

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING/JANUARY 18, 2002
STEVEN L RAUZI, OIL & GAS ADMINISTRATOR

32x11



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 January 18, 2002, at 10:00 a.m. at the Arizona Geological Survey located at 416 West Congress Street, Tucson, Arizona 85701. 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 September 21, 2001
3. Statement of the Director and State Geologist
4. Report of Oil & Gas Administrator
5. Status of Ridgeway's CO₂ Project
6. Status of the Copper Eagle Gas Storage Project
7. Revision of A.A.C. R12-7-129 and R12-7-140
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 January 2002

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.

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
September 21, 2001

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Jones, Vice-Chairman
Mrs. Michele P. Negley, Member
Mr. Zed Veale, Member
Mr. Steven L. Rauzi, Oil and Gas Administrator

The regular Commission Meeting of September 21, 2001, 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 OF APRIL 20, 2001

Mr. Jones moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING OF APRIL 20, 2001, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows was unable to attend. On behalf of Dr. Fellows, Mr. Rauzi reported that the budget and strategic plan were submitted, a budget cut of 4% or more was anticipated this fiscal year, microfilming of the oil and gas records was scheduled for the fourth quarter, and the Arizona Geological Survey would undergo a sunset review by July 2002. He reported the Commission was not included in the review and that hearings were likely in October or November. He noted that the annual report was available on the web site.

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 many companies had inquired about storing natural gas in Arizona salt and that he had completed a draft report about known and potential salt basins in Arizona. He reviewed the drilling activity near Meteor Crater and in northwestern Arizona.

RIDGEWAY'S CO, PROJECT

Mr. Tom White reported that most of the gathering lines had been installed except for about 300 yards to the 10-16 State well. He reported the 10-16 well was recently fractured with CO₂

and that they were pleased with the results. He expected the liquids plant to be delivered and installed soon.

SUNCOR'S PROJECT

Mr. Matt Reid reported that APS/Crystal Gas recently completed a seismic survey between the Luke Air Force Base, the White Tank Mountains, and Northern and Thomas Roads. They may drill another stratigraphic hole later this year based on the results of the survey.

FIVE YEAR REVIEW OF RULES

Mr. Rauzi explained the requirement for each agency to review its rules at least once every five years. He reported that the Commission's next review report was scheduled for submission to the Governor's Regulatory Review Council by November 30, 2001. Mr. Rauzi distributed a draft of the five-year review report to the Commissioners. No revisions were proposed at this time because no new developments had altered the Commission's latest rulemaking in December 2001.

Mrs. Negley moved, seconded by Mr. Jones:

THAT THE COMMISSION ACCEPT THE REPORT AS PRESENTED

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Paul Buff reported that 18 of 84 parcels were sold in the July 2001 oil and gas lease sale. The sale brought in a total of \$53,227.

Ms. Dolores Yates reported that she worked as a landman in the Pacific Northwest. She planned to include Arizona in her work now that she had recently moved to Scottsdale.

Mr. John Somers reported that he was in town to consummate a deal to drill a 4500 ft test on an anticline in the Holbrook Basin. The anticline is in the Concho area.

ANNOUNCEMENTS

Dr. Nations presented Commissioner Negley with Governor Hull's certificate of appointment.

Mr. Rauzi reported that he drove to Payson to examine the seep in June. He explained that the August meeting and field trip to Payson was cancelled because the seep was not apparent due to the very low summer stream flow. Dr. Nations announced that the AIPG had scheduled a field trip to see the CO₂ area near Springerville on October 27, 2001.

The next meeting was scheduled for 10:00 a.m. on January 18, 2002, at the offices of the

Arizona Geological Survey in Tucson.

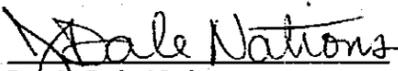
ADJOURNMENT

Mr. Veale moved, seconded by Mr. Jones:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:10 a.m.

APPROVED


Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Richard Ahern	State Land Department
Alan Bohnenkamp	Arizona Corporation Commission, Office of Pipeline Safety
Curt Brechtel	APS / Pinnacle West Energy Corporation
Paul Buff	Arizona State Office, U.S. Bureau of Land Management
Marc Osborn	Ridgeway Arizona Oil Corporation
Matt Reid	APS / Pinnacle West Energy Corporation
John Somers	High Plains Petroleum Corporation
Scott Somers	High Plains Petroleum Corporation
Thomas White	Ridgeway Arizona Oil Corporation
Dolores Yates	Energy Leasing



Jane Dee Hull
Governor

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Arizona Geological Survey
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Larry D. Fellows
Director and State Geologist

January 9, 2002

To: Oil and Gas Conservation Commissioners

From: ^{SLR} Steven L. Rauzi, Oil and Gas Administrator

Re: Activity Report for the January 18, 2002, Meeting

One new permit was issued to Copper Eagle Gas Storage for a stratigraphic test near Luke Air Force Base. Drilling started on December 23, 2001, and has reached a depth of about 3500 ft. Surface casing is cemented to a depth of 3000 ft. The operator plans to drill the hole to a total depth of at least 7000 ft and conduct several formation tests.

There is nothing new to report about the Premco Western hole in northwestern Arizona or the Berry hole near Meteor Crater. The Premco hole is shut-in at a depth of about 3200 ft. The Berry hole is shut-in until the Devonian is tested.

Ridgeway has finished laying gathering lines from three of its wells to the site where the CO₂ liquids plant will be installed. The last information I have is that Ridgeway is working on a unit agreement with the State Land Department.

The Governor's Regulatory Review Council approved the five-year-review report of oil and gas rules on January 8, 2002. Two rules need to be revised, one to correct an incorrect statutory citation and the other to clarify language. I have submitted a notice of rulemaking docket opening to be published in the January 11, 2002, issue of the Arizona Administrative Register.

I have completed two publications since your last meeting. One is Circular 30, Arizona Has Salt! The other is Open-File Report 02-01, Geologic description, sampling, and petroleum source rock potential of the Awatubi and Walcott Members, Kwagunt Formation, Chuar Group of the Sixtymile Canyon Section, Grand Canyon, Arizona.

R12-7-129. Wells to be Used for Fresh as Water Wells

A. The landowner, ~~the~~ landowner's agent, or lessee may use any well or exploratory hole as a freshwater water well provided that:

1. Written approval has been obtained from the Arizona Department of Water Resources;
2. The operator has plugged the well in accordance with R12-7-127 to a point immediately below the freshwater strata; and
3. The landowner, ~~the~~ landowner's agent, or lessee assumes responsibility for the well and its final plugging compliance with the provisions of A.R.S. Title 45, Chapter 2 in a signed and notarized water-well acceptance responsibility form provided by and filed with the Commission.

B. Filing of the notarized water-well acceptance responsibility form with the Commission shall constitute the obligation of the landowner, ~~the~~ landowner's agent, or lessee to plug the well in compliance with the provisions of the State Water Code, A.R.S. Title 45, Chapter 1 ~~comply with A.R.S. Title 45, Chapter 2~~ before modification or abandonment of the well.

C. Upon filing the notarized water-well acceptance responsibility form with the Commission, the Commission shall notify the bonding company and operator in writing so that the bond may be cancelled or made no longer effective with respect to that well.

1/2/96

Amended 12-07-01 per discussion with Pat Schiffer, ADWR Attorney.

Amended 12-21-01 per input from Theresa Blankenstein, GRRRC Attorney.

R12-7-140. Pollution, Surface Damage, and Noise Abatement

A. ~~Each~~ An operator of ~~any~~ a well, production facility, gasoline plant, gas plant, or pipeline shall conduct operations in a manner that ~~will prevent~~ prevents surface or subsurface pollution.

B. ~~During completion operations on any well, no~~ An operator shall conduct operations in a manner that prevents oil, gas, salt water, fracturing fluid, or any other substance ~~shall be permitted to pollute any waters, from polluting~~ any surface or subsurface waters.

C. ~~In~~ During swabbing and bailing operations or when purging a well, all substances removed from the bore hole shall be placed in a pit or tank and shall not be allowed to pollute any surface or subsurface waters.

D. ~~All~~ An operator shall maintain all wellhead connections, surface equipment, lease flow lines, and tank batteries ~~shall be maintained~~ at all times to prevent the escape of oil, gas, produced water, or any other substances substance.

E. ~~All fires, leaks, or blowouts shall be reported~~ An operator shall report any fire, leak, or blowout to the Commission in accordance with R12-7-120. ~~Pits shall be~~ An operator shall ensure that any pit is constructed and operated in accordance with R12-7-108.

F. ~~Each~~ An operator shall minimize noise when conducting air drilling operations, or when the well is allowed to produce while drilling, ~~or as a result of the noise created by expanding gases.~~ The operator shall ensure that the welfare of the operating personnel and the public is not negatively affected by the noise created by the expanding gases. The method and degree of noise abatement shall be approved by the Commission.

2/23/93
Amended 12/17/01
Amended 12/21/01 per input from Theresa Blankenstein, GRRC Attorney.



Gas Storage & Transportation System



- | | | |
|----------------------------------|--------------------|-------------------------|
| — Desert Crossing | — Kern River | — PG&E |
| — El Paso | — SoCalGas | — North Baja (proposed) |
| Southern Trails (proposed) | Transwestern | Southwest Gas |
| Sonoran (proposed) | | |
| — Mojave | | |

1-10-02 Paul Buff, BLM, called

① Approved Rodney Ratheals unit agreement
~ 10,000 ac
Includes new lease of ~ 6500 ac

② Approved 2 applications for geothermal leases
South of Morenci-Clifton
Non competitive because does not fall within any Known Geoth Res Area.

AOGCC MTG 1-18-02

<u>Name</u>	<u>Representing</u>
Robert L. Jones	AOGCC
Paul A. Jones	New West Energy
Thomas White	Ridgeway AZ Oil
ALAN BOHNENKAMP	AZ. CORP COMM. PIPELINE SAFETY
MATT REID	COPPER SAGLE GAS STORAGE.