 1997	June 17, 1997

January 1997 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	February 1997 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	March 1997 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	April 1997 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
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REGULAR RULEMAKING PROCESS

Docket Notice must be published in the *Register*.

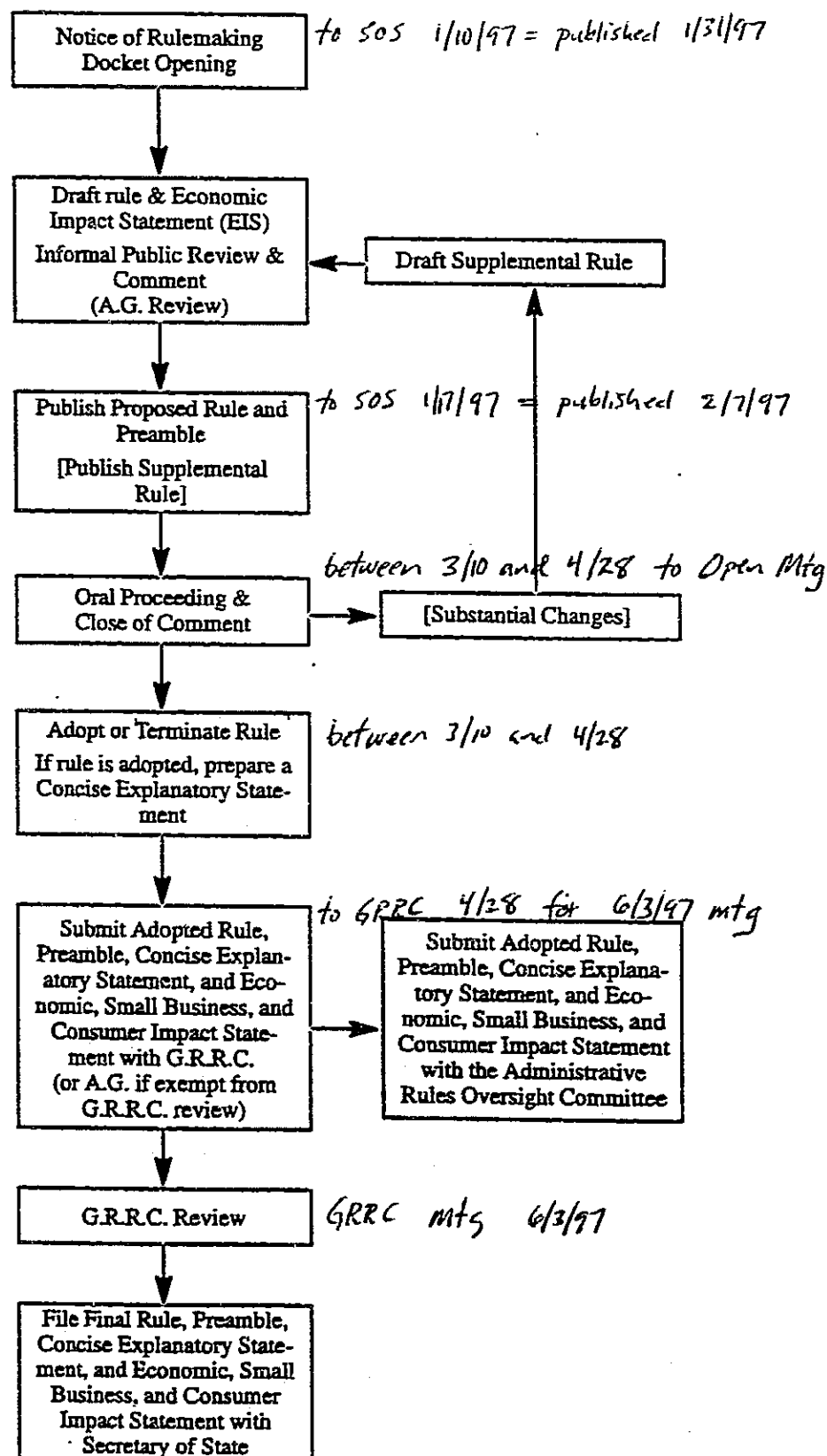
Notice of meetings may be published in the *Register*.

Oral proceeding (hearing) is held no sooner than 30 days after the proposed rule is published in the *Register*.

Rule must be adopted or terminated within 120 days after the close of the record.

G.R.R.C. has 90 days to review and approve or return the adopted rule or EIS

After approval by G.R.R.C., the rule becomes effective upon filing with the Secretary of State who date- and time-stamps the rule.



NOTICE OF PROPOSED RULEMAKING

TITLE 12. NATURAL RESOURCES

CHAPTER 7. OIL AND GAS CONSERVATION COMMISSION

PREAMBLE

- | <u>1. Sections Affected</u> | <u>Rulemaking Action</u> |
|--------------------------------------|--------------------------|
| Article 1.
R12-7-104
R12-7-183 |
Amend
Amend |
2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):
- Authorizing statute: A.R.S. §§27-516(A) and 27-656(A)
Implementing statute: A.R.S. §§27-513, 27-659, and 27-509
3. The name and address of agency personnel with whom persons may communicate regarding the rule:
- Name: Steven L. Rauzi, Oil & Gas Program Administrator
Address: Arizona Geological Survey
416 West Congress, Suite 100, Tucson, Arizona 85701-1315
Phone: (520) 770-3500, Fax (520) 770-3505
4. An explanation of the rule, including the agency's reasons for initiating the rule:
- R12-7-104 specifies permitting requirements and R12-7-183 specifies requirements to transport oil, gas, or geothermal resources from a lease. These rules are being amended to be consistent with the recently enacted time-frame statute, A.R.S. §41-1073.
5. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:
- Not applicable.
6. The preliminary summary of the economic, small business, and consumer impact:
- The principal impact of these rules will be on companies drilling for oil, gas, and geothermal resources. Because the rules are mostly procedural in nature, they will not significantly impact the economy or have a significant impact upon small businesses or consumers. The proposed amendments will benefit companies drilling for oil, gas, and

geothermal resources by identifying the time-frame in which drilling applications or certificates of compliance and authorization to transport will be approved or disapproved.

7. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Steven L. Rauzi, Oil & Gas Program Administrator
Address: Arizona Geological Survey
416 W. Congress, Suite 100, Tucson, AZ 85701-1315
Phone: (520) 770-3500, Fax (520) 770-3505

8. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: March 14, 1997
Time: 10:00 a.m. 400
Location: 1700 W. Washington, Room 500, Phoenix, AZ 85007
Nature: Oral proceeding to amend A.A.C. R12-7-104 and R12-7-183

9. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules: Not applicable.
10. Incorporations by reference and their location in the rules: None.
11. The full text of the rules follows:

TITLE 12. NATURAL RESOURCES

CHAPTER 7. OIL AND GAS CONSERVATION COMMISSION

ARTICLE 1. OIL, GAS, HELIUM, AND GEOTHERMAL RESOURCES

Section

R12-7-104. Application for Permit to Drill

R12-7-183. Certificate of Compliance and Authorization to transport

R12-7-104. Application for Permit to Drill

A. Before drilling or reentering any well or conducting any surface disturbance associated with such activity, the operator shall submit to the Commission an application for permit to drill or reenter and obtain approval. The complete application package shall contain

1. An application for permit to drill on a form provided by the Commission, which shall include the operator's name, address and phone number, and a description of the proposed well and its location;

2. A well and well-site construction plan that meets the requirements of R12-7-108 through R12-7-118;

3. A plat, prepared and certified by a registered surveyor bearing the surveyor's certificate number, on which is shown the exact acreage or legal subdivision allotted to the well as required by R12-7-107, the well's exact location, and its ground level elevation;

4. An organization report as required by R12-7-194;

5. A performance bond, as required by R12-7-103; and

6. A fee of \$25.00 per well.

B. The Commission shall advise the applicant, within 30 days of receipt of the application required in subsection (A), as to whether or not the application is administratively complete. Within 30 days of receipt Upon approval of all items required in subsection (A), the Commission shall review, approve, and issue a permit to drill or provide a written explanation to the applicant if the application is not approved. issue a permit to drill. The Commission may require modification to the proposed construction plan before approval. A permit shall not be issued until these modifications are adhered to by the operator. The Commission shall notify the applicant in writing if the application is not approved.

C. Unless operations are commenced within 180 days after date of approval, the permit to drill shall become null and void unless an extension in writing is granted by the Commission.

D. In case of imminent danger to public safety or of contamination of the environment, the Commission may authorize the drilling of an emergency relief or offset well to reduce the danger or hazard. Within 10 ten days of commencing an emergency relief or offset well, the operator shall file an application as required in subsection (A). No well drilled under this subsection shall be used for production unless it conforms to the provisions of R12-7-107.

R12-7-183. Certificate of Compliance and Authorization to Transport

A. Each producer or operator of any well shall execute under oath and file with the Commission an operators certificate of compliance and authorization to transport oil, gas, or geothermal resources from lease for each well.

B. The certificate, when properly executed and approved by the Commission, shall constitute authorization to the pipeline or other transporter to transport oil, gas, or geothermal resources from the developed unit named. The Commission may provide written permission for the transportation of production in order to prevent waste, pending execution and approval of the certificate.

- C. The certificate shall remain in full force and effect until:
1. The operating ownership of the developed unit changes, or
 2. The transporter changes, or
 3. The certificate is cancelled by the Commission.

D. When a change occurs in operating ownership of any developed unit, or when a change occurs in the transporter from any developed unit, the operator shall file a new certificate with the Commission within 10 ten days of the change. With respect to a temporary change in transporter which involves less than the production of one month, the producer may, in lieu of filing a new certificate, notify the Commission and the transporter in writing of the estimated amount of oil, gas, or geothermal resources to be moved by the temporary transporter, and the name of the temporary transporter. The operator shall furnish a copy of the notice to the temporary transporter.

E. The temporary transporter shall not move any greater quantity of oil, gas, geothermal resources than the estimated amount shown in the notice.

F. The Commission shall advise the producer or operator, within 10 working days of receipt of the certificate required in subsection (A), as to whether or not the certificate is administratively complete. Within 10 working days of receipt of an administratively complete certificate required in subsection (A), the Commission shall approve the certificate or provide a written explanation to the producer or operator if the certificate is not approved.

AOGCC MTG 1-10-97

NAME

REPRESENTING

Marc Steadman

Attorney General's
Office.

John Haas

Bureau of Land Mgmt.

Chet Oakley

AZ State Land Dept

Bill Greeney

OSPB