



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

April 9, 2002

To: Oil and Gas Conservation Commissioners
From: ^{SLR} Steven L. Rauzi, Oil and Gas Administrator
Re: Activity Report for the April 19, 2002, Meeting

Copper Eagle Gas Storage drilled its stratigraphic test near Luke Air Force Base to a depth of 6,052 ft in January and February. The hole has been temporarily abandoned until all of the data is analyzed.

There is nothing new to report about the Premco Western hole in northwestern Arizona or the Gus Berry hole near Meteor Crater. The Premco hole is shut-in at a depth of about 3,200 ft. The Gus Berry hole is shut-in until the new operator can arrange to complete testing of the Devonian strata.

Mr. Tom White reported that work is progressing on the liquids plant. He will be in attendance to report the latest news.

I have enclosed a copy of the Notice of Proposed Rulemaking from the February 15 issue of the Arizona Administrative Register. I will forward the Notice of Final Rulemaking to the GRRRC upon your adoption of the proposed rulemaking.

I will be conducting a semi-annual inspection of the LPG-storage facilities near Luke Air Base and Adamana this week. All wellheads, manual and pneumatic valves, and safety systems are inspected to insure they are in good working order.

The oil and gas records are being microfilmed for disaster recovery. The microfilm will be stored in a vault at the State's Record Management Center.



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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 19, 2002, 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 18, 2002
3. Statement of the Director and State Geologist
4. Report of Oil & Gas Administrator
5. Status of Ridgeway's CO₂ Project
6. Status of Gas Storage Projects
7. Oral Proceeding to Adopt Amended Rules
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 9th day of April 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
January 18, 2002

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Jones, Vice-Chairman
Mrs. Michele P. Negley, 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 January 18, 2002, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 111, Arizona Geological Survey, Tucson, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF SEPTEMBER 21, 2001

Mr. Jones moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING OF SEPTEMBER 21, 2001,
BE ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that Circular 30, *Arizona Has Salt!*, had been published, the agency received a 4.5% budget cut, which would not impact microfilming of the well records, and that he did not anticipate any problems with the sunset review process.

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. He described his recently completed reports, Circular 30, about salt, and OFR 02-01, about Precambrian source rock. He reported that the BLM had approved Mr. Ratheal's exploration unit in northwest Arizona and had issued two geothermal leases south of Clifton-Morenci.

STATUS OF RIDGEWAY'S CO₂ PROJECT

Mr. Tom White reported that FLO-CO₂ had poured the foundations for the liquids plant. He expected delivery of the plant and the start of production in a couple of months. Mr. White reported that Ridgeway would be presenting its draft unit agreement to the State Land Department for review next week. He described the process of fracturing a well with CO₂.

STATUS OF THE COPPER EAGLE GAS STORAGE PROJECT

Mr. Matt Reid reported that Copper Eagle, based partly on earlier seismic work, was drilling a stratigraphic hole near Indian School Road and Cotton Lane to determine the suitability of brine disposal near the margins of the salt. He reported that the location they drilled near Glendale Avenue and Dysart Road in February 2001 had been reclaimed.

REVISION OF A.A.C. R12-7-129 AND R12-7-140

Mr. Rauzi explained the proposed rulemaking to the Commissioners. A.A.C. R12-7-129 was being revised to correct an incorrect statutory citation. R12-7-140 was being revised to clarify language.

Mrs. Negley moved, seconded by Mr. Jones:

THAT THE COMMISSION ACCEPT THE PROPOSED RULEMAKING
AS PRESENTED

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Paul Jones discussed the Desert Crossing Transportation and Storage Company's project to store natural gas in the Red Lake salt deposit in the Hualapai Valley north of Kingman. He described the feasibility study the company was starting which included an open season to determine potential customer interest in the project and engineering and geologic studies of the site.

ANNOUNCEMENTS

Dr. Nations reported that the AIPG took a fieldtrip to Ridgeway's CO₂ project area last fall and would meet at the Arizona Geological Survey's offices on February 16.

The next meeting of the Commission was scheduled for 10:00 a.m. on April 19, 2002, in Room 321 at the Arizona State Land Office in Phoenix.

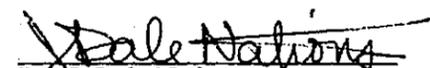
ADJOURNMENT

Mr. Jones moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:55 a.m.

APPROVED


D. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Alan Bohnenkamp	Arizona Corporation Commission, Office of Pipeline Safety
Paul A. Jones	New West Energy
Matt Reid	Copper Eagle Gas Storage, LLC
Thomas White	Ridgeway Arizona Oil Corporation

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- F.** When a motion for rehearing is based upon affidavits, they shall be served with the motion. An opposing party may within 10 days after such service serve opposing affidavits, which period may be extended for an additional period not exceeding 20 days by the registrar of contractors for good cause shown or by written stipulation of the parties. Reply affidavits may be permitted.
- G.E.** If in a particular decision the registrar of contractors makes a specific findings that the immediate effectiveness of such a particular decision is necessary for the immediate preservation of the public peace, health, and or safety and that a rehearing or review of the decision is impracticable, unnecessary, or contrary to the public interest, the decision may be issued as a final decision without an opportunity for a rehearing or review. If a decision is issued as a final decision without an opportunity for review or rehearing, any application for judicial review of the decision shall may be made within the time limits permitted for applications for judicial review of the registrar of contractors' final decisions.
- H.G.** For purposes of this section Section the terms "contested case" and "party" shall be defined as provided have the meanings in A.R.S. § 41-1001.
- H.H.** To the extent that the provisions of this rule Section are in conflict with the provisions of any statute providing for review or rehearing of a decisions of the registrar of contractors, such the statutory provisions shall govern.

NOTICE OF PROPOSED RULEMAKING

TITLE 12. NATURAL RESOURCES

CHAPTER 7. OIL AND GAS CONSERVATION COMMISSION

PREAMBLE

- | <u>1. Sections Affected</u> | <u>Rulemaking Action</u> |
|-----------------------------|--------------------------|
| R12-7-129 | Amend |
| R12-7-140 | Amend |
- 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. §§ 27-502(A)(6), 27-506(C) and (D), 27-652(A), 27-658
- 3. A list of all previous notices concerning the rules:**
Notice of Rulemaking Docket Opening: 8 A.A.R. 268, January 11, 2002
- 4. The name and address of agency personnel with whom persons may communicate regarding the rule:**
Name: Steven L. Rauzi, Oil and Gas Administrator
Address: Arizona Geological Survey
416 West Congress, Suite 100
Tucson, AZ 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:**
R12-7-129 specifies requirements for converting wells drilled for oil or gas to water wells. R12-7-140 specifies requirements regarding pollution, surface damage, and noise abatement. The Commission is amending R12-7-129 to correct an incorrect citation and R12-7-140 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

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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 and Gas Administrator
Address: Arizona Geological Survey
416 W. Congress, Suite 100
Tucson, AZ 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: April 19, 2002
Time: 10:00 a.m.
Location: 1616 W. Adams, Room 321
Phoenix, AZ 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:

TITLE 12. NATURAL RESOURCES

CHAPTER 7. OIL AND GAS CONSERVATION COMMISSION

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

Section

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

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

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

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.

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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.

AOGCC MTG 4-19-02

<u>Name</u>	<u>Representing</u>
Thomas White	Ridgeway AZ Oil Corp
John Somers	High Plains Petroleum
Bob Wagoner	AOGCC
MATT REID	Copper Eagle Gas Storage
Scott Somers	High Plains Petroleum
Paul Buff	BLM
Richard Ahern	ASLD
Jim Maloney	Axair
Mike Rice	State Land
Marc Osborn	RFR