

OIL & GAS CONSERVATION COMMISSION  
MINUTES OF MEETING/MAY 19, 2000  
STEVEN L. RAUZI, OIL & GAS ADMINISTRATOR



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 May 19, 2000, at 10:00 a.m. in Room 321 of the State Land Department Building located at 1616 West Adams Street, 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 Minutes of Special Meeting and Executive Session of December 17, 1999
3. Statement of the Director and State Geologist
4. Report of Oil & Gas Administrator
5. Discuss Active Wells and Projects
6. Discuss House Bill 2492
7. Discuss Rule Changes
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 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 12th day of May 2000

**OIL AND GAS CONSERVATION COMMISSION**

Steven L. Rauzi  
Oil and Gas Administrator

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

*Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting Steve Rauzi at (520) 770-3500. Requests should be made as early as possible to allow time to arrange the accommodation. This document is available in alternative formats by contacting Steve Rauzi at (520) 770-3500.*

**OIL AND GAS CONSERVATION COMMISSION**

416 West Congress #100  
Tucson, Arizona 85701

Minutes of Meeting  
December 17, 1999

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 Administrator

The special Commission Meeting of December 17, 1999, was called to order by Dr. J. Dale Nations, Chairman, at 10:02 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING AND EXECUTIVE SESSION OF NOVEMBER 5, 1999

Mr. Veale moved, seconded by Dr. Clay:

THAT THE MINUTES OF THE MEETING AND EXECUTIVE SESSION  
OF NOVEMBER 5, 1999 BE ACCEPTED AS PRESENTED

Motion carried unanimously.

Mr. Veale moved, seconded by Dr. Clay:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION

Motion carried unanimously. The Executive Session began at 10:04 a.m.

The regular meeting resumed at 12:10 p.m.

ADJOURNMENT

Mr. Veale moved, seconded by Dr. Clay:

THAT THE MEETING BE ADJOURNED

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

APPROVED

  
Dr. J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE

Marc T. Steadman Attorney General's Office



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

May 11, 2000

To: Oil and Gas Conservation Commissioners  
From: Steven L. Rauzi, Oil and Gas Administrator  
Re: Activity Report for May 19, 2000, Meeting

One permit to drill was issued and one producing well was plugged since your last regular meeting in September 1999. Mr. Gus Berry re-entered and deepened the previously abandoned Townsend well near Meteor Crater and Coleman Oil & Gas plugged one of its gas wells in the Dry Mesa Field near Teec Nos Pos. Mr. Berry is now waiting on sufficient funds to test his well. Premco Western reports that it is drilling below a depth of 1400 feet at its well in northwestern Arizona.

The PetroSun well near Concho was plugged with forfeited bond money in November 1999. I inspected the wellsite in April. All pits have been filled and leveled and the well monument is in place. CNA Surety was very cooperative in getting this well plugged.

House Bill 2492 passed the House and Senate and was signed by the Governor on April 10, 2000. The oil and gas rules on temporary abandonment and well completion now need to be amended to conform with the revised statutes, particularly with regard to procedures for extending confidentiality of well records.

I conducted a semi-annual inspection of the 14 LPG storage wells near Luke and Adamana in April. All of the wells and emergency shut-down systems were in good working order. Amerigas was in the process of relining one of its brine ponds.

I am close to completing an Open-File Report on bedded Permian salt in the Holbrook Basin. The report includes two contour maps and six well-log cross sections. The report will provide important information on the depth, distribution, and thickness of salt in east central Arizona.

Senate Engrossed House Bill

State of Arizona  
House of Representatives  
Forty-fourth Legislature  
Second Regular Session  
2000

## HOUSE BILL 2492

AN ACT

AMENDING SECTIONS 27-152.01, 27-152.02, 27-153, 27-501, 27-515 AND 27-522,  
ARIZONA REVISED STATUTES; RELATING TO OIL AND GAS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1

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1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 27-152.01, Arizona Revised Statutes, is amended to  
3 read:  
4 27-152.01. Duties of Arizona geological survey  
5 The Arizona geological survey shall:  
6 1. Investigate, describe and interpret the geological setting of this  
7 state, including its natural hazards and limitations, its natural attributes  
8 and its mineral resources, specifically including:  
9 (a) Seismicity, ground subsidence and earth fissuring, landslide and  
10 other slope processes, fluvial geomorphic hazards, natural collapse and  
11 problem soils.  
12 (b) Stratigraphy, other geologic conditions and geochemistry affecting  
13 surface water and groundwater.  
14 2. Perform and archive original research to promote public  
15 understanding of this state's geologic resources and natural setting.  
16 3. Conduct research and development activities concerning the  
17 exploration for the mineral resources of this state.  
18 ~~4. Publish in the form of bulletins, circulars, maps and other related~~  
19 ~~series or otherwise make available to state agencies, government officials,~~  
20 ~~industry and the public the results of all geological and related research~~  
21 ~~and investigation it undertakes.~~  
22 ~~5.~~ 4. Solicit from professional geologists and local, state and  
23 federal governmental agencies references or bibliographic listings of  
24 nonproprietary geologic maps, reports and research performed in this state  
25 and publish a biennial bibliography of all geologic literature, mapping,  
26 graduate theses and other materials it receives on Arizona geology.  
27 ~~6.~~ 5. Provide lectures, talks, displays and exhibits for the general  
28 education of the public, and workshops, aids, pamphlets and study guides for  
29 earth science teachers, in order to gain a better understanding of this state  
30 and the wise use of this state's land and its geological features and  
31 resources.  
32 ~~7.~~ 6. Operate and maintain a central repository and a computerized  
33 data-base DATABASE for reports, books, maps and other publications regarding  
34 the geology, mineral resources and associated technologies present or  
35 practiced in this state. Such repository and data-base DATABASE shall be  
36 available for the use of the public and may be located at or connected with  
37 the university of Arizona or another state university or agency of this  
38 state.  
39 ~~8.~~ 7. Operate and maintain a central repository for rock cores, well  
40 cuttings and related subsurface samples and all associated supplemental data  
41 consistent with the laws of this state requiring the deposit of such material  
42 and information. Such repository shall be available for the use of the  
43 public.  
44 ~~9.~~ 8. Receive and expend any monies arising from grants, contracts,  
45 contributions, gratuities or reimbursements payable or distributable to this  
46 state from the United States, or from state, county, municipal or other

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1 ~~helium and well records and shall control property, machinery and appliances~~  
2 ~~necessary to gauge the wells.~~

3 G. B. A geological survey fund is established for the purposes  
4 provided in this article consisting of appropriations and all monies received  
5 pursuant to this section and sections 27-152.01, 27-153 and 27-515. Monies  
6 shall be separately accounted for and used as a continuing appropriation by  
7 the state geologist for the purposes provided from each source. Monies in  
8 the fund are exempt from the provisions of section 35-190 relating to lapsing  
9 of appropriations.

10 Sec. 3. Section 27-153, Arizona Revised Statutes, is amended to read:  
11 27-153. Publications; deposit

12 A. THE STATE GEOLOGIST MAY PUBLISH, IN THE FORM OF BULLETINS,  
13 CIRCULARS, MAPS AND OTHER RELATED SERIES, OR OTHERWISE MAKE AVAILABLE TO  
14 STATE AGENCIES, GOVERNMENT OFFICIALS, INDUSTRY AND THE PUBLIC THE RESULTS OF  
15 GEOLOGICAL AND RELATED RESEARCH AND INVESTIGATION UNDERTAKEN BY THE ARIZONA  
16 GEOLOGICAL SURVEY. A PUBLICATION SHALL NOT INCLUDE ANY CONFIDENTIAL  
17 INFORMATION PURSUANT TO SECTION 27-522. THE STATE GEOLOGIST SHALL CONSULT  
18 WITH THE OPERATOR AND OBTAIN THE APPROVAL OF THE SCOPE OF WORK FOR THE  
19 PUBLICATION BEFORE THE STATE GEOLOGIST RELEASES ANY PROPOSED PUBLICATION  
20 PERTAINING TO A PROJECT REGULATED BY THE OIL AND GAS CONSERVATION COMMISSION.

21 A. B. The publications of the Arizona geological survey shall be  
22 printed as the state geologist determines and distributed or sold as the  
23 interests of this state or science demand. Money obtained by the sale of  
24 publications shall be deposited in the geological survey fund established by  
25 section 27-152.02 for printing further publications.

26 B. C. All materials collected, after having served the purpose of the  
27 Arizona geological survey, shall be made available to the universities,  
28 community colleges and high schools of this state.

29 Sec. 4. Section 27-501, Arizona Revised Statutes, is amended to read:  
30 27-501. Definitions

31 In this article, unless the context otherwise requires:

32 1. "Certificate of clearance" means a permit approved and issued or  
33 registered by the commission for transportation or delivery of oil, gas or  
34 oil and gas products.

35 2. "Certificate of compliance" means a certificate issued by the  
36 commission prior to connection of an oil or gas well with a pipeline, showing  
37 compliance with the conservation laws of this state and conservation rules  
38 and orders of the commission.

39 3. "Commission" or "commissioner" means the oil and gas conservation  
40 commission.

41 4. "Completed well" means a well that meets any of the following  
42 conditions:

43 (a) Has produced or is ready to produce new formation hydrocarbons or  
44 gases.

45 (b) Has been declared a dry hole, ~~temporarily abandoned~~, or plugged  
46 and abandoned.

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1 governmental sources. The Arizona geological survey shall also receive and  
2 expend any monies arising from grants, contracts, contributions, gratuities  
3 or reimbursements donated by private persons or corporations. Monies  
4 received pursuant to this paragraph shall be deposited in the geological  
5 survey fund and handled pursuant to section 27-152.02.

6 ~~10-~~ 9. Contract and be contracted with.

7 ~~11-~~ 10. Utilize the services and expertise of the universities of the  
8 state at the discretion of the state geologist.

9 ~~12-~~ 11. Cooperate with local, county, state and federal agencies.

10 Sec. 2. Section 27-152.02, Arizona Revised Statutes, is amended to  
11 read:

12 27-152.02. Duties of state geologist; geological survey fund

13 A. The state geologist shall:

14 1. Establish such administrative functions and offices as necessary to  
15 achieve the purposes of this article.

16 2. Prescribe the number and professional disciplines of the technical  
17 staff and their office and laboratory associates.

18 3. Direct the work of the Arizona geological survey and the  
19 formulation of its program and policies.

20 4. Adopt such rules as are necessary to carry out the purposes of this  
21 article.

22 5. Purchase or lease necessary office and laboratory equipment and  
23 acquire facilities from the state or lease necessary office and laboratory  
24 space.

25 6. Apply for and accept gifts, bequests or legacies of real or  
26 personal property or any other contribution, financial or otherwise, for use  
27 pursuant to the direction of the donor or, in the absence of an express  
28 direction, to be disposed of for the best interests of this state. The state  
29 geologist shall honor any restriction imposed by the donor on divulging  
30 contributed information or tangible personal property.

31 7. Accept from the federal, state and local governments or their  
32 agencies monies made available to this state for the purposes of this  
33 article.

34 8. Enter into cooperative agreements with federal, county or municipal  
35 governments or their agencies or with any agency or governmental unit  
36 established by the law of this or any other state for the purpose of carrying  
37 out the provisions of this article.

38 9. Contract with persons and organizations, public or private, to  
39 provide services for the Arizona geological survey.

40 10. Appoint a person with a background in oil and gas conservation to  
41 act on behalf of the oil and gas conservation commission and administer and  
42 enforce the applicable provisions of chapter 4 of this title relating to the  
43 oil and gas conservation commission.

44 ~~B. The state geologist or his designee, at any time, may enter upon~~  
45 ~~property and inspect wells drilled for oil, gas, geothermal resources or~~

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- 1 (c) Has been otherwise readied for operation as in the case of  
2 injection and service wells.
- 3 5. "Developed area" or "developed unit" means a drainage unit having a  
4 completed well capable of producing oil or gas in paying quantities.
- 5 6. "Drainage unit" or "drilling unit" means the maximum area in a pool  
6 which may be drained efficiently by one well to produce the reasonable  
7 maximum amount of recoverable oil or gas in the area.
- 8 7. "Field" means the general area which is or appears to be underlaid  
9 by not less than one pool, including underground reservoirs containing oil or  
10 gas, or both.
- 11 8. "Fund" means the state general fund.
- 12 9. "Gas" means natural gas, casinghead gas, all other hydrocarbons not  
13 defined as oil, carbon dioxide and helium or other substances of a gaseous  
14 nature. Natural gas and casinghead gas are further defined as follows:  
15 (a) "Natural gas" means any combustible gas or vapor composed chiefly  
16 of hydrocarbons occurring in gaseous or vapor phase at initial reservoir  
17 conditions.
- 18 (b) "Casinghead gas" means any gas or vapor indigenous to an oil  
19 stratum and produced from such stratum with oil.
- 20 10. "Illegal oil" and "illegal gas" means oil or gas produced within  
21 the state from any well during any time in which the well has produced more  
22 than the amount allowed by law or any rule or order of the commission or the  
23 production of which causes waste.
- 24 11. "Illegal product" means any product derived, in whole or in part,  
25 from illegal oil or gas.
- 26 12. "Net drainage" means drainage not equalized by counterdrainage.
- 27 13. "Oil" means crude petroleum oil and all other hydrocarbons,  
28 regardless of gravity, which are produced at a well in liquid form by  
29 ordinary production methods and which are not the result of condensation of  
30 gas.
- 31 14. "Owner" means the person having the right to drill into, produce  
32 and appropriate production of oil or gas, or both, from a pool.
- 33 15. "Person" includes a corporation, association, partnership,  
34 receiver, trustee, guardian, executor, administrator, fiduciary or  
35 representative or any group acting as a unit and includes any department,  
36 agency or instrumentality of the state or any of its governmental  
37 subdivisions.
- 38 16. "Pool" means an underground reservoir containing a common  
39 accumulation of oil or gas, or both, and includes each zone of a general  
40 structure completely separated from any other zone in the structure.
- 41 17. "Producer" means the owner of a well capable of producing oil or  
42 gas.
- 43 18. "Product" means oil, gas or any product, by-product, mixture or  
44 blend of oil or gas.
- 45 19. "Royalty owner" means a person possessing WHO POSSESSES an interest  
46 in the production but who is not an owner.

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1 20. "Waste" includes:  
2 (a) Physical waste, as that term is generally understood in the oil  
3 and gas industry.  
4 (b) The inefficient, excessive or improper use of or the unnecessary  
5 dissipation of reservoir energy.  
6 (c) The locating, spacing, drilling, equipping, operating or producing  
7 of any oil or gas well or wells in a manner which causes or tends to cause  
8 reduction in the quantity of oil or gas ultimately recoverable from a pool  
9 under prudent and proper operations or which causes or tends to cause  
10 unnecessary or excessive surface loss or destruction of oil or gas.  
11 (d) The inefficient storing of oil or gas.  
12 (e) The production of oil or gas in excess of transportation or  
13 marketing facilities.  
14 (f) The production of oil or gas when it is unprofitable to dispose of  
15 such production.

16 21. "Well" includes any hole drilled or spudded in for the purpose,  
17 with the intention or under the representation of penetrating oil or gas  
18 bearing strata or of penetrating any strata in search of stratigraphic data  
19 pertinent to the location of oil or gas bearing strata, whether or not in  
20 either case— oil or gas is actually discovered, any hole used in connection  
21 with the underground storage of hydrocarbon substances, whether liquid or  
22 gaseous, any hole used in connection with a process to inject any substance  
23 for purposes of disposal or to increase recovery, any hole used for the  
24 purpose of secondary or tertiary recovery and any hole used for the purpose  
25 of pressure maintenance. The commission may, as it considers to be ~~to~~ IN the  
26 best interests of the state, determine that any hole drilled or spudded in  
27 shall be included within this definition to the extent necessary for the  
28 administration and enforcement of the rules required by section 27-516. The  
29 determination of the commission shall be final in any circumstance involving  
30 the question of purpose, intent or representation, except that the  
31 determination shall be subject to appeal as provided by section 27-520.

32 Sec. 5. Section 27-515, Arizona Revised Statutes, is amended to read:  
33 27-515. Administration; powers of the commission; fees

34 A. The commission shall administer and enforce the provisions of this  
35 article and other laws relating to conservation of oil and gas. The  
36 commission AND ADMINISTRATIVE STAFF may, at any time, enter upon property and  
37 inspect wells drilled for oil or gas, and well records, and shall control  
38 property, machinery and appliances necessary to gauge the wells. The Arizona  
39 geological survey shall provide staff support to the commission to administer  
40 the provisions of this chapter.

41 B. The commission may:

42 1. Administer oaths to a witness in any hearing, investigation or  
43 proceeding held under this article or other law relating to conservation of  
44 oil and gas.  
45 2. Issue subpoenas requiring attendance and testimony of witnesses and  
46 production of books, papers and records deemed material or necessary, and

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- 1        20. "Waste" includes:  
2        (a) Physical waste, as that term is generally understood in the oil  
3        and gas industry.  
4        (b) The inefficient, excessive or improper use of or the unnecessary  
5        dissipation of reservoir energy.  
6        (c) The locating, spacing, drilling, equipping, operating or producing  
7        of any oil or gas well or wells in a manner which causes or tends to cause  
8        reduction in the quantity of oil or gas ultimately recoverable from a pool  
9        under prudent and proper operations or which causes or tends to cause  
10       unnecessary or excessive surface loss or destruction of oil or gas.  
11       (d) The inefficient storing of oil or gas.  
12       (e) The production of oil or gas in excess of transportation or  
13       marketing facilities.  
14       (f) The production of oil or gas when it is unprofitable to dispose of  
15       such production.  
16       21. "Well" includes any hole drilled or spudded in for the purpose,  
17       with the intention or under the representation of penetrating oil or gas  
18       bearing strata or of penetrating any strata in search of stratigraphic data  
19       pertinent to the location of oil or gas bearing strata, whether or not in  
20       either case, oil or gas is actually discovered, any hole used in connection  
21       with the underground storage of hydrocarbon substances, whether liquid or  
22       gaseous, any hole used in connection with a process to inject any substance  
23       for purposes of disposal or to increase recovery, any hole used for the  
24       purpose of secondary or tertiary recovery and any hole used for the purpose  
25       of pressure maintenance. The commission may, as it considers to be ~~in~~ IN the  
26       best interests of the state, determine that any hole drilled or spudded in  
27       shall be included within this definition to the extent necessary for the  
28       administration and enforcement of the rules required by section 27-516. The  
29       determination of the commission shall be final in any circumstance involving  
30       the question of purpose, intent or representation, except that the  
31       determination shall be subject to appeal as provided by section 27-520.  
32       Sec. 5. Section 27-515, Arizona Revised Statutes, is amended to read:  
33       27-515. Administration; powers of the commission; fees  
34       A. The commission shall administer and enforce the provisions of this  
35       article and other laws relating to conservation of oil and gas. The  
36       commission AND ADMINISTRATIVE STAFF may, at any time, enter upon property and  
37       inspect wells drilled for oil or gas, and well records, and shall control  
38       property, machinery and appliances necessary to gauge the wells. The Arizona  
39       geological survey shall provide staff support to the commission to administer  
40       the provisions of this chapter.  
41       B. The commission may:  
42       1. Administer oaths to a witness in any hearing, investigation or  
43       proceeding held under this article or other law relating to conservation of  
44       oil and gas.  
45       2. Issue subpoenas requiring attendance and testimony of witnesses and  
46       production of books, papers and records deemed material or necessary, and

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1 direct service of subpoenas by a sheriff or other officer authorized by law  
2 to serve process.

3 3. Prescribe rules and do all acts necessary or advisable to carry out  
4 the provisions of this article.

5 4. Collect such fees as will cover the costs of such services as, but  
6 not limited to, reproduction of records or any portion thereof and copies of  
7 rules. The monies so collected shall not be subject to the provisions of  
8 section 27-523, but shall be transmitted by the commission to the state  
9 treasurer for deposit in the fund from which the expenditure was originally  
10 made.

11 5. Publish technical maps, cross sections and reports and sell these  
12 materials for such fees as will cover the costs incurred in their  
13 preparation, reproduction and distribution.

14 C. The commission may enter into cooperative agreements with agencies  
15 of the United States government, with agencies of state or local government  
16 or with Indian tribes for the purpose of protection of the fresh water  
17 supplies of the state from contamination or pollution brought about by the  
18 drilling of any well or for any other purpose of this article.

19 D. The commission may apply for and accept gifts, devises and  
20 donations of books, well records, maps or other materials. All donated  
21 materials shall become public records.

22 E. Monies collected under subsection B, paragraph 5 of this section  
23 shall be deposited in the geological survey fund established by section  
24 27-152.02 and shall be used to prepare, reproduce and distribute further  
25 publications. Monies in the revolving fund are not subject to section  
26 27-523.

27 Sec. 6. Section 27-522, Arizona Revised Statutes, is amended to read:  
28 27-522. Records

29 A. All rules and orders made by the commission shall be in writing and  
30 entered in full in a book kept by the commission. The book shall be a public  
31 record open to inspection at all reasonable times during office hours. A  
32 copy of any rule, order or other document on file in the office of the  
33 commission and certified by the commission shall be received in evidence in  
34 all courts of the state with the same effect as the original.

35 B. Well logs, casing records, compiled data and other information  
36 shall be properly indexed and suitably recorded in the permanent records of  
37 the commission and shall be open to inspection by the public at all  
38 reasonable times during office hours. The well records of a well drilled in  
39 unproven territory shall not be subject to inspection for a period of one  
40 year after drilling is completed. THE COMMISSION SHALL PROVIDE SIXTY DAYS'  
41 NOTICE TO THE OPERATOR BEFORE RECORDS BECOME SUBJECT TO INSPECTION. AT THE  
42 OPERATOR'S REQUEST, the commission may SHALL extend the confidential period  
43 if the operator can provide credible evidence that disclosure of the  
44 information is likely to cause substantial harm to the operator's competitive  
45 position FOR NOT MORE THAN TWO YEARS FROM THE DATE OF THE REQUEST. The  
46 director of water resources may inspect any well records at any time but

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1 shall keep confidential all information that is not subject to inspection as  
2 otherwise provided in this section.  
3       Sec. 7. Revised rules  
4       In order to facilitate interstate oil and gas operations, not later  
5 than January 1, 2001, the oil and gas conservation commission shall adopt  
6 revised administrative rules that are consistent with title 27, chapter 4,  
7 Arizona Revised Statutes, and, to the extent practical, the laws and  
8 regulations of surrounding states that are active in oil and gas development.

5-5-00  
White / Osborn

### Potential Issues for Discussion in the Revisions of the Oil and Gas Conservation Commission Regulations

- R12-7-107 Well Spacing Requirements *discuss - one hearing only for field area*
  - 1. It appears that as part of the drilling strategy that wells be placed closer than the standard placement requirements in a routine fashion. More flexibility in the spacing requirements to go closer or a more systematic mechanism to apply for well spacing variances would be helpful. If the well spacing requirements are part of systematic approach that is adopted unit wide, it would reduce time and paper work for both the Commission and Ridgeway. The other approach would be to change the regulations to provide for more flexibility without a variance hearing. This will be particularly important around the border of the Arizona/New Mexico unit. *ok as is*
- R12-7-121 Well Completion and Filing Requirements
  - 1. The references to temporary abandonment should be eliminated based on the statutory changes in H.B. 2492.
  - 2. The confidentiality sections should be modified to reflect the extension process and the information that needs to be presented to demonstrate economic harm. *amend*
- R12-7-125 Temporary Abandonment
  - 1. There is a presumption in the regulations that you will find "no gas" and the well should be closed. This may be the case for most of the state, but in active fields, the presumption should be neutral or slanted toward the fact that there is gas. (New Mexico has good language and timelines for the temporary abandonment.)
  - 2. The current regulations only allow for extensions of up to one year. A more flexible approach that would allow for longer extensions, provided they were tied to a development plan. This could save paperwork for both Ridgeway and the Commission. *amend*
  - 3. Re-entry process should authorized electronic communication or telephone notification if possible. Formal written follow-up could be required within a set period of time.
- R12-7-161 and R12-7-186 Producer's Annual Monthly Report *discuss - ok as is*
  - 1. It would be helpful to work out a system either by regulation or by policy to assure that all impacted state agencies are notified of the required filings. This would eliminate duplicative requests from agencies. *ok*
- R12-7-178 Notice of Commencement, Discontinuance, and Transfer of Injection Wells. *discuss - ok as is*

1. Integration between the Department of Land requirements and the Oil and Gas Commission requirements is needed. This can be accomplished either by rule or policy.

**R12-7-121. Well Completion and Filing 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. An The operator shall file a completion report with the Commission within 30 days after the completion of a well as a producer or dry hole. 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 or drill-stem test; formation fluid analysis; and any other similar information or survey to the Commission within 30 days of the completion of drilling or the date the work was done. ~~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. 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).~~

C.D. Upon written request by the operator, the ~~The~~ Commission shall keep any well information required by in this Section confidential for a period 1 year after an operator has removed the drilling rig from the hole unless the operator gives written permission to release the information at an earlier date. ~~The Commission shall provide 60-days notice before records become subject to inspection and, at the operator's request, extend the confidential period for 6 months up to 2 years if the Commission finds that the operator has demonstrated that release would cause economic harm to the operator's competitive position.~~ 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.

*Completion  
of  
drilling*

*Completion  
of  
drilling*

**R12-7-125. Temporary Abandonment**

- A. When drilling, injection, or production operations have been suspended for 60 days, an operator the well shall plug a well under be plugged and abandoned as required in R12-7-126 and R12-7-127 unless the Commission permits the well to be temporarily abandoned. An operator of a well that is capable of producing oil or gas but must remain shut-in until connected to a gathering system, pipeline or cleansing facility, or for some other reason, may request that such well be classified as shut-in. A request to classify a well as shut-in shall not be considered until the well has been completed as a producer and official test results have been received on the appropriate Commission form. 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 up to 5 years provided the operator can justify a future beneficial use of the well and submits a Sundry Notice containing the following information:
1. Evidence of casing integrity as required in R12-7-112 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. All other well data required in R12-7-121(A).
- 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. Prior to the expiration of any approved temporary abandonment the operator shall return the well to beneficial use under a plan approved by the Commission, permanently plug and abandon the well or apply for a new approval to temporarily abandon the well. If the integrity of the well casing is in question, the Commission may require an operator to:
1. Prove casing integrity to continue temporary abandonment or shut-in status;
  2. Plug any well that fails to meet the casing integrity required by R12-7-112; and
  3. Re-test the well in accordance with R12-7-150 to continue shut-in status.
- 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. No work shall begin on a temporarily abandoned or shut in well until approved by the Commission and the operator shall give at least 24 hours notice to the Commission before any work actually begins. Within 15 days of completing the proposed activity, the operator shall file a subsequent written report with the Commission fully describing the work performed including a copy of all test rates, pressures, and fluid analyses. Before reentering any temporarily abandoned well, the operator shall give the Commission at least 10 days' written notice detailing the proposed activity.

5/11/00

### R12-7-101. Definitions

In this chapter, unless the context otherwise requires:

1. "API" means American Petroleum Institute.
2. "Barrel" means 42 (US) gallons measured at 60° F. and atmospheric pressure at sea level.
3. "BTU" means British thermal unit and represents the quantity of heat required to raise the temperature of 1 pound of water 1° F. at or near 39.2° F.
4. "Commission" means the State Oil and Gas Conservation Commission or any person lawfully empowered to act on its behalf.
5. "Condensate" means the liquid hydrocarbons recovered at the surface that result from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing initially in a gaseous phase in the reservoir.
6. "Cubic foot of gas" means the volume of gas contained in 1 cubic foot of space at a standard pressure base of 14.73 pounds per square inch absolute and a standard temperature base of 60° F.
7. "Gas well" means any well which produces with a gas-oil ratio in excess of 50,000 cubic feet of gas per barrel of oil.  
"Economic Harm" means release of required reports and information from a well that contain significant information relating to the valuation of unleased land in the same vicinity.
8. "Injection well" means any well used for the injection of air, gas, water or any other substance into any underground stratum.
9. "Mcf" means 1000 cubic feet of gas reported at a pressure base of 14.73 pounds per square inch and 60° F.
10. "Oil well" means any well which produces with a gas-oil ratio less than 50,000 cubic feet of gas per barrel of oil.
11. "Operator" means any person authorized by an owner or owners, who controls the day-to-day activities of a well or production or refining facility.  
"Shut-in Well" means a well that is shown to be capable of production in paying quantities, completed as a producing well, and not presently being operated.
12. "Stratigraphic test or core hole test" means any hole drilled for the sole purpose of obtaining geological information.  
"Temporarily Abandoned Well" means a well that is not capable of production in paying quantities, and is not presently being operated.

5/11/00

OGCC Mtg 5-19-00

Name

Representing

~~Don Williams~~

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