

OIL & GAS CONSERVATION COMMISSION  
— MINUTES OF MEETING/OCTOBER 2, 1998 —  
STEVEN L. RAUZI, OIL & GAS ADMINISTRATOR

Clay  
4357 Charro Ln  
Yuma, AZ 85365

Steve Rauzi  
Ariz. Geological Survey  
416 W. Congress, Suite 100  
Tucson, AZ 85701



9-14-99

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. 15<sup>th</sup>,  
Sorry to miss the meeting but I will make  
the next one.

Sincerely

Don Clay



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 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)(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 21st day of September 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.



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

September 11, 1998

To: Oil and Gas Conservation Commissioners  
From: *SLP* 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).

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.

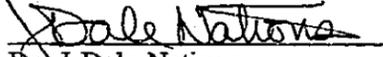
ADJOURNMENT

Dr. Clay moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED

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

APPROVED

  
Dr. J 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. ~~For the purpose of this rule only, a well shall be determined~~ The commission considers a well to be completed when it is capable of production, has been temporarily abandoned under as provided for in R12-7-125, or has been plugged and abandoned under as provided for in R12-7-126 and R12-7-127.
- B. ~~An~~ 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. ~~An~~ 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 a 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~~ 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; 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).~~
- D. ~~Upon written request by an~~ the operator, the Commission shall keep any well information required by in this Section confidential for a period 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 the well shall plug and abandon a well under be plugged and abandoned as required in 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~~ the 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

Steve Rauge  
Dr. L. D. Fellows

Meeting 10-2-98

Jim Brannigan  
Mike Rice  
Dennis Wells  
Mark Stoadman

Meeting called to order @ 10:00

Dale Nations  
Lisa Worthington  
Jim Lansing

Approval of last meeting

Lisa moved Jim I. seconded

all in favor

Dr. Fellows: Directors Report

Budget submitted - dues - travel  
for out of state meetings  
2 new budget analyses -

Des Surmy - busy summer  
annual Geologist meeting in June

Preparing Oct 11-17  
for E.S.W. Open House on 10-9

Oil & Gas Report of Admin. by Steve R.

Ridgeway - exploratory agreement.

~~Two permits~~ issued - By Stripe - Fed. Lease  
Two permits

Four corners extended permit

Steve Rauzi

Proposed clarification of status:

to make ~~consistent~~ consistent

completion of well not completion  
of drilling. - not to exceed  
one year.

piggyback on State Land Dept.'s Bill.

Being submitted for revisions -

Motion by Jim Lansing

"Approve the recommendation  
of the administrator"

second by Jess Worthington  
motion on - (I)

Well completion + filing analysis

Clarify the language - cover everything

all logs, tests, + surveys

- for a period of six months -

- plug and abandon well - time limit

2 rules clarifying language adding  
more info. as to what it means.



Question asks by Mike Rice -

Then by Dale Nations - discussion by  
Steve Rauzi -  
"can comm request them to make a  
test?"

"Yes comm does have  
authority to request test"  
Dale Nations asked for vote on motion  
Voted on motion -  
approved

Call to the Public

Jim Brannigan -  
not having info. from Ridgeway - where is  
the ~~gas~~ <sup>has</sup> ~~water~~ <sup>leg</sup> water leg is?  
Steve has sent letters to Ridgeway without  
response.

~~57~~ (9) discrepancies on wells  
in AZ  
need Sundry notices -  
amend Ridgeway's sundry notices.

asking for State of AZ to request Ridgeway to  
give info requested. to give  
correct information.

intervals plus -

Steve -

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

The State cannot ask a Geologist  
George Scott for info.

~~Drill stem test~~

accurate intervals from Ridgeway

- Discussion -

Jim - requesting from the State of G.  
to look at discrepancies -

Steve Rauzi -

again - all stem test consistent  
in N.M. & AZ.

all core analysis complete

Lisa asked about report on discrepancies -  
Steve agreed there are some -

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

Mark - suggest Executive session

Jim L. motion to go into Executive session  
second - Lisa W.

@ 11:05

Executive Session:

Discussion ~~for~~ request by Jim Brannigan  
to request that Ridgeway give  
info. on discrepancies -

Mark Steadman - suggests a letter to  
Ridgeway in regards to inconsistencies  
in their records -

Identify the discrepancies - first  
and then pursue request for

info.  
Comm. agreed for Steve to send  
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 Executive Session  
by Lisa - seconded by Jim L.

When to meet in session again -

Jan. 15/1999 -

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

Jim L - motion for adjournment  
Lisa - second