9-11-99

Dear Steve,

Just a note to let you know I'll be in Oregon on the Oct 2nd meeting date. Back in Arizona by Oct. 15th.

Sorry to miss the meeting but I will make the next one.

Sincerely,

Don Clay
NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION

OIL AND GAS CONSERVATION COMMISSION

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Oil and Gas Conservation Commission and to the general public that the Oil and Gas Conservation Commission will hold a meeting open to the public on October 2, 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 March 27, 1998
3. Statement of Director and State Geologist
4. Report of Oil & Gas Program Administrator
5. Proposed clarification of statute
6. Proposed clarification of rules
7. Call to the public
8. Announcements
9. Adjournment

The Oil and Gas Conservation Commission may vote to go into Executive Session, pursuant to A.R.S. § 38-431.03(A)(5), 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 21st day of September 1998

OIL AND GAS CONSERVATION COMMISSION

[Signature]

Steven L. Rauzi
Oil and Gas Program Administrator
September 11, 1998

To: Oil and Gas Conservation Commissioners
From: Steven L. Rauzi, Oil and Gas Program Administrator
Re: Activity Report for October 2, 1998, Meeting

Two permits were issued since your last meeting on March 27, 1998. The 1st to Premco Western for the #1-18 Dutchman on the Arizona Strip, and the 2nd to Thompson Engineering & Production for a development well at the Dry Mesa Field in northeastern Arizona. Central Resources extended its permit to drill at the East Boundary Butte Field because of the current low crude oil price. The Premco well is currently at a depth of 80 feet. The Thompson and Central Resources’ wells have not yet started. PetroSun, Inc. has not yet plugged its 15-1 NMAL well near Concho.

Ridgeway Arizona Oil Corporation has proposed an exploration unit for its approximately 250,000 acres of state, federal, and fee leases in the St. Johns - Springerville area. The State Land Department would like to see additional testing results of Ridgeway’s wells before making a decision on the proposed unit. If the Land Department decides to approve Ridgeway’s proposed unit agreement, the Oil and Gas Conservation Commission may need to ratify the agreement after notice and hearing to allow any interested party to be heard.

The State Land Department plans to initiate a bill to keep trade secrets and certain oil and gas data confidential. I have discussed the attached housekeeping revisions to oil and gas statutes with Chairman Nations. It might be possible, and helpful, to have one bill for both agencies. The revisions to the oil and gas statutes would clarify the beginning of the period of confidential status for information filed with the Commission and make the period of confidential status consistent between oil, gas, and geothermal wells. A copy of these proposed revisions is enclosed for your review.

Upon your okay, I will open a rulemaking docket to clarify the attached rules concerning well completion, filing requirements, and temporary abandonment.
OIL AND GAS CONSERVATION COMMISSION
416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
March 27, 1998

Present:
Dr. J. Dale Nations, Chairman
Dr. Donald W. Clay, Member
Mr. Zed Veale, Member
Dr. Larry D. Fellows, Director and State Geologist
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

The regular Commission Meeting of March 27, 1998, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 500, State Capitol Tower, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 31, 1997

Dr. Clay moved, seconded by Mr. Veale:

 THAT THE MINUTES OF THE MEETING OF OCTOBER 31, 1997, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported on the next biennial budget, upcoming legislation, and a three-year strategic plan. He reported that the budget would be for Fiscal years 1999 and 2000 and that no legislation appeared to directly affect the Arizona Geological Survey or the Commission. He explained how the oil and gas program fit into the three-year strategic plan.

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 he released $85,000 of duplicate bonds for activities on Indian and public lands after receiving evidence of bonding with the Bureau of Indian Affairs or Bureau of Land Management (BLM).
Oil and Gas Conservation Commission Minutes March 27, 1998 Page 2

ORAL PROCEEDING TO AMEND R12-7-117, R12-7-121, AND R12-7-125

Mr. Rauzi reported that no oral or written comments were received on the proposed rulemaking.

Dr. Nations opened the floor for discussion on the proposed rulemaking. There was none. The Commission adopted the rulemaking on R12-7-117, R12-7-121, and R12-7-125 as proposed. Dr. Nations signed the Agency Certificate.

CALL TO THE PUBLIC

Mr. Paul Buff reported that Premco Western planned to start drilling on the Arizona Strip soon. He briefly reviewed the BLM lease sale held on December 13, 1997.

ANNOUNCEMENTS

The next meeting was scheduled for October 2, 1998, in Room 500 of the Capitol Tower.

ADJOURNMENT

Dr. Clay moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:00 a.m.

APPROVED

[Signature]
Dale Nations
Chairman

GUESTS IN ATTENDANCE

Marc T. Steadman Office of the Attorney General
Paul Buff Bureau of Land Management
PROPOSED HOUSEKEEPING AMENDMENTS TO OIL AND GAS STATUTES

27-501. Definitions
In this article, unless the context otherwise requires:

4. “Completed well” means a well that meets any of the following conditions:
   (a) Has produced or is ready to produce new formation hydrocarbons OR GASES.
   (b) Has been declared a dry hole and OR temporarily abandoned or plugged and
       abandoned.
   (c) Has been otherwise readied for operation as in the case of injection and service
       wells.

27-516. Rules and regulations
A. The commission shall make rules and amend them as deemed necessary for the
   proper administration and enforcement of this article, including the following rules, regulations
   and orders:
   2. Requiring reports showing the location of oil and gas wells and requiring filing
      of logs and drilling record within thirty days from the completion OF DRILLING of a well
      drilled for oil or gas.

27-522. Records
B. Well logs, casing records, compiled data and other information shall be properly
   indexed and suitably recorded in the permanent records of the commission and shall be open to
   inspection by the public at all reasonable times during office hours. The well records of a well
   drilled in unproven territory shall not be subject to inspection until six months after completion
   FOR A PERIOD NOT TO EXCEED ONE YEAR AFTER THE COMPLETION OF
   DRILLING. The director of water resources may inspect any and all well records at any time
   but shall keep confidential all information that is not subject to inspection as otherwise provided
   in this section.
1982

27-653. Information; filing; confidentiality
The commission shall collect all information regarding all wells drilled in the state for
geothermal resources necessary for the purpose of supervision of such wells. All such data shall
be filed in the commission office and, upon request of the operator, shall be kept confidential
for a period not to exceed two years following the date of completion of such well ONE YEAR
AFTER THE COMPLETION OF DRILLING. All such data shall also be available to the
director of water resources, who shall keep the information obtained confidential when such a
request has been made of the commission by the operator.
1982

27-661. Drilling record; samples
The owner or operator of any well shall keep, or cause to be kept, a log, core record and
drilling history, copies of which shall be filed with the commission no later than thirty days
following the completion OF DRILLING of such well. A complete set of samples of the drill
bit cuttings and cores, at intervals and in the manner specified by the commission, shall be
furnished to the commission.
1972
R12-7-121. Well Completion and Filing Requirements

A. The commission considers a well 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.

B. 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 and any additional information required by R12-7-125. 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 or drill-stem test; formation fluid analysis; and any other similar information or survey to the Commission with the completion report or within 30 days of the completion of drilling. 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.

C. The operator shall furnish samples of all cores and cuttings, at a maximum interval of 10 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 Ait samples; shall be washed and dried.
2. Place approximately 3 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; 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).

D. Upon written request by an the operator, the Commission shall keep any well information required by in this Section confidential for a period of 6 months after the operator has removed the drilling rig from the hole, not to exceed 6 months from the completion date of a stratigraphic or exploratory hole and for a period not to exceed 2 years from the completion date of a geothermal resources well.
R12-7-125. Temporary Abandonment

A. When drilling, injection, or production operations have been suspended for 60 days, an operator shall plug and abandon a well under R12-7-126 and R12-7-127 or temporarily abandon the well, 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 1 year. One year extensions may be granted.

B. An operator may temporarily abandon a well for a period of 1 year if the operator submits a completion report under R12-7-121 containing the following additional information:
   1. Evidence of casing integrity including a complete description of the current casing, cementing, and perforation record of the well;
   2. The stimulation and cement squeeze record and complete data on the results of any well tests performed to date; and
   3. Reasons for temporary abandonment of the well.

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.

C. After 1 year, an operator shall plug any temporarily abandoned well unless the Commission grants a 1-year extension upon a showing of good cause by the operator that the well should not be plugged in accordance with R12-7-127. An operator shall prove casing integrity to continue temporary abandonment status. An operator shall plug any well that fails to meet the casing integrity required by R12-7-112.

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.

D. Before reentering any temporarily abandoned well, an operator shall give the Commission at least 10 days' written notice of intent detailing the proposed activity. Within 15 days of completing the proposed activity, the operator shall file a subsequent written report with the Commission fully describing the work performed.

9/23/98
Meeting 10-2-98

Meeting called to order @ 10:00

Approval of last meeting

Lisa Mowad, Jim Kiers and Jim

all in favor

Dr. Knowles: Directors Report
Budget submitted. Due - travel
for out of state meeting
New budget and plan -

Geo survey - spring
Annual Geologic meeting in June

Prepary for E. SW. Oct. 11-17

Oil and Gas Report of Adv. by Steve

Redesigned - exploratory agreement

Two permits issued - By Stripes - Feb. time

Four corners offshore - fund
Issues of not reporting on stimulation rule
Temporary abandonment - submitted of all tasks done on well.
Clarification on rules and clarification on language.

Mark Stedman: Status 501?
Define what a completed well?
Steve R - 121-B - Rule -
Discussion -
Keep status 501 as is -
Work together.

Rules apply to new activity - apply law now to completed wells -

Question by Lisa Westington regarding missing data from Redway.
Jim: Question is comm. has power to suspend records & reports.
Jim: Approve the recommendation of Adm. To
deed review rules."
Seconded by Lisa.
Jim Burmeier -
He's not off the plan yet. If you have any questions, feel free to call.

Call to the People:

Jim Burmeier -
He's not off the plan yet. If you have any questions, feel free to call.

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He's not off the plan yet. If you have any questions, feel free to call.
Steve,

Co-data is reported to State and is on file. Drill Stem test - complete.

The State cannot ask a Geologist to read Scott for info.

Ridgeway, etc.

Accurate intervals from Ridgeway.

Discussion:

Jim - requesting from the State of NY.

to look at discrepancies.

Steve Penn - agreed all stem tests consistent in NY, & AZ.

core analysis complete.

Lisa asked about report on discrepancies - Steve agreed they are same.

Jim Brauminger - asks who in the State can ask Ridgeway for complete reports.

Mark - suggested executive session.

Jim's motion to go into executive session.

Second - Lisa W.
11:05

Executive Session:

Discussion for request by Jim Braniman to request that Ridgeway give info on discrepancies.

Mark Stedman - suggest a letter to Ridgeway in regards to inconsistent info in their records.

Identify the discrepancies - first and then pursue request for info. Used agreed for June 8th and letter in regards to discrepancies and to respond time not to go over 30 days from Ridgeway. If any problem with a request that Steve can turn to Attorney General's office.

Not to antagonize Ridgeway and would like to view letter before it mails out.
moved to go out of General Session
by Lisa - seconded by Jim L

When to meet in session again -

Jan 15/99 -

Dale announced re: Dept of Energy
Oil & Gas - Block Mesa Basin
Northeastern AZ

Jim L - motion for adjournment
Lisa - second