

OIL & GAS CONSERVATION COMMISSION
— MINUTES OF MEETING / APRIL 20, 2001 —
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 April 20, 2001, 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 January 19, 2001
3. Statement of the Director and State Geologist
4. Report of Oil & Gas Administrator
5. Ridgeway's CO₂ Project
6. SunCor's stratigraphic test
7. Election of Officers
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 10th day of April 2001

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi
Oil and Gas Administrator

PLEASE ADVISE ME AS SOON AS POSSIBLE 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
January 19, 2001

Present:

Dr. J. Dale Nations, Chairman
Dr. Donald W. Clay, Member
Mr. Robert L. Jones, Member
Mr. Zed Veale, Member
Mr. Michael E. Anable, State Land Commissioner
Mr. Steven L. Rauzi, Oil and Gas Administrator

The regular Commission Meeting of January 19, 2001, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF SEPTEMBER 15, 2000

Dr. Clay moved, seconded by Mr. Jones:

THAT THE MINUTES OF THE MEETING OF SEPTEMBER 15, 2000, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows was absent to attend the budget hearing at the legislature. On behalf of Dr. Fellows, Mr. Rauzi reported that replacements for Commissioners Lanshe and Nations were expected within a month; a request to microfilm records and hire a well inspector were included in the fiscal year 2002-2003 budget; bids for 500 copies of Mr. Rauzi's oil and gas report were sent yesterday; and Mr. Rauzi's next report would be about salt. Mr. Rauzi reported that both fiscal analysts recommended a \$6500 appropriation in FY 2002 to microfilm records but there was no agreement for funding a new inspector position in FY 2003.

REPORT OF THE OIL AND GAS 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 a permit was issued to SunCor Development Company to drill a stratigraphic test in the Luke salt deposit near Phoenix; the well near Meteor Crater was perforated in October 2000 but not tested because a rig was not available; Premco Western was stuck at a depth of 2300 feet at its well in northwestern Arizona; the Precambrian test near Gray Mountain was delayed; and the rules adopted in the September 2000 meeting were approved by the Governor's Regulatory Review Council in December 2000.

UPDATE ON RIDGEWAY'S CO₂ PROJECT

Mr. White reported that the CO₂ liquids plant was close to breaking ground. He expected the plant to be up and running in about 3 or 4 months. He reported that the plant would produce dry ice instead of liquid and start at double its projected starting capacity. Mr. White reported that 3 wells would supply the plant but that the 10-22 State would probably supply all the CO₂ needed. He reported that Ridgeway had 14 miles of pipe waiting to be laid from the wells to the plant. Mr. White reported that Ridgeway had an electricity agreement in place with Tucson Electric Power pending approval by the Arizona Corporation Commission.

Mr. White described recent testing in the 3-1 and 9-21 wells. The Fort Apache in the 9-21 well was wet and contained relatively hot water. He reported that some oil companies in California have invited Ridgeway to give another presentation about its CO₂. He noted that Ridgeway's helium has been spoken for.

Mr. Anable asked Mr. White about the status of the unit agreement. Mr. White indicated that Ridgeway was concentrating its efforts on getting the liquid CO₂ plant going and then would put all of its efforts back into the unit agreement.

STATUS OF ACTIVE WELLS AND PROJECTS

Several individuals from Crystal Gas Storage and Pinnacle West/APS discussed the stratigraphic test to be drilled near the Morton Salt facility west of Phoenix. Mr. Hayden summarized the drilling and testing program and reported that the well was on track to start drilling in early February. Mr. Reid discussed their communication plan and some of the issues involved. Mr. Brechtel noted that the test results from the well would be critical to whether Pinnacle West/APS moved forward with a storage project at the site.

LOCKHART #1 BABBITT SAMPLE STUDY

Mr. Rauzi reported that Mr. H.L. Brown, Midland, Texas, studied the Commission's samples from the Lockhart #1 Babbitt well, which was drilled in 1949, and submitted a report in October 2000. Mr. Rauzi reviewed the Commission's sample policy, which provides a confidential period of six-months and one six-month extension if appropriate. He noted that Mr. Brown planned to participate in drilling an offset to the Lockhart well but decided not to after submitting his report.

Mr. Jones moved, seconded by Mr. Veale:

TO NOT EXTEND THE CONFIDENTIAL PERIOD

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Somers reported that he was looking at some oil and gas prospects in Arizona, including a

helium prospect on State Trust land. He described a project he had discussed with the Navajo Nation Oil and Gas, a company funded by the Navajo Tribe, about actively engaging in oil and gas development on Navajo lands.

Mr. Legg indicated his interest in the Pedregosa Basin in southeastern Arizona. Mr. Somers reported that there has been recent leasing activity in the Pedregosa Basin in southwestern New Mexico at the last two State of New Mexico lease sales.

ANNOUNCEMENTS

Chairman Nations announced that Commissioner Lanshe had resigned. He announced that election of officers would be considered at the next meeting.

The next meeting was scheduled for April 20, 2001, in Room 321, State Land Department Building, Phoenix, Arizona.

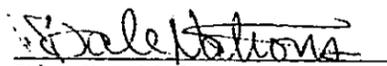
ADJOURNMENT

Mr. Veale moved, seconded by Dr. Clay:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:20 p.m.

APPROVED


Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Jeff Balleu	Crystal Gas Storage
Curt Brechtel	Pinnacle West
Sherrri Foote	Pinnacle West
David Hayden	Crystal Gas Storage
Arthur Legg	Public
Floyd Legg	Earth Petroleum
Matt Reid	Pinnacle West/APS
John Somers	High Plains Petroleum
Thomas White	Ridgeway Arizona Oil Corporation



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Larry D. Fellows
Director and State Geologist

April 10, 2001

To: Oil and Gas Conservation Commissioners
From: ^{SLR} Steven L. Rauzi, Oil and Gas Administrator
Re: Activity Report for the April 20, 2001, Meeting

No new permits were issued but one well was drilled since your last meeting in January 2001. The SunCor Development #1-2 was permitted in December 2000 and drilled in February and March to test the storage potential of the Luke salt deposit near Phoenix. Several cores were cut and the well was plugged in March.

Mr. Gus Berry is still waiting on funds and a rig to test the Devonian in his well near Meteor Crater. Mr. Rodney Ratheal, Premco Western, is at a depth of 3200 ft at his well in northwestern Arizona. He said the hole was blowing dust and cuttings to 3000 ft and only air below 3000 ft. He told me he was bailing cuttings off bottom and almost got stuck. He is waiting to convert to mud and hopes to start drilling again by May.

I have no new information to report about Ridgeway's CO₂ project. However, I mailed Mr. Tom White, Ridgeway, some *Certificate of Compliance and Authorization to Transport Oil and Gas from Lease* forms in March. These need to be approved before an operator may produce and transport oil or gas from a lease. As you know, Ridgeway has not yet completed the two wells in Arizona (the 10-22 and 10-16-31 State) that will produce CO₂ for the liquids plant as gas wells. However, Mr. White told me that he would complete them as gas wells before they are put into production.

Circular 29, "Arizona has Oil and Gas Potential!" was published in February. *Oil and Gas Journal* published a summary of Circular 29 in its March 19 issue. Initial response has been good. We sold 62 copies by early April. I am now working on a report about salt in Arizona.

Memo:

Mr. Steven L. Rauzi reviewed the status of the attached "Potential Oil and Gas Projects" with the Oil and Gas Conservation Commissioners in their January 19, 2001, meeting. Mr. Rauzi prepared the attached "Summary of Oil and Gas Projects Completed From 1994 to Present" after the meeting and mailed a copy to each of the Commissioners at the request of Dr. J. Dale Nations, Chairman of the Commission.

SLR
Steven L. Rauzi

SUMMARY OF OIL AND GAS PROJECTS COMPLETED FROM 1994 TO PRESENT

Project 1. Write a summary of oil and gas production and potential in Arizona:

- **Arizona has oil and gas potential!**, Circular 29, February 2001

Project 2. Prepare a list of selected references on oil and gas in Arizona:

- Included in "**Arizona has oil and gas potential!**", Circular 29, February 2001

Project 3. Update the county well-location map series published in 1972 and 1973:

- OG-03, Maricopa County, updated through 1995
- OG-04, Yuma and LaPaz Counties, updated through 1995
- OG-05, Pinal County, updated through 1995
- OG-06, Cochise County, updated through 1995
- OG-07, Yavapai County, updated through 1995
- OG-08, Mohave County, updated through 1995
- OG-09, Pima and Santa Cruz Counties, updated through 1995
- OG-10, Graham and Greenlee Counties, updated through 1995
- OG-11, Colorado Plateau Province, updated through 2000
- OG-12, Arizona well location map and report, updated through 2000

Project 4. Prepare a report summarizing salt deposits in Arizona:

- Current project, to be published as a Circular

Project 5. Digitize the state well-location map:

- Ongoing. Well locations are now digitized at ± 2 -mile accuracy, adjusted as time permits.

Project 6. Complete areal subsurface studies:

- **Geothermal test hints at oil potential in eastern Arizona volcanic field:** Oil & Gas Journal, 1994.
- **Implications of live oil shows in eastern Arizona geothermal test:** Open-file Report OFR 94-01, 1994.
- **Oil & Gas Potential of pre-Permian Strata, eastern Holbrook Basin, Arizona:** Open-file Report OFR 96-25, 1996.
- **Storage Opportunities in Arizona Bedded Evaporites:** Open-file Report OFR 96-27, 1996.
- **Concealed evaporite basin drilled in Arizona:** Oil & Gas Journal, 1996.
- **Geologic Description, Sampling, Petroleum Potential, and Depositional Environment of the Chuar Group, Grand Canyon, Arizona:** Open-file Report OFR 98-17, 1998.
- **Carbon Dioxide in the St. Johns - Springerville Area, Apache County, Arizona:** Open-file Report 99-02, 1999.
- **Index of Samples of Wells Drilled for Oil & Gas in Arizona:** Open-file Report 99-14, 1999.
- **Permian Salt in the Holbrook Basin, Arizona:** Open-file Report 00-03, 2000

Project 7. Build a seismic records center:

- Acquired by donations only, only a few lines received

POTENTIAL OIL AND GAS PROJECTS
(For review, comment, and prioritization
by the Arizona Oil and Gas Conservation Commission)
8 July 1994

1. **SUMMARY OF OIL AND GAS PRODUCTION AND POTENTIAL IN ARIZONA**

Update Nations and Ybarra to include production and drilling information.

Release as an OG series report (comparable to an open-file report)

2. **LIST OF SELECTED REFERENCES ON OIL AND GAS IN ARIZONA**

List will probably include 40-50 citations, annotated. Use as companion to item 1.

3. **COUNTY WELL-LOCATION MAP SERIES**

Update maps done in 1970's. Include selected water wells that might be of interest to an oil explorationist. Contact Dept. of Water Resources to see what they have already published and to determine what information they will provide.

4. **SALT DEPOSITS IN ARIZONA**

Stress salt as a potential medium for underground storage.

Discuss salt occurrences; describe surface and subsurface geology; discuss attempts by various companies and individuals to develop salt-storage projects; examine gravity anomalies associated with known salt deposits and identify areas with potential for salt that may not have been drilled.

5. **DIGITIZED STATE WELL-LOCATION MAP**

Provide to Arizona Land Resource Information System (ALRIS); distribute as a digital product - we do not have plotter.

6. **AREAL SUBSURFACE STUDIES**

Compile existing information; prepare maps; interpret stratigraphic and structural conditions that might relate to oil and gas potential. Include recent drilling, oil seeps and shows, conodont color alteration indices, etc. Concentrate on State Trust and Public land?

Possible areas for study: Arizona Strip, Holbrook basin, and Pedregosa basin.

7. **SEISMIC RECORDS CENTER**

Acquire seismic records of Arizona and establish a repository for use by the public. Use as a companion to drilling records, production statistics, and well cuttings and cores

QUESTIONS FOR THE OIL AND GAS CONSERVATION COMMISSION

Are these the kinds of projects you think we should be doing?

Are any of them inappropriate? Have we omitted any important projects?

In what order should the projects be undertaken?

I will gladly answer any questions you might have. I request that the Commission Chairman consolidate the Commissioners' comments and suggestions and return a single prioritized list to me not later than September 1, 1994.

Larry D. Fellows

Larry D. Fellows

Director and State Geologist

AOGCC MTG APRIL 20, 2001

<u>Name</u>	<u>Representing</u>
R. W. Rohlfing	Open Door Productions Inc.
Thomas White	Ridgeway AZ Oil Corp
John Spruce	High Plains Petroleum
Scott Somer	" " "
Mike Rice	State Land
Richard Ahern	State Land
MATT REID	APS/PWEC
CURT BRECHER	APS/PWEC
Sheri Foote	APS/PWCC
Paul Buff	A&B LM
Michele Hegley	

F L A G S T A F F

Our website's new but our chat rooms
have been around for over 100 years.



Zed Veale 5th from right

The only net you'll hear about at Charly's is the one that's used to pull-in trout.

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breath between all the antique shops and galleries that wait to be discovered.

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