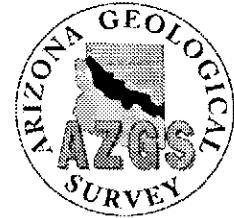




Jane Dee Hull
Governor

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 13, 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 and Minutes of Executive Session of July 26, 2002
3. Report of Oil & Gas Administrator about stratigraphic drilling near Phoenix, Ridgeway's CO₂ Project, and status of Luke salt map
4. Discussion and possible vote on Dr. Nations' June 18, 2002 letter to the State Land Commissioner. [Carried forward from July 26, 2002 meeting]
5. Discussion with Ridgeway personnel and public about the status of Ridgeway's CO₂ Project
6. Discussion with Copper Eagle personnel and public about the status of the Copper Eagle gas storage 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 6th day of September 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
July 26, 2002

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Jones, Vice-Chairman
Mr. Joseph J. Lane, Member
Mrs. Michele P. Negley, Member
Dr. Larry D. Fellows, Director and State Geologist
Mr. Steven L. Rauzi, Oil and Gas Administrator

The regular Commission Meeting of July 26, 2002, 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 welcomed Mr. Lane to the Commission and presented him with the Governor's Certificate of Appointment. Mr. Lane said a few words about his background.

APPROVAL OF THE MINUTES OF THE MEETING OF APRIL 19, 2002

Mr. Jones moved, seconded by Mrs. Negley:

THAT THE MINUTES OF THE MEETING OF APRIL 19, 2002, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

EXECUTIVE SESSION PURSUANT TO A.R.S § 38-431.03(A)(3) TO CONSULT WITH
COUNSEL ABOUT OPEN MEETING LAW ISSUES

Mrs. Negley moved, seconded by Mr. Lane:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION

Motion carried unanimously. The Executive Session began at 10:05 a.m.

The regular meeting resumed at 10:45 a.m.

DISCUSSION AND POSSIBLE RATIFICATION OF DR. NATIONS' LETTER OF JUNE
18, 2002 TO THE STATE LAND COMMISSIONER

The Commission discussed an action of the Commission that may have been taken in violation of the Open Meeting Law. The action involved a review by the Oil and Gas Conservation Commissioners of Dr. Nations' June 18, 2002, letter to the State Land Commissioner, stating that an abandoned, unplugged oil or gas hole was a liability not an

improvement.¹ The action was taken in response to a disagreement between a current oil and gas lessee, High Plains Petroleum, and a previous oil and gas lessee, Ridgeway Arizona Oil Corporation. A draft copy of the letter was emailed to the Commissioners for review on June 14, 2002. The Commissioners had telephoned or emailed agreement with the letter as written by June 18, 2002.²

Mr. Rogers stated that the unplugged 12-16-28 State well would add value to the land if it was converted into a water well. Mr. Rauzi reported that rules required abandoned oil or gas holes to be properly plugged back to the base of the fresh water before being converted into water wells. Mr. Lowe stated that Ridgeway's position was that it owned the 12-16-28 hole and related improvements even though it surrendered the lease to that particular parcel.

Mrs. Negley moved, seconded by Mr. Lane:

THAT LEGAL COUNSEL RESEARCH THE COMMISSION'S AUTHORITY
BEFORE TAKING FURTHER ACTION ON THE LETTER

Motion carried unanimously.

Mr. Jones moved, seconded by Mr. Lane:

TO TABLE AGENDA ITEM #4 PENDING RECEIPT OF LEGAL ADVICE

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that the Arizona Geological Survey finished fiscal year 2002 with a 4 3/4 percent budget cut and was starting fiscal year 2003 with a 3 1/8 percent cut. He noted that the oil and gas records had been microfilmed and that Mr. Rauzi was working on a map of the Luke salt body.

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 Copper Eagle Gas Storage planned to start limited injection testing of its stratigraphic hole near Luke Air Force Base this weekend, Ridgeway started producing CO₂ on July 5, and the Governor's Regulatory Review Council approved the Commission's final rulemaking on July 9. He reported that the original microfilm of the oil and gas records was stored in the Department of Library and Archives vault in Phoenix with a copy at the office in Tucson and that he was working on a map that would show the outline of the Luke salt deposit in relationship to main streets and Luke Air Force Base.

CALL TO THE PUBLIC

Mr. Rogers requested the Commission to place the matter of who has the state lease and the

12-16-28 well on the agenda for the next meeting. Ms. Woodall indicated she would examine the issue and advise the Commission on whether it was appropriate to bring a matter of who has the state lease before the Commission.

Mr. White reported that Ridgeway started production in July and was shipping CO₂ to the liquids plant on a daily basis. He indicated that the 10-22 State well was producing but there was more remedial work to do on the 10-16 State in Arizona and the well in New Mexico. He noted that the line pressure was 375 pounds at the 10-22 well and 300 pounds at the plant. He reported that he would submit a completion report for the 10-22 State as soon as he got the production rates from the chart integrators.

Mr. Somers passed out and discussed a letter from Ridgeway's land man regarding their plugging of the 12-16-28 State well and his overriding royalty under four state leases including the lease with the 10-22 State well.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on September 13, 2002, in Room 321 at the State Land Department Building in Phoenix.

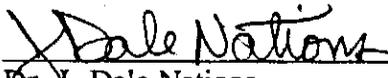
ADJOURNMENT

Mr. Jones moved, seconded by Mr. Lane:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:45 a.m.

APPROVED


Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Richard Ahern	State Land Department	Yale Rogers	Grazing Lessee
Paul Buff	Bureau of Land Management	John Somers	High Plains Petroleum
Gordon LeBlanc Jr.	LeBlanc Petroleum	Scott Somers	High Plains Petroleum
Thayne Lowe	Ridgeway Petroleum	Thomas White	Ridgeway Arizona Oil Corp
Mark Osborn	Ridgeway Petroleum	Laurie Woodall	Assistant Attorney General
Mike Rice	State Land Department		

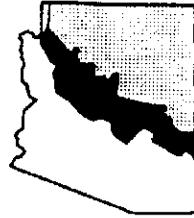
¹ Attached as Appendix A

² Attached as Appendix B



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Larry D. Fellows
Director and State Geologist

June 18, 2002

Mr. Michael E. Anable
State Land Commissioner
1616 W Adams
Phoenix AZ 85006

Dear Mike:

The State Land Department granted Mr. John Somers, High Plains Petroleum, an oil and gas lease, #13-107141, in January 2002. There is an abandoned, unplugged, hole, the #12-16-28 State, on the lease parcel. The Oil and Gas Conservation Commission (OGCC) approved Mr. Somers' application to re-enter the #12-16-28 State on March 20, 2002.

A previous lessee (Ridgeway Arizona Oil Corporation) leased the subject parcel in January 1996, drilled the #12-16-28 State in May 1997, and surrendered the lease in January 1999. The previous lessee did not plug the #12-16-28 State hole before it surrendered the lease. The previous lessee had not fulfilled its obligation to plug the abandoned hole as of March 2002.

Mr. Somers wrote to the OGCC on May 29, 2002, that the State Land Department was considering whether or not an abandoned, unplugged oil and gas hole is an improvement, which would require a current lessee to reimburse a previous oil and gas lessee. Aside from any issue of salvageable value, the OGCC considers an abandoned, unplugged hole a liability not an improvement. Statutes explicitly obligate an operator to plug each dry or abandoned well. Statutes further require an operator to post a performance bond to cover just such a liability.

It is the opinion of the OGCC that if a lessee surrenders a lease before plugging each dry or abandoned well, the lessee has left the State a liability, not an improvement. The OGCC believes that a determination that an abandoned, unplugged hole is an improvement would be contrary to statutory intent and detrimental to future oil and gas exploration and development in Arizona.

Sincerely,

A handwritten signature in cursive script that reads "Dale Nations".

Dale Nations
Chairman, Oil and Gas Conservation Commission

C Larry D. Fellows, Director and State Geologist
Commissioners

APPENDIX B

6-14-02 @ 8:50a

- 1 - Call Bob Jones - lve msg & my phone #
- 2 - Call Joe Lane - Advise of letter & my phone #
- 3 - Call Michele Negley - lve msg @ office & my phone #
lve msg @ home & my phone #
- 4 Call Bob Wagner - advise of letter & my phone #

6-14-02 @ 11:00a

Joe Lane calls & agrees with content = yes, send letter.

6-14-02 @ 11:28a

Bob Jones emails approval of Dale's letter as written.

6-14-02 @ 2:30p

Michele Negley calls & requests background of the situation.
what is residual value of a plugged hole? = none.
value of converting to w/w is if plugged back & transferred.
Agrees with intent of letter & will email notes to that end.

6-18-02

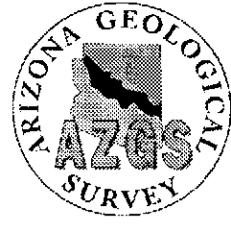
Bob Wagner emails okay to letter



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Larry D. Fellows
Director and State Geologist

September 6, 2002

To: Oil and Gas Conservation Commissioners

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

Re: Activity Report for the September 13, 2002, Meeting

Laurie Woodall has advised me that she had received no response from Thayne Lowe or Yale Rogers about what specific interest the Commission had in the ongoing lease dispute between Ridgeway and High Plains. As a result, she sees no reason to place the issue before the Commission and no advantage in taking further action on the letter of June 18, 2002.

Copper Eagle Gas Storage finished drilling its #1-19 stratigraphic test to a total depth of about 8,000 ft and is now drilling its #1-12 stratigraphic test about 2 miles to the northwest of the #1-19 hole. Copper Eagle is drilling these holes to gather subsurface information relative to its natural gas storage project.

Ridgeway has submitted a completion report for the #10-22 State well and its first monthly producer's report. The #10-22 well produced a little over 23 million cubic feet of CO₂ in July. Tom White may be in attendance to report the latest news about their CO₂ project.

I finished a map of the Luke salt deposit that shows the depth to the top of the salt and the outline of the salt relative to major streets and city boundaries. We sent a complimentary copy of the map to the director of planning and zoning of Maricopa County. I am now working on a cross section showing the correlation of the subsurface stratigraphy near Winslow to the strata exposed at the Bass Trail in the central Grand Canyon.



High Plains Petroleum Corporation

3860 Carlock Dr. Boulder, CO 80305 303-494-4529

2002 Status Report

Arizona Oil and Gas Projects and Prospects

Number of Active Development Projects - 2, one on Navajo Anticline
and one on Cedar Mesa
Anticline

Number of Active Exploratory Prospects - 6 on Holbrook Basin
anticlines

Reentry Permitted - 1, State 12-16-28 on Cedar Mesa Anticline

Well(s) to be permitted by year end - 1 on Navajo Anticline

No. of Leases acquired in 2002 - 3 State Leases
1 Fee Lease

State and Fee Land under lease - 12,430.08 ac.

Fee Land being farmed-in - 1920 acres

Notes: Projects involve work to develop oil or gas discovered
by others.

Prospects involve drilling of exploratory wells for oil
or gas.

Prepared for: September 13, 2002 Meeting
Arizona Oil and Gas Conservation Commission

Prepared by: John Somers

AOGCC Mtg 9-13-02

<u>Name</u>	<u>Representing</u>
- John Somers	High Plains Petroleum
Vale Rogers	
Scott Somers	High Plains Petroleum
Richard Allen	ASLD
John Karasees	Karasees Agency
Alan Bohnenkamp	AZ Corp Comm Pipeline Safety
Bob Gray	ACC