



OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING/SEPTEMBER 15, 2000
STEVEN L RAUZI, OIL & GAS ADMINISTRATOR

SEP 15 2000



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 September 15, 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 Meeting of May 19, 2000
3. Statement of the Director and State Geologist
4. Report of Oil & Gas Administrator
5. Oral Proceeding to Adopt Amended Rules
6. Update on Ridgeway's CO₂ Project
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 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 8th day of September 2000

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi
Oil and Gas Administrator

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.



Jane Dee Hull
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Larry D. Fellows
Director and State Geologist

September 8, 2000

To: Oil and Gas Conservation Commissioners
From: Steven L. Rauzi, ^{SLR} Oil and Gas Administrator
Re: Activity Report for the September 15, 2000, Meeting

No new permits to drill were issued since your last meeting on May 19, 2000. Mr. Gus Berry has been delayed in testing his well near Meteor Crater and Premco Western is drilling below a depth of 2300 feet at its well in northwestern Arizona. Premco spudded its well in April 1998 with an old 48L Bucyrus Erie cable tool rig but had to junk and abandon its 1st two attempts at shallow depths because of hole problems. This 3rd attempt is being drilled with a conventional rotary drilling rig. We have received expressions of interest in drilling a stratigraphic test into the Luke salt deposit and in drilling an oil test of the Precambrian Chuar in northern Arizona but no request for permits.

I revised Rules R12-7-101, Definitions, R12-7-121, Well Completion and Filing Requirements, and R12-7-125, Temporary Abandonment, in accordance with our discussion in your May 19 meeting. I sent a copy of the draft rules to Mr. Tom White in July, before they were published in the August 4 issue of the Arizona Administrative Register. We are on schedule to have the final rulemaking considered at the December 5, 2000, meeting of the Governor's Regulatory Review Council.

I have scheduled a semi-annual inspection of the 14 LPG storage wells near Luke and Adamana in October. All of the wells, emergency shut-down systems, and flare stack are inspected to verify they are in good working order.

Open-File Report 00-03, Permian salt in the Holbrook Basin, was released in July. The report includes a thickness and structure map, and six well-log cross sections across the salt basin. The report provides important information on the distribution, depth, and thickness of halite and potash salt in east-central Arizona. My current project is a report to document oil and gas potential in Arizona. It will include a tabulation of all known surface occurrences of oil-impregnated rocks in Arizona.

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
May 19, 2000

Present:

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

The regular Commission Meeting of May 19, 2000, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

Dr. Nations announced that the Governor had re-appointed Dr. Clay through 2005.

APPROVAL OF THE MINUTES OF THE SPECIAL MEETING AND EXECUTIVE SESSION OF DECEMBER 17, 1999

Mr. Veale moved, seconded by Dr. Clay:

THAT THE MINUTES OF THE MEETING AND EXECUTIVE SESSION
OF DECEMBER 17, 1999, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that HB 2492 was signed. He discussed the feature article in the most recent issue of Arizona Geology about the price of oil and exploration for geothermal resources. Dr. Fellows reported that he planned to request a new position in the fiscal year 2002 budget to help inspect the increased number of wells anticipated from the Ridgeway project. He noted that Dr. Nations had retired and that he would now have office space at the Arizona Geological Survey.

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 the PetroSun well near Concho was plugged. He inspected the restored location in April when he inspected the LPG storage wells at Adamana. Mr. Rauzi reported that he had correlated 213 wells for his study of salt in the Holbrook Basin and noted that the results would soon be released as an open-file report.

DISCUSS ACTIVE WELLS AND PROJECTS

Mr. Rauzi reported that Mr. Gus Berry was still waiting for funds to test his well near Meteor Crater. He reported that the Premco Western well on the Arizona Strip was now down to a depth of 1400 feet and that Coleman Oil and Gas had plugged one of its wells at the Dry Mesa Field.

Mr. White reported that Ridgeway and FLO-CO₂ were preparing to set up a small CO₂ liquids plant and that they hoped to start liquefying CO₂ in 4 to 5 months. He reported that CO₂ would initially be produced from 2 wells in Arizona and 1 well in New Mexico and that the liquid CO₂ would be marketed in Arizona.

DISCUSS HOUSE BILL 2492

Mr. Rauzi had sent a copy of the bill signed by the Governor to the Commissioners. Mr. Steadman summarized and discussed the changes brought about by the bill.

DISCUSS CHANGES TO RULES

Mr. Rauzi reported that he and Dr. Fellows had met with Mr. White and Mr. Osborn, Ridgeway's lobbyist, on May 5 in Tucson to discuss rule changes.

Mr. Rauzi discussed the new language in R12-7-121 that would extend the confidential period for up to 2 years if an operator could show that release would cause economic harm. Mr. White agreed it would cause economic harm to an operator to release well information that relates to the valuation of unleased land in the vicinity of the well. Mr. Rauzi discussed new language that would make R12-7-125 consistent with New Mexico's rule about temporary abandonment and noted that 3 new definitions would be added to R12-7-101 to define economic harm and shut-in and temporary abandoned wells.

CALL TO THE PUBLIC

Mr. Rice reported that FLO-CO₂ had submitted some preliminary paper work for a liquid CO₂ plant. He noted that the Land Department was working on a land exchange with the federal government and that Mr. Rauzi's study of salt in the Holbrook Basin may be helpful. Mr. Rice reported that there was still no formal unit agreement with Ridgeway Arizona Oil Corp.

Mr. White reported that Ridgeway was concentrating more effort on getting the liquid CO₂ plant up and running than the unit agreement at this time because it needed the cash flow from the plant. He described an article about CO₂ sequestration in the current issue of Oil & Gas Journal.

Mr. Rauzi reported that Mr. Paul Buff, U.S. Bureau of Land Management, had called him to report that 3 tracts of land near Mormon Lake were offered at the April lease sale in Santa Fe, New Mexico. The tracts were not leased and are now available non-competitively for 2 years from April.

ANNOUNCEMENTS

Dr. Nations noted that there was interest in the coalbed methane potential of the Black Mesa Basin. The USGS planned to publish his work on coal stratigraphy of Black Mesa as a CD ROM in October.

The next meeting was scheduled for September 15, 2000, in Room 321, State Land Department Building, Phoenix, Arizona.

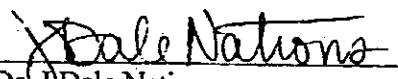
ADJOURNMENT

Dr. Clay moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:25 p.m.

APPROVED


Dr. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Michael J. Rice	State Land Department
Marc Steadman	Office of Attorney General
Thomas White	Ridgeway Arizona Oil Corporation

Arizona



Administrative Register

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Mimi Griffiths
Director
Public Services Department

BETSEY BAYLESS
Secretary of State

Lupe Baysinger
Editor
Arizona Administrative Register

Arizona Administrative Register
Notices of Proposed Rulemaking

Table 1. Time-frames
(in days)

Type of License	Authority	Overall Time-frame	Administrative Review Time-frame	Time to Respond to Deficiency Notice	Substantive Review Time-frame	Time to Respond to Request for Additional Information
Initial License	A.R.S. § 32-1822	360	180	365	180	90
Locum Tenens Registration or Extension	A.R.S. § 32-1823	30	15	15	15	15
License Renewal	A.R.S. § 32-1825	90	90	15	0	0
Educational Teaching Permit	A.R.S. § 32-1828	10	5	10	5	10
Training Permit or Renewal	A.R.S. § 32-1829	10	5	10	5	10
Short Term Training Permit	A.R.S. § 32-1829(C)	10	5	10	5	10
Registration to Dispense Drugs and Devices	A.R.S. § 32-1871	150	45	30	105	30
Approval of Educational Programs for Medical Assistants	A.R.S. § 32-1859	360	180	365	180	90
Registration to Read or Interpret Mammographic Images	A.R.S. § 32-2842	150	45	30	105	30
Teaching License	A.R.S. § 32-1831	30	15	15	15	15

NOTICE OF PROPOSED RULEMAKING

TITLE 12. NATURAL RESOURCES

CHAPTER 7. OIL AND GAS CONSERVATION COMMISSION

PREAMBLE

- | | |
|--|---|
| <p>1. Sections Affected
R12-7-101
R12-7-121
R12-7-125</p> | <p>Rulemaking Action
Amend
Amend
Amend</p> |
| <p>2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):
Authorizing statutes: A.R.S. §§ 27-516(A) and 27-656
Implementing statutes: A.R.S. §§ 27-516(A)(1) and (2), 27-652(A), and 27-661</p> | |
| <p>3. A list of all previous notices appearing in the Register addressing the proposed rule:
Notice of Rulemaking Docket Opening: 6 A.A.R. 2128, June 9, 2000</p> | |

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Notices of Proposed Rulemaking

4. The name and address of agency personnel with whom persons may communicate regarding the rule:

Name: Steven L. Rauzi, Oil & Gas Administrator
Address: Arizona Geological Survey
416 West Congress, Suite 100
Tucson, Arizona 85701-1315
Telephone: (520) 770-3500
Fax: (520) 770-3505

5. An explanation of the rule, including the agency's reasons for initiating the rule:

R12-7-101 lists definitions used in the rules. R12-7-121 specifies completion and reporting requirements for wells. R12-7-125 specifies requirements to temporarily abandon wells. These rules are being amended to be consistent with changes in statute and to improve clarity and understandability.

6. A reference to any study that the agency proposes to rely on in its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:

None

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

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

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

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Steven L. Rauzi, Oil & Gas Administrator
Address: Arizona Geological Survey
416 West Congress, Suite 100
Tucson, Arizona 85701-1315
Telephone: (520) 770-3500
Fax: (520) 770-3505

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: September 15, 2000
Time: 10:00 a.m.
Location: 1616 West Adams, Room 321
Phoenix Arizona 85007
Nature: Oral proceeding to adopt amended rules

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

Not applicable

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

None

13. The full text of the rules follows:

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TITLE 12. NATURAL RESOURCES

CHAPTER 7. OIL AND GAS CONSERVATION COMMISSION

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

Section	
R12-7-101.	Definitions
R12-7-121.	Well Completion and Filing Requirements
R12-7-125.	Temporary Abandonment

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

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.
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 to control the day-to-day activities of a well, or production, or refining facility.
"Shut-in Well" means a well that is capable of production in paying quantities, is completed as a producing well, and is 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.

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.~~

~~B. A. 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. An operator shall submit other well data to the Commission within 30 days of the date the work is done, including any:

1. Lithologic, mud, or wireline log;
2. Directional survey;
3. Core description and analysis;
4. Stratigraphic or faunal determination;
5. Formation or drill-stem test;
6. Formation fluid analysis; and
7. Any other similar information or survey.

~~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.~~

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~~C.B.~~ An operator shall furnish samples of all cores and cuttings, at a maximum interval of 10 feet, to the Commission within 30 days of the completion of drilling. An operator may furnish core samples in chips at 1-foot intervals, removing the drilling rig from the hole. All samples for the Commission shall be handled as follows: An operator shall:

1. All Wash and dry all samples; shall be washed and dried.
2. Approximately Place approximately 3 tablespoons of each sample shall be placed in an envelope showing the identification of a container with the following identifying information: the well from which the sample originated originates, the location of the well, the Commission's permit number, and the depth at which the sample is taken; and at which the sample was taken.
3. Samples shall be packaged in Package samples in protective boxes and ship for protection and shall be shipped pre-paid to:

Oil and Gas Program Administrator
Arizona Geological Survey
416 West Congress, Suite 100
Tucson, Arizona 85701

4. Core samples may be furnished in chips and packed and shipped as specified in paragraphs (2) and (3).

~~D.C.~~ Upon written request by the operator, the Commission shall keep any well information required by in this Section confidential for a period 1 year after the completion of drilling unless the operator gives written permission to release the information at an earlier date. The Commission shall provide notice to an operator 60 days before confidential records become subject to inspection and, at an operator's request, extend the confidential period for 6 months to 2 years if the Commission finds that an operator has demonstrated that release would harm the operator's competitive position with respect to unleased land in the vicinity of the well, 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 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. The Commission shall not consider a request to classify a well as shut-in until the operator has submitted a completion report and official test results 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. 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.
An operator may temporarily abandon a well for up to 5 years provided the operator can justify before the Commission 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).
- C. 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.

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.

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- D. Before reentering any temporarily abandoned well, the operator shall give the Commission at least 10 days' written notice detailing the proposed activity.
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.

NOTICE OF PROPOSED RULEMAKING

TITLE 13. PUBLIC SAFETY

CHAPTER 5. LAW ENFORCEMENT MERIT SYSTEM COUNCIL

PREAMBLE

- | <u>1. Sections Affected</u> | <u>Rulemaking Action</u> |
|-----------------------------|--------------------------|
| Article 3 | |
| R13-5-304 | Amend |
| R13-5-307 | Amend |
| R13-5-316 | Amend |
| Article 5 | |
| R13-5-503 | Amend |
| R13-5-513 | Amend |
2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):
Authorizing statute: A.R.S. § 41-1830.12(A)
Implementing statutes: A.R.S. § 41-382(19)(a), 41-1714, 41-1830.11, 41-1830.12, 41-1830.13, and 41-1830.14
3. A list of all previous notices appearing in the Register addressing the proposed rule:
Notice of Rulemaking Docket Opening: 6 A.A.R. 2733, July 21, 2000
4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:
Name: Commander C. H. Johnston, Business Manager
Address: Law Enforcement Merit System Council
P.O. Box 6638
Phoenix, Arizona 85005
Telephone: (602) 223-2286
Fax: (602) 223-2096
E-mail: Cjohnston@dps.state.az.us
5. An explanation of the rules, including the agency's reasons for initiating the rules:
The Law Enforcement Merit System Council (Council) completed a major rewrite of the rules on May 10, 2000. It was anticipated that some minor revisions would be needed following such a major rewrite. These revisions are intended to clarify the rules. On June 21, 2000, the Council approved a Substantive Policy Statement to clarify the reinstatement rule (R13-5-316). This change includes the Substantive Policy Statement approved by the Council.
6. A reference to any study that the agency proposes to rely on in its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:
Not applicable
7. A showing of good cause why the rules are necessary to promote a statewide interest if the rules will diminish a previous grant of authority of a political subdivision of this state:
Not applicable



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Governor

State of Arizona
Arizona Geological Survey
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Tucson, Arizona 85701
(520) 770-3500



Larry D. Fellows
Director and State Geologist

July 28, 2000

Mr. James C. Lanshe
Oil and Gas Commissioner
9349 North 87th Way
Scottsdale AZ 85258

Dear Jim,

Thank you for informing us of your extended absence from Arizona. We agree that it would be appropriate for you to release your seat on the Oil and Gas Conservation Commission at this time in light of your extended absence from the State.

Your membership has benefited this Commission. Allow me to express the Commission's appreciation for your fine service. Our best wishes to you.

Sincerely,

Dale Nations

Dale Nations
Chairman
Oil and Gas Conservation Commission

Memo

To: J. Dale Nations, Ph.D.
Chairman
Arizona Oil & Gas Conservation Commission
c/o Arizona Geological
416 West Congress Street
Suite 100
Tucson, AZ 85701

From: James C Lanshe

Dear Dr, Nations:

This memorandum will confirm my earlier discussion with Steve Rauzi in which I confirmed with him my resignation from the Commission. In doing so I wish to express my appreciation for the many courtesies which were extended to me during my affiliation with the Commission; and, for the opportunity to work with the both the Commission and its very able staff.

In closing I want to note especially my appreciation for your service as Chairman and wish you continued success.

Very truly yours,



James C Lanshe

AOGCC Mtg 9-15-00

Name

Representing

John Somers

High Plains Petroleum

Marc Osborn

~~High Plains~~ R&R Partners

Mike Rice

State Land

Thomas White

Ridgeway