

OIL & GAS CONSERVATION COMMISSION  
— MINUTES OF MEETING/JANUARY 15, 1999 —  
STEVEN L RAUZI, OIL & GAS ADMINISTRATOR



Janie 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 January 15, 1999, 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 and Executive Session of October 2, 1998
3. Report of Oil & Gas Program Administrator
4. Status of active wells
5. Status of United Gas Search Bond
6. Status of oil and gas bill
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.

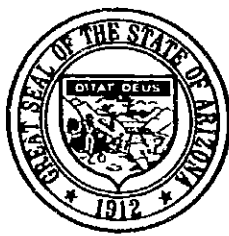
The public will be afforded an opportunity to comment on any item on the agenda; however, at the beginning of the meeting, the Commission may vote to set up a time limit on individual comments.

Dated this 7th day of January 1999

**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.



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Governor

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Larry D. Fellows  
Director and State Geologist

January 7, 1999

To: **Oil and Gas Conservation Commissioners**

From: *SLR* Steven L. Rauzi, Oil and Gas Program Administrator

Re: **Activity Report for January 15, 1999, Meeting**

Since your last meeting on October 2, 1998, Coleman Oil and Gas completed a new gas well at the Dry Mesa Field in December 1998. Coleman permitted the well in July 1998. The Premco well in northwestern Arizona is currently drilling at a depth of about 200 feet.

The PetroSun 15-1 NMAL well near Concho has been shut-in since August 1996. PetroSun has not responded to our written request to submit official paperwork to further test or plug the 15-1 NMAL before January 15, 1999. The owner of the surface land where the 15-1 NMAL was drilled has submitted a written complaint to our office about the current condition of the well site.

Ridgeway Arizona Oil Corporation submitted amended completion reports after being notified of the inconsistent information on the original completion reports and sundry notices that was brought to our attention in your last meeting. Ridgeway has 10 shut-in wells under temporary abandonment that expires January 23, 1999, unless granted an extension from this commission. Of the 10 wells, Ridgeway has only completed 2 as gas wells and is still testing the 8 wells drilled in 1997.

I received a list of costs incurred by Mr. Rodney Ratheal for restoring the United Gas Search location in January 1997. Mr. Ratheal called our office in October 1998 to ask about the status of his being reimbursed. I told Mr. Ratheal that we were waiting for written concurrence to reimburse him from our legal counsel and advised him to contact Mr. Marc Steadman directly to discuss the status.

Ridgeway Arizona Oil Corporation has proposed some amendments to the oil and gas bill that we discussed in your October 1998 meeting. Our proposed language clarifies the open-ended time-frame for submission and confidentiality of information and provides impetus for an operator to test a well in a reasonable amount of time. The amendments proposed by Ridgeway would allow an operator to keep a well in confidential status indefinitely and would provide no impetus for an operator to test a well in a reasonable amount of time. As a result, we oppose the amendments proposed by Ridgeway.

**OIL AND GAS CONSERVATION COMMISSION**

416 West Congress #100  
Tucson, Arizona 85701

Minutes of Meeting  
October 2, 1998

Present:

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

The regular Commission Meeting of October 2, 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 MARCH 27, 1998

Ms. Worthington moved, seconded by Mr. Lanshe:

THAT THE MINUTES OF THE MEETING OF MARCH 27, 1998, BE  
ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that the budget was submitted with a request for IOGCC dues and travel to an out-of-state meeting. He reported on the Annual State Geologist Meeting in Maine, 49th Annual Highway Geology Symposium in Prescott, Annual Meeting of the Western States Seismic Policy Council in Pasadena, and that he had chaired a session on land subsidence and earth fissures at the Annual Symposium of the Arizona Hydrological Society in Tucson. Dr. Fellows reported that there would be an open-house on October 9 in conjunction with Earth Science week October 11 through 17, 1998.

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 Snow Oil and Gas, Inc. had proposed an exploration unit for CO<sub>2</sub> near St. Johns at a meeting at the State Land Department on September 30, 1998. The Snow proposal was an alternative to the exploration unit for CO<sub>2</sub> proposed by Ridgeway Arizona Oil Corporation in April 1998. The Snow proposal includes only acreage in Arizona, whereas the Ridgeway proposal includes acreage in both Arizona and New Mexico.

PROPOSED CLARIFICATION OF STATUTE

Mr. Rauzi explained the amendments to A.R.S. §§ 27-501, 27-516, 27-522, 27-653, and 27-661 to clarify the time-frame for confidentiality of well records. He discussed the possibility of including the amendments in a bill to be sponsored by the State Land Department. The Commission agreed it would be helpful to have one bill for both agencies.

Mr. Lanshe moved, seconded by Ms. Worthington:

TO ACCEPT THE AMENDED STATUTORY LANGUAGE AS SUBMITTED BY  
THE ADMINISTRATOR

Motion carried unanimously.

PROPOSED CLARIFICATION OF RULES

Mr. Rauzi explained the amendments to R12-7-121 and R12-7-125 to clarify the information to be submitted by an operator at the completion of drilling of a well or when requesting temporary abandonment.

Mr. Rice asked if the rules required an operator to complete testing sufficient to determine whether or not a well is a discovery well. Mr. Rauzi responded that the two rules being amended did not require such tests but that other rules did require such testing.

Mr. Lanshe moved, seconded by Ms. Worthington:

TO ACCEPT THE AMENDED RULE LANGUAGE AS SUBMITTED BY THE  
ADMINISTRATOR

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Jim Brannigan, consulting petroleum geologist, reported that he was studying the carbon dioxide area near St. Johns on behalf of Snow Oil and Gas. Mr. Brannigan had made copies of well files for his study. He pointed out discrepancies on several Sundry Notices and Completion Reports submitted to the Oil and Gas Conservation Commission by Ridgeway Arizona Oil Corporation. Mr. Brannigan requested the Commission to obtain amended reports clarifying the discrepancies in order to have correct information on file.

Mr. Lanshe moved, seconded by Ms. Worthington:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION

Motion carried unanimously. The Executive Session began at 11:05 a.m.

The regular meeting resumed at 11:35 a.m.

ANNOUNCEMENTS

The next meeting was scheduled for January 15, 1999, in Room 500 of the Capitol Tower.

Dr. Nations reported that the U.S. Department of Energy is interested in the oil and gas potential of the Black Mesa Basin in northeastern Arizona.

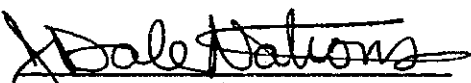
ADJOURNMENT

Mr. Lanshe moved, seconded by Ms. Worthington:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:45 a.m.

APPROVED

  
Dr. J Dale Nations  
Chairman

GUESTS IN ATTENDANCE

Marc T. Steadman	Office of Attorney General
Michael J. Rice	State Land Department
Jim Brannigan	Consulting Petroleum Geologist, Roswell, New Mexico

Selected Transcript, OGCC Meeting, January 15, 1999

Present:

Dr. J. Dale Nations, Chairman (jdn)  
Ms. Lisa C. Worthington, Vice-Chair (lcw)  
Mr. Zed Veale, Member (zv)  
Mr. J. Dennis Wells, State Land Commissioner (jdw)  
Mr. Steven L. Rauzi, Oil and Gas Program Administrator (slr)

Guests in attendance:

Michael J. Rice (mr)	State Land Department
Thomas White (tw)	Ridgeway Arizona Oil Corporation
Paul J. Buff (pb)	U.S. Bureau of Land Management
Clarence Bigelow (cb)	Apache County Manager

SIDE A

Status of oil and gas bill

- tw Steve, we have not received that. (slr - This letter to Hurwitz from Mike Rice?) No, we did not receive that. (mr - That was faxed to Mr. Hurwitz yesterday.) That's what I was asking you about before the meeting. I didn't know anything like that had been released. I had talked with you yesterday and requested that we could look at that. (mr - Oh, I didn't realize that was what you were speaking of, I'm sorry, Tom, but that was faxed to Mr. Hurwitz yesterday and it was faxed to Steve yesterday, ah, and, and, with regular mail to follow. But it was not sent to Ridgeway.) (slr - Should I give this copy to Tom?) (mr - Yes.)
- tw Ah, we have, we just received the letter, so, ah we want to take a little time and read over this and see exactly what it says. One of our concerns is, and I direct this question directly to the commission, why does temporary abandonment mean a completed well? (jdn - Why does it mean a completed well?) Why does that fall under the definition of a completed well. When you temporarily abandon a well, why does that fall under that definition? (jdn - Ah, well I'll have to refer to Steve on that.) Well, Our argument on that is, when we temporarily abandon a well we have to file a completion report on that. That is the triggering clause for our confidentiality.
- tw Well, according to the rules, the code, the Arizona Code, when we drill a well and set casing, were required within 60 days to temporarily abandon that well. Ah, when we temporarily abandon that well, then according to the rules that are now in place, we have approximately 6 months before confidentiality is released on that. That's not enough time. When we go in to these wells to test them, or anything like that, now I do have a fax we received from, I guess it was from you to Mike Rice on some of this, the new language in here but you're still carrying under that completed definitions temporarily abandoned. And I just, we don't understand that, because when we temporarily abandon a well that does not mean that that well is ready for production or is completed. Ah

Selected Transcript, OGCC Meeting January 15, 1999 / Page 2

when we get into a drilling program if a drilling rig comes in, drills a hole they're going to set casing and put a valve on it, shut it, nothing's going to be done to it until we finish the program and are able to come back through and complete those wells with stimulation, testing, or whatever we have to do to that. Ah, the problem we have is that when you file this report with Mr. Rauzi, it triggers this confidentiality clause. We have a year in the new language, they've upped that, before that becomes public record. Ah, we need some explanation of this. It really, it really becomes a problem for us.

tw Right, well, one of the things we're running into is we have an enormous amount of land. We start drilling on that, if the reservoir, it's going to have different characteristics in different areas of the land. If we get into one spot, ah, say we drill 10 wells on the northeastern side, and we get up there and we're having problems, we get down to the bottom side and we start drilling some more down there, the time that it takes us to do this stuff, ah, and the finances, is one of the problems that we're looking at right now. So, this is why this has come up, ah when we temporarily abandon a well it's considered completed, according to the rules here. A completed well is a well that has been declared a dry hole or temporarily abandoned or plugged and abandoned. It's considered a completed well. And this is just one of the things that has come up as a problem. This confidentiality thing. We can work this out to where can extend this it would be great.

tw They're willing to sit down and sign a unit agreement, Steve. Right now. So, you know, they unitize real quickly in New Mexico. So there, therefore they only have this 3 month rule, or 90 day rule. Ah, here in Arizona, this thing's dragging out a little bit. We're going to need a little bit more time. If we could find some middle ground, like I said, we haven't read this letter or looked at it, but if we could find some middle ground, that would be great. Where we could lengthen this from 6 months to 18 months.

tw And that's what's in this letter here?

SIDE B

tw What is their time-frame in Utah? Because see we, we kind of took issue with that. We discussed this because of the language, it says within 6 months an operator shall complete testing, that's an economic decision, and, you know, you're going to make us spend money. So, ha, ha.

tw What is, ah, the time-frame in Utah that you mentioned here Mike? (mr - Ah, I don't believe that there is a time-frame.) It's just if he has concern over a well that has nothing been done with then he steps in, or the commission steps in.

tw But you're forcing us within 6 months to test a well. You're forcing us to, to go out and get a testing company to come in and test this well.



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- tw We're not looking for an indefinite period, we're looking for some middle ground. Work with us, as an industry that's coming into the state, providing jobs, ah, you know, we, we feel that we're going to be a rather large field some day. We're trying to get some rules in place so that when we do get back to drilling that we're not going to be butting heads, that we get this all ironed out before we go back into a situation like that.
- tw Well, like I said I haven't read this letter yet but if we're looking at what the other states are doing, and according to this letter here that was faxed from Steve Rauzi to Mike Rice in writing this, the 18 months, would be, ah, be sufficient.
- tw Well, the, the time-frame before was filing the paperwork, we had 6 months, it was considered a completed well. Ah, we didn't feel it was a completed well because we hadn't done sufficient testing. Ah, if we can get this wrote up to where we have 18 months, on this before it becomes public record, we're comfortable with that.
- tw The filing of the logs, the core data, none of that's a problem. It's this right here, the trigger.
- tw Right, right, oh, I know there has to be a trigger on there, but our concern, there again, was when the well's not completed, and we classify it as completed, and that starts the clock before we do anything, ah.
- tw We're close, we're close. What I'd like to do is go back, let our people review this and then, ah, perhaps talk with the land department and, ah, the oil and gas department, and just go from there. Ah, in talking to Mike Annable, Mr. Wells, he seemed to think we had three weeks before we actually needed to, ah, get this thing hammered out.
- tw I agree with you on that. Ah, then again, if we go into a, more of a development mode down the road where you got 3 rigs going. That's where your time comes in, that's, that's, that's our only problem (jdn - Yeah, and if). You've got 3 separate zones in each well and you want to do, you know, extended tests, plus a build up test, a shut-in test, and all this stuff. It's just, your time.
- tw Next week I can, we can get together on this, that's not a problem. Next weeks fine with us.

OGCC MTS, JAN 15, 1999

NAME

REPRESENTING

Thomas White

Ridgeway

Paul J. Biff

Bureau of Land Management

Clarence Bynum

Apex Co.