

OIL & GAS CONSERVATION COMMISSION
— MINUTES OF MEETING/MARCH 27, 1998 —
STEVEN L. RAUZI, OIL & GAS ADMINISTRATOR

AOGCC mts notes - March 27, 1998

Date - called meeting order @ 10:00
approval of meeting minutes

Dr. Fellows - Statement of Director

1)
2)
3) strategic plan

Program budgeting - all agencies
Strategic effect Oil & Gas comm

4 - Goals

- 1) generate info - Publications etc
- 2) Geologic mapping programs w/ USGS
- 3) Identification Geologic hazards
- 4) Oil & Gas - several objectives
drilling permits, etc.

reviewed by fiscal analyst.

Steve Ruzi - Report of Oil & Gas Program Admin.

eliminate duplicate Bonds
contracted companies
released 85,000 of bonds
3 - Blanket Bonds

Ridgeway's concerns -

Comm. moved no jeopardy

in process - go before ^{Council} ~~Dorenois~~ on rules

No new permits -

call from Co. interested in purchasing
some wells & drilling some new wells.

Playa Minerals out of Houston, TX.
unsure of the wells to purchase.

Date
checked?

Dry Mesa wells -

Steve { on BLM land - procedure -

3 are gas wells -

4th well - oil

Paul
comments

problems with Rodney Rattner some problems
will be drilling next week.

Date
Dec 13, 1997

Oil & Gas lease sale - successful
38 parcels - at auction
Ridgeway majority bidder

Steve
R

lease sale -

person bidding thru cell phone.

(caused some annoyance)

another person - interest with Chuar

Showed up at A&B5 - what is the
land like, that was leased at
auction. Copies of Gas analysis &
completion reports.

From Wink, TX.

Paul

Blm office (N.M.) with Ridgeway
package

Steve

Meeting March 4, with Ridgeway
and ~~State~~ State and Dept
~~State~~

Amendment - Steve Range

R12-7,117 - read off

R12-7,121 -

R12-7,125 -

after 5 years - plugged

Paul asked for comments and discussion
on the proposed rulemaking

Larry - asked - about wells that ^{are} perforated?

Steve - responded - "testing on casing"
testing the integrity = testing, tubbing, &
packer

Dale - timing - how do you keep track
of that?

Steve - responds - 1 year in advance on
calendar - (etc)

Dale - any other questions

Mark S - response - asked if ^{GRRC} ~~Mark~~ ^{Gurk} had
seen these rules?

Steve - how rules had been worked out
with Anne -

Dale - requirements apply to all types
of wells -

Steve - responded -

discussion w/ Mark - Dale -

Steve asks Dr Nations to sign certificate
that rules are true, etc.

Dale - talked about report - ? -
by TK Reeves

Call to the Public

no ϕ

schedule next meeting - discussion
of need

~~Monday September 18, 1998~~

~~3rd Friday~~

~~Oct 1~~

~~Oct 2~~

Oct 2

@ 10:50

Mr. Clay moved to adjourn, seconded
by Jod



Jane Dee Hull
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 March 27, 1998, at 10:00 a.m. in Room 500 of the State Capitol located at 1700 West Washington, Phoenix, Arizona 85007. As indicated in the agenda, the Oil and Gas Conservation Commission may vote to go into executive session which will not be open to the public to discuss certain matters.

The agenda for the meeting is as follows:

1. Call to Order
2. Approval of the Minutes of Meeting of October 31, 1997
3. Statement of Director and State Geologist
4. Report of Oil & Gas Program Administrator
5. Oral proceeding to amend R12-7-117, R12-7-121, and R12-7-125
6. Call to the public
7. Announcements
8. 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 23rd day of March 1998

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi
Oil and Gas Program Administrator

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 communicate in the Commission's meeting, or who require this information in an alternate format, may contact the Program Administrator to make their needs known. Requests must be made at least 72 hours in advance so that the Commission will have sufficient time to respond.

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
October 31, 1997

Present:

Ms. Lisa C. Worthington, Vice-Chair
Dr. Donald W. Clay, Member
Mr. James C. Lanshe, Member
Mr. J. Dennis Wells, State Land Commissioner
Dr. Larry D. Fellows, Director and State Geologist
Ms. Rose Ellen McDonnell, Administrative Services Officer
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

The regular Commission Meeting of October 31, 1997, was called to order by Ms. Lisa C. Worthington, Vice-Chair, at 10:10 a.m. in Room 400, State Capitol Tower, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF JUNE 13, 1997

Mr. Lanshe moved, seconded by Dr. Clay:

THAT THE MINUTES OF THE MEETING OF JUNE 13, 1997, BE ACCEPTED AS
PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that the Arizona Geological Survey was in the second year of its biennial budget and that several new geological reports and maps had been completed.

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 Central Resources planned to drill a new well at the East Boundary Butte Field.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION'S WELLS

Mr. Rauzi reported on (1) the status of Ridgeway's wells with respect to R12-7-125, Temporary Abandonment; (2) Ridgeway's interpretation that gas analyses were not part of the testing required to be filed with the commission; and (3) Ridgeway's request for a six-month extension of confidentiality.

After discussing if a temporarily-abandoned versus shut-in status would prevent Ridgeway from continuing to hold its leases, whether a gas analysis is a test required under the oil and gas rules, and the extension of confidentiality with Messrs. Riggs and White of Ridgeway,

Mr. Lanshe moved, seconded by Dr. Clay:

TO APPROVE THE RECOMMENDATION OF THE ADMINISTRATOR TO TEMPORARILY ABANDON RIDGEWAY'S WELLS SUBJECT TO DETERMINATION BY THE LAND DEPARTMENT THAT SUCH STATUS WOULD NOT JEOPARDIZE RIDGEWAY'S ABILITY TO CONTINUE TO HOLD ITS LEASES

Motion carried unanimously.

Mr. Lanshe moved, seconded by Dr. Clay:

THAT THE COMMISSION DEFER ACTION ON WHETHER A GAS ANALYSIS IS A TEST AND THE COMMISSION'S ABILITY TO GRANT A SIX-MONTH EXTENSION OF CONFIDENTIALITY PENDING A WRITTEN OPINION FROM LEGAL COUNSEL

Motion carried unanimously.

COMMISSION POLICY ON PUBLIC AND INDIAN LAND

Mr. Rauzi reported that the Commission holds bonds for companies drilling on public and Indian lands even though companies drilling on public land are required to post a bond with the federal government and companies drilling on Indian land are required to post a bond with the BIA. He reported that the bonds held by the Commission are duplicate bonds.

Mr. Lanshe moved, seconded by Dr. Clay:

THAT THE ADMINISTRATOR RELEASE DUPLICATE BONDS IF EVIDENCE OF BONDS HELD WITH THE FEDERAL GOVERNMENT OR BIA IS OBTAINED

Motion carried unanimously.

CALL TO THE PUBLIC

Paul Buff reported that the Bureau of Land Management would hold its next oil and gas lease sale in December.

ANNOUNCEMENTS

None.

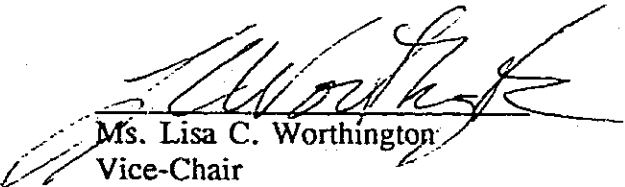
ADJOURNMENT

Mr. Lanshe moved, seconded by Dr. Clay:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:30 a.m.

APPROVED


Ms. Lisa C. Worthington
Vice-Chair

GUESTS IN ATTENDANCE

Mike Rice	State Land Department
Paul Buff	Bureau of Land Management
Don Riggs	Ridgeway Arizona Oil Corporation
Tom White	Ridgeway Arizona Oil Corporation



Jane Dee Hull
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

March 23, 1998

To: Oil and Gas Conservation Commissioners
From: *SLR* Steven L. Rauzi, Oil and Gas Program Administrator
Re: Activity Report for March 27, 1998, Meeting

No new permits to drill have been issued since your last meeting on October 31, 1997. Premco Western had to plug its shallow well south of St. George because its lease expired. Premco has indicated plans to drill a new well on another lease in that area. Thompson Engineering and Production has indicated plans to drill up to 4 new development wells at the Dry Mesa Field. PetroSun, Inc. has not yet plugged its 15-1 NMAL well near Concho.

The State Land Department advised Ridgeway Arizona Oil Corporation that temporarily abandoned wells would not jeopardize its leases. As a result, I approved the temporary abandonment of Ridgeway's wells. Ridgeway is now drilling in New Mexico. We have not yet received a written opinion from the Attorney General about the Commission's ability to grant a 6-month extension of confidentiality or whether a gas analysis is a test under the Commission's rules.

I released duplicate bonds filed with the Commission by Central Resources, Mountain States Petroleum, Thompson Engineering and Production, and Premco Western after receiving evidence of these companies' bonding with the Bureau of Indian Affairs or Bureau of Land Management.

NOTICE OF FINAL RULEMAKING

TITLE 12. NATURAL RESOURCES

CHAPTER 7. OIL AND GAS CONSERVATION COMMISSION

PREAMBLE

1.

<u>Sections Affected</u>	<u>Rulemaking Action</u>
Article 1	
R12-7-117	Amend
R12-7-121	Amend
R12-7-125	Amend
2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):
Authorizing statutes: A.R.S. §§ 27-516(A) and 27-656(A)
Implementing statutes: A.R.S. §§ 27-516(A)(1), (2), and (9); 27-652(A), 27-655, and 27-661
3. The effective date of the rules:
When filed with the Secretary of State
4. A list of all previous notices appearing in the Register addressing the final rule:
Notice of Rulemaking Docket Opening: 4 A.A.R. 475, February 13, 1998
Notice of Proposed Rulemaking: 4 A.A.R. 506, February 20, 1998
5. 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
Telephone: (520) 770-3500
Fax: (520) 770-3505
6. An explanation of the rule, including the agency's reasons for initiating the rule:
R12-7-117 specifies requirements for stimulating wells. R12-7-121 specifies completion and reporting requirements for wells. R12-7-125 specifies requirements when drilling, testing, injection, or production operations are suspended for 60 or more days.

The Oil and Gas Conservation Commission is amending these rules to clarify reporting requirements because a regulated company recently advised the Commission that the rules were vague and not specific about reporting requirements.

7. 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

8. The summary of the economic, small business, and consumer impact:

These rules directly impact companies drilling for oil, gas, and geothermal resources. The rules are mostly procedural in nature and do not significantly impact the economy or have a significant impact upon small businesses or consumers. The proposed rulemaking will benefit the regulated community by clarifying reporting requirements.

9. A description of the changes between the proposed rules, including supplemental notices, and the final rules (if applicable):

Based on suggestions and comments made by GRRC staff, several non-substantive changes were made to clarify the text, include statutory and rule references when applicable, and ensure that rule language conforms to the required rule drafting style.

10. A summary of the principal comments and the agency response to them:

None received

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

Not applicable

12. Incorporation by reference and their location in the rules:

None

13. Was this rule previously adopted as an emergency rule?

No

14. 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

- R12-7-117. Artificial Stimulation of Wells
- R12-7-121. Well Completion and Filing Requirements
- R12-7-125. Temporary Abandonment

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

R12-7-117. Artificial Stimulation of Wells

- A. The operator shall report the artificial stimulation of any well to the Commission in writing within 15 days of the stimulation showing the type of stimulation, the amounts and types of materials used, stimulation pressures applied, and the flow and pressure results before and after stimulation. ~~and the pressures applied.~~
- B. If the artificial stimulation of a well results in any damage to the producing formation, a freshwater formation, casing, or casingseat that permits or may permit communication between fluid-bearing zones, the operator shall immediately notify the Commission and proceed with diligence ~~to use appropriate means to correct the damage.~~ If the artificial stimulation results in irreparable damage to the well, the operator shall plug and abandon the well pursuant to in compliance with R12-7-127.

R12-7-121. Well Completion completion and Filing filing Requirements requirements

- A. ~~For the purpose of this rule only, a well shall be determined to be completed when it is capable of production, has been temporarily abandoned as provided for in R12-7-125, or has been plugged and abandoned as provided for in R12-7-126 and R12-7-127.~~
- A. B. For each completed well as defined in A.R.S. §§ 27-501 and 27-651, the The operator shall file a completion report with the Commission within 30 days after the completion of a well. The completion report shall contain a description of the well and lease, the casing record, the tubing record, the liner record, the perforation record, the stimulation and cement squeeze record, and data on the initial production. The operator shall submit other well data including any lithologic, mud, or wireline log; directional survey; core description and analysis; stratigraphic or faunal determination; formation test including results before and after stimulation; formation fluid analysis; and any other similar information or survey to the Commission within 30 days of removing the drilling rig from the hole. Other well data, including all logs, tests, and surveys shall be filed with the completion report or within 30 days after the completion of the well.
- B. C. The operator shall furnish samples of all cores and cuttings, at a maximum interval of 10 ten feet, to the Commission within 30 days of removing the drilling rig from the hole. The operator may furnish core samples in chips. The operator shall: All samples for the Commission shall be handled as follows:

1. Wash and dry all All samples; ~~shall be washed and dried.~~
2. Place approximately 3 ~~Approximately three~~ tablespoons of each sample shall be placed in an envelope that shows showing the identification of the well where from which the sample originated, the location of the well, the Commission's permit number, and the depth where the sample was taken; and at which the sample was taken.
3. Package samples in protective ~~Samples shall be packaged in boxes and ship for protection and shall be shipped prepaid to:~~
 Oil and Gas Program Administrator
 Arizona Geological Survey
 416 West Congress, Suite 100
 Tucson, AZ 85701
4. ~~Core samples may be furnished in chips and packed and shipped as specified in paragraphs (2) and (3).~~

C. D. Upon written request by the operator, the Commission shall keep any well information required by in this Section confidential for a period of 1 year after removing the drilling rig from the hole, not to exceed six months from the completion date of a stratigraphic or exploratory hole and for a period not to exceed two years from the completion date of a geothermal resources well.

R12-7-125. Temporary Abandonment abandonment

- A. When drilling, injection, or production operations have been suspended for 60 days, the well shall be plugged and abandoned as required in R12-7-126 and R12-7-127 or temporarily abandoned. ~~unless the operator obtains written permission for temporary abandonment from the Commission. On drilling wells, the drilling rig shall not be removed from the hole until written permission for temporary abandonment is obtained from the Commission. Permission granted shall be for a period not to exceed one year. One year extensions may be granted. Wells may be initially temporarily abandoned for a period of 12 consecutive months. The operator shall submit proof of casing integrity including a description of the current casing, cementing, and perforation record of the well. At the end of each 12-month period the operator shall file a Sundry Notice with the Commission providing the following information:~~
 1. Evidence of casing integrity including a description of the current casing, cementing, and perforation record of the well;
 2. Reasons for continued temporary abandonment of the well; and
 3. The length of time the well will be temporarily abandoned.
- B. ~~When requesting temporary abandonment, the operator shall file with the Commission a description of the mechanical condition of the well and a current corrosion, caliper, or cement bond log. The Commission shall not approve temporary abandonment or an extension unless the operator can show that the mechanical condition of the well will prevent damage to the producing zone, prevent contamination of fresh waters or other natural resources, and prevent leakage of any substance at the surface. The Commission may require a mechanical integrity test of the casing before approving or extending temporary abandonment.~~

- B. C.** The operator shall plug any well that fails to meet the casing integrity pursuant to R12-7-112. After 5 years of nonactivity or nonproductivity, the operator shall plug the well in accordance with R12-7-127. Upon expiration of the period of temporary abandonment or an extension, the well shall be plugged and abandoned, unless the operator can demonstrate to the Commission why the well should not be plugged and abandoned, and a further extension issued.
- C. D.** Before reentering any temporarily abandoned well, the operator shall give the Commission at least 10 ten days written notice detailing the proposed activity. Within 15 days of completing the proposed activity, the operator shall file a written report with the Commission fully describing the work performed.



JANE DEE HULL
GOVERNOR

Arizona
State Land Department

1516 WEST ADAMS
PHOENIX, ARIZONA 85007



J. DENNIS WELLS
STATE LAND COMMISSIONER

December 17, 1997

Mr. Don Riggs, Vice President Operations
Ridgeway Arizona Oil Corporation
P. O. Box 1110
St. Johns, Arizona 85936

Re: Well Classifications

Dear Mr. Riggs:

As discussed during the Oil and Gas Commission meeting of October 31, 1997, the Department has reviewed your concerns about certain wells being classified as "Temporarily Abandoned." Based upon our review of the oil and gas lease agreement, the Department does not believe the classification jeopardizes the lease or any extension of the lease beyond the primary term. The basis for our position is as follows:

- 1) There are no leases held by Ridgeway Arizona Oil Corporation in which the primary term expires earlier than 1999.
- 2) There has been no production from state land nor has there been demonstrated to the Department a discovery on state land. In the absence of either a discovery well or production from state land, an extension of the lease must be exercised through Section 2, Paragraphs b and c of the agreement.
- 3) With the exception of extending the lease through diligent drilling, completion, reworking operations, or production from the property, the longest term of any oil and gas lease is for a period of ten years. Since the act of diligently developing or producing from the property is a requirement for extending the lease beyond a term of 10 years, the classification of the well has no bearing upon the granting of an extension by the Department.

Mr. Don Riggs, Vice President Operations
December 17, 1997
Page 2

For your convenience I have enclosed a copy of the Department's oil and gas lease agreement and specifically refer you to Page 2 of the agreement. Should you have any further questions regarding this matter, please feel free to contact the Department at any time.

Sincerely,

J. Dennis Wells

J. Dennis Wells
State Land Commissioner

JDW:mlt

Enclosure

c: Oil and Gas Conservation Commission ✓

Arizona Geological Survey
Attention: Steven L. Rauzi



Jane Dee Hull
Governor

State of Arizona
Arizona Geological Survey

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

November 6, 1997



Larry D. Fellows
Director and State Geologist

Mr. Marc T. Steadman
Assistant Attorney General
Environmental Enforcement Section
Office of Attorney General
1275 West Washington
Phoenix, Arizona 85007

Dear Marc:

The Oil and Gas Conservation Commission discussed two unresolved issues with Ridgeway Arizona Oil Corp in its meeting on October 31, 1997. Ridgeway requested an extension of confidentiality and clarification of its interpretation that the rules do not require gas analyses.

The commission instructed me to request a written opinion from your office on the two issues, which are:

- (1) Does the commission have the ability to consider or grant an extension to the confidentiality period provided in A.R.S. § 27-522?
- (2) Is a gas analysis a test?

The commission further requests your response to be circulated beforehand so it is not confronted with legal issues at its next meeting. Please call to discuss these issues at your convenience. Thank you.

Sincerely

Steven L. Rauzi
Oil and Gas Program Administrator

called Mr. Steadman 11/5 at his ms of letter, notes, condition of Approval, form letter, and my vacation f/11-11-97 through 12-1-97
Mts calls 11/6. I discuss mtg, take, and will send selected transcript.

(11-6-97

Marc,

I have attached for your information:

- (1) Notes on 2 issues in 10-31-97 mts of oscc
- (2) My thoughts on question: Is test?
- (3) My thought on question: Is it within ... discrepancies?
- (4) Bur proposed form letter (all applicants)
- (5) Proposed Conditions of approval (all applicants)
- (6) Selected transcripts
- (7) Selected pages from Sullivan, 1955
p 256-259; 276-291

NOTES ON THE TWO ISSUES IN THE OCTOBER 31, 1997, MEETING

Issue 1. Commission's ability to consider or grant extension of confidentiality provided in A.R.S. § 27-522?

I advised the commission of your initial impression that 27-522 may not give the commission authority to grant extensions.

Issue 2. Is a gas analysis a test? Disagreement if rules required that or not.

I reported that Ridgeway filed two gas analyses, one in 1994 and one in 1995, and a flow-test report in 1997. The gas composition reported on the flow-test report, Form 18, did not match the gas analyses submitted in 1994 and 1995. I requested Ridgeway to submit the gas analysis used to substantiate the gas composition reported on Form 18. I read from R12-7-121(B) "Other well data, including all logs, tests, and surveys, shall be filed..."

Tom White, Ridgeway, said the gas composition on Form 18 could not be substantiated by any 1 analysis. It was a composite of all the gas analyses Ridgeway performed on the wells. Their consulting engineer composited the numbers off of a combined amount of gas analyses.

Don Riggs, Ridgeway, focused on the word testing. He noted that R12-7-121(B) did not specifically say gas analysis, it said tests. He did not consider a gas analysis a test required by the commission. He said the gas analysis was an expensive operation sent to different laboratories around the country to find out the composition of the gas. It was an economic issue for the company about the value of the gas. The engineering attorney did not want the economics to become a public record, and advised Ridgeway to not submit them.

Lisa Worthington asked if a gas analysis was a test. Don Riggs, Ridgeway, said no. I said a gas analysis is a laboratory test of a gas's composition, and in that fashion it is a test.

Don Riggs said the gas analysis was not a required specification when a well was completed. He asked why was it required to be submitted if it was not required to be done?

Larry Fellows thought the crux of the issue was the question, is a gas analysis a test? He said it looked like a gas analysis was required by the rules. He said that if a gas analysis is a test, then the gas analyses that were used for the composite on Form 18 are required.

Jim Lanshe said it was unclear if the commission was enforcing its rules or not. If the rules required a gas analysis, what discretion did the commission have to deviate from the rules? He expressed a desire to work with Mr. Riggs as amicably as possible. He noted the commission is entrusted with the fiduciary responsibility to make sure that it does what it's supposed to do. He pointed out the gas analysis issue was unclear, and that the commission needed further clarification. He asked Mr. Riggs to bear with us and advised that if it was warranted, the commission would come back and ask Ridgeway for additional information and attempt to resolve the issue as politely as possible.

MY THOUGHTS ON THE QUESTION: IS A GAS ANALYSIS A TEST?

1. Ridgeway filed two gas analyses, one for its Plateau Cattle #1 well, which Ridgeway completed in 1994, and one for its State #3-1 well, which Ridgeway completed in 1995. Ridgeway completed its State #22-1X in June 1997. In July 1997 I advised Ridgeway that R12-7-136 required a reservoir pressure test on completed gas wells within 30 days of completion and R12-7-150 required a flow-test report, Form 18, on completed gas wells within 30 days of completion. Ridgeway has not yet submitted the reservoir pressure tests. Ridgeway did submit a flow-test report for its #22-1X and #3-1 wells in August 1997.
2. The gas composition reported on the flow-test reports, Form 18, did not match the gas analyses submitted in 1994 and 1995. I requested Ridgeway to submit the gas analysis used to substantiate the gas composition reported on Form 18.
3. Ridgeway said the gas composition on Form 18 could not be substantiated by any 1 analysis. It was a composite of all the gas analyses Ridgeway performed on the wells. Their consulting engineer composited the numbers off of a combined amount of gas analyses.
4. Ridgeway does not interpret the rules to require a gas analysis. Ridgeway said that R12-7-121(B) says "tests," it does not specifically say gas analysis. As a result, Ridgeway does not consider a gas analysis a test required by the commission. Ridgeway also said the gas analysis was not a required specification when a well was completed and asked why a gas analysis was required to be submitted if it was not required to be done?
5. In my opinion, R12-7-121(B) says "...all logs, tests, and surveys...." Formation tests are performed to determine what is in the formation at depth. In other words, to determine the presence of formation fluids and, if present, the rate and pressure these fluids flow from the formation. What is in the formation is an integral component of the test. Is it water? Is it oil? Is it gas? If it's gas, will it burn? If it won't burn, what is it? The gas analysis is an integral component of the test.

So the integral components of the formation test are (1) what is in the formation, is it water, oil, or gas and if gas what kind of gas; (2) will it flow from the formation, and if it does flow, at what rate and pressure; and (3) what happens to the reservoir pressure when the well is shut-in.

Ridgeway says that R12-7-121(B) says "tests," it does not specifically say gas analysis and so did not consider a gas analysis a test required by the commission. However, R12-7-121(B) also does not specifically say "rate" and does not specifically say "pressure" and does not specifically say "fresh or salty water" but rate, pressure, and salinity of the water were all reported by Ridgeway as an integral part of the test required by the commission.

MY THOUGHTS ON THE QUESTION:

**Is it within the purview of the commission to
note discrepancies on submitted reports and
to request clarification about discrepancies?**

1. Statutory policy of the commission, pursuant to 27-502, is to prevent waste; protect correlative rights; encourage development; and safeguard the health, property and public welfare of citizens of the state and other interested persons. *Note: value of the subsurface substance is integral to diligent protection of correlative rights.*
2. To prevent waste, 27-503 grants the commission authority to collect data; make investigations and inspections; examine property, leases, papers, books, and records; examine, check, test, and gauge oil and gas wells; hold hearings; require keeping of records and making of reports; and to take action deemed necessary to enforce and effectuate provisions of article 1. *Note: waste may include both physical and economic waste.*
3. Effective conservation programs require some measure of control over drilling, completion, and production. One measure of control to insure compliance is to require supervision and reports.
4. 27-527 requires each operator to submit full, true and correct entries on any application, report, record, account, or memorandum required by this article. R12-7-192(A) requires each operator to make and keep books and records to substantiate all reports required by the commission. R12-7-192(B) requires such books and records to be available for inspection by the commission.
5. In my opinion, if the commission notes a discrepancy on submitted reports, it has an obligation to request (1) a clarification for the discrepancy, and (2) examine records to insure the accuracy of submitted reports. I believe the commission has a right and an obligation, and the authority, to require and insure a full, true, and correct account of formation tests required in R12-7-121.

November 4, 1997

Mr. John Doe
Company
Address
City, ST ZIP

Re: Company, Well, and Number; State Permit #___

Dear Mr. Doe:

An approved copy of your application to drill the referenced well;
Permit #___; and filing fee receipt #___ are enclosed for your file.

This permit is issued on the condition that you comply with the
attached **Conditions of Approval**. Failure to comply with the attached
Conditions of Approval shall result in the revocation of the applicant's Permit
to Drill.

Sincerely,

Steven L. Rauzi
Oil & Gas Program Administrator

Enclosures

STATE OF ARIZONA
OIL AND GAS CONSERVATION COMMISSION

CONDITIONS OF APPROVAL

Operator: _____
Well Name & Number: _____
Permit Number: _____
Lease: _____
Location: _____ Sec. _____ Twp. _____ Rge. _____

1. General

Applicant shall comply with the requirements of Arizona Revised Statutes Title 27, Chapter 4, Article 1, and Oil and Gas Conservation Commission Rules, Arizona Administrative Code, Title 12, Chapter 7.

For wells on State Trust Land, applicant shall comply with the approved Arizona State Land Department's Plan of Operation, and shall have completed an approved Archeological Survey.

2. Notification Requirements

Applicant shall notify the Arizona Geological Survey at least 24 hours before (1) commencing drilling operations, and (2) running and cementing all casing strings.

3. Reporting and Filing Requirements

Applicant shall file all required reports, forms, logs, and surveys with the Arizona Geological Survey, including but not limited to (1) Report of Water Encountered During Drilling (Form attached), (2) Progress Reports for drilling, testing, and completion operations; and (3) Sundry Notices and Reports on Wells requesting approval of all change of plans or other operational actions.

Applicant shall submit all logs, tests, and surveys including all wireline logs, directional surveys, formation fluid analyses (including gas or water), individual core descriptions and analyses, stratigraphic and faunal determinations, individual formation tests including results before and after stimulation, and all other similar information and surveys to the Arizona Geological Survey as soon as the records are available or within 30 days of removing the drilling rig from the hole. All data submitted to the Arizona Geological Survey shall be held confidential pursuant to A.R.S. § 27-522.

4. The applicant shall mark all rigs or wells in a conspicuous place with the name of the operator, the lease serial number, and the number and location of the well. The applicant shall maintain the marker in legible condition at all times.

STATE OF ARIZONA
OIL AND GAS CONSERVATION COMMISSION

CONDITIONS OF APPROVAL

Operator: _____
Well Name & Number: _____
Permit Number: _____
Lease: _____
Location: _____ Sec. _____ Twp. _____ Rge. _____

1. General

Applicant shall comply with the requirements of Arizona Revised Statutes Title 27, Chapter 4, Article 1, and Oil and Gas Conservation Commission Rules, Arizona Administrative Code, Title 12, Chapter 7.

Before commencing operations on State Trust Land, applicant shall first obtain an approved Plan of Operation and, if necessary, an approved Archeological Survey from the Arizona State Land Department.

2. Notification Requirements

Applicant shall notify the Arizona Geological Survey at least 24 hours before (1) commencing drilling operations, and (2) running and cementing all casing strings.

3. Reporting and Filing Requirements

Applicant shall file all required reports, forms, logs, and surveys with the Arizona Geological Survey, including but not limited to (1) Report of Water Encountered During Drilling (Form attached), (2) Progress Reports for drilling, testing, and completion operations; and (3) Sundry Notices and Reports on Wells requesting approval of all change of plans or other operational actions.

Applicant shall submit all logs, tests, and surveys including all wireline logs, directional surveys, formation fluid analyses (including gas or water), individual core descriptions and analyses, stratigraphic and faunal determinations, individual formation tests including results before and after stimulation, and all other similar information and surveys to the Arizona Geological Survey as soon as the records are available or within 30 days of removing the drilling rig from the hole. All data submitted to the Arizona Geological Survey shall be held confidential pursuant to A.R.S. § 27-522.

4. The applicant shall mark all rigs or wells in a conspicuous place with the name of the operator, the lease serial number, and the number and location of the well. The applicant shall maintain the marker in legible condition at all times.

Oil + Gas Meeting - March 27, 1998

Name

Representing

Paul D. Buff

BLM