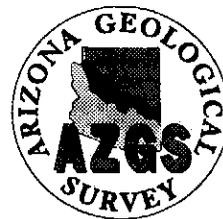




Janet Napolitano
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500
www.azgs.az.gov



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 23, 2004, 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, pursuant to A.R.S. § 38-431.03(A)(3) or (4), the Oil and Gas Conservation Commission may vote to go into executive session, which will not be open to the public, for discussion or consultation with its attorney.

The agenda for the meeting is as follows:

1. Call to Order
2. Approval of Minutes of Meeting of July 25, 2003
3. Report of Director and State Geologist about budget matters
4. Report of Oil & Gas Administrator
 - Permits issued and wells drilled since the last meeting
 - Recently completed and current projects
 - Comparison of bond amounts with New Mexico and Utah followed by discussion and possible action on amending the required bond amounts in Arizona
5. Ridgeway Arizona Oil Corporation well 9-22-29 State (Permit 898), Apache County
 - Procedural history of request to plug well
 - Notice to Ridgeway to submit application to plug and abandon
 - Possible executive session pursuant to A.R.S. § 38-431.03(A)(3) or (4)
Discussion or consultation with legal counsel concerning possible enforcement options for failure to plug well
6. Ridgeway Arizona Corporation wells 3-1 State (Permit 884), 22-1X State (Permit 888), 11-21 State (Permit 895), 10-22 State (Permit 896), 9-21 State (Permit 897), 10-16-31 State (Permit 899), and 12-15-30 State (Permit 900), Apache County
 - Procedural history of request for temporary abandonment, expiration of temporary abandonment
 - Notice to Ridgeway about current status
 - Possible executive session pursuant to A.R.S. § 38-431.03(A)(3) or (4)
Procedural remedies and or enforcement options
 - Possible decision concerning request for temporary abandonment

7. Copper Eagle Gas Storage wells 1-24 SunCor (Permit 909), 1-19 SunCor (Permit 911), and 1-12 Kakerlee (Permit 912), Maricopa County
 - Procedural history of request for temporary abandonment
 - Notice to Copper Eagle about well status
 - Possible executive session pursuant to A.R.S. § 38-431.03(A)(3) or (4)
 - Decision concerning request for temporary abandonment
8. High Plains Petroleum well ~~9-12-28~~ (Permit 902), Apache County 12-16-28
 - Procedural history of request for temporary abandonment
 - Notice to High Plains Petroleum about well status
 - Possible executive session pursuant to A.R.S. § 38-431.03(A)(3) or (4)
 - Procedural remedies and or enforcement options
 - Possible decision concerning request for temporary abandonment
9. Gus Berry well 26-1 State (Permit 886), Coconino County
 - Procedural history of request to plug well
 - Notice to Gus Berry about well status
 - Possible decision and action to forfeit bond for failure to plug well
10. Call to the public
11. Announcements
12. Adjournment

The Oil and Gas Conservation Commission may vote to go into Executive Session, pursuant to A.R.S. § 38-431.03(A)(3) or (4), 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 may 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 16th day of January 2004

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 25, 2003

Present:

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

The regular Commission Meeting of July 25, 2003, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

Chairman Nations announced the reappointment of Commissioner Jones and presented him with the Governor's Certificate of Appointment.

APPROVAL OF THE MINUTES OF THE MEETING OF JANUARY 31, 2003

Mr. Jones moved, seconded by Mr. Lane:

THAT THE MINUTES OF THE MEETING OF JANUARY 31, 2003, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

REPORT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows discussed the budget cuts for fiscal years 2002 and 2003 and reported he was working on the annual report, strategic plan and the budget for fiscal year 2005. He noted there would be no increase or decrease in oil and gas operations. Dr. Fellows described two new down-to-earth publications in the Flagstaff area and one being written for the White Mountain area.

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 discussed a well ADOT plugged near Geronimo, his semi-annual inspection of storage wells, and his recent trip to investigate reported gas blowouts near McNeal. He described the agency's proposal to the U.S. Department of Energy to compile data relating to the sequestration of CO₂. He reported that Geological Surveys in New Mexico, Utah, Colorado, and Oklahoma are partners in the proposal.

DISCUSSION ABOUT NATURAL GAS STORAGE PROJECTS AT RED LAKE AND LUKE

Mr. Rauzi reported that Copper Eagle continued to evaluate its gas-storage project near Luke in light of recently completed stratigraphic wells and that the gas-storage project near

Red Lake was terminated over market-based versus cost-based rates. He noted that termination had nothing to do with Red Lake as a desirable gas-storage site.

DISCUSSION ABOUT THE RIDGEWAY CO₂ PROJECT

Mr. Osborn reported that Flo-CO₂ planned to expand its liquid plant by building a dry ice plant, that Ridgeway was working on a helium-marketing agreement with Air Liquide, and that the Legislature had appropriated funds to the Land Department for a new attempt on a unit agreement. He informed the Commission that Mr. White, Ridgeway's production Manager in St. Johns, had taken a position in Iowa and was no longer with the company.

CALL TO THE PUBLIC

Mr. Buff reported that the U.S. Bureau of Land Management had terminated Premco Western's exploratory unit on the Arizona Strip for lack of diligent drilling operations. He reported that the well had been drilled to a depth of about 3600 feet in the last three years and that there was a hawk's nest in the drill rig when the well was inspected about a month ago. Mr. Buff reported that Premco had appealed the decision.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on January 23, 2004, in Room 321 at the State Land Department Building in Phoenix.

ADJOURNMENT

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:01 a.m.

APPROVED


D. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

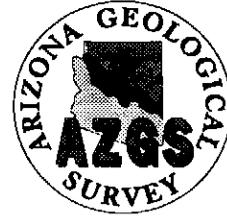
Richard Ahern	Arizona State Land Department
Paul Buff	U.S. Bureau of Land Management
Dale Mason	Arizona Department of Water Resources
Marc Osborn	for Ridgeway Arizona Oil Corporation



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Larry D. Fellows
Director and State Geologist

January 16, 2004

To: Oil and Gas Conservation Commissioners

From: *SLR* Steven L. Rauzi, Oil and Gas Administrator

Re: Activity Report for the January 23, 2004, Meeting

Two permits were issued and one well was drilled since your last meeting on July 25, 2003. Clayton Williams Energy drilled the #1 Babbitt near Gray Mountain north of Flagstaff to a depth of 4350 ft in December. The well was completed as a dry hole.

I completed a review of helium production and potential in Arizona that was released as an Open-file report in October. I am now working on a project funded by the US Department of Energy to study viable geologic and terrestrial sequestration options for disposal of CO₂ in the southwest. The geological surveys of New Mexico, Utah, Colorado, and Oklahoma are participating in the project. Our task will be to compile geologic data about oil and gas reservoirs, coal seams, and deep saline aquifers in Arizona.

Bond amounts in Arizona compared with amounts in New Mexico and Utah:

Arizona:	Less than 10,000 ft	\$10,000
(R12-7-103)	More than 10,000 ft	\$20,000
	Blanket bond	\$25,000
New Mexico:	Less than 5,000 ft	\$7,500
(19.15.3.101)	5,000-10,000 ft	\$10,000
	More than 10,000 ft	\$12,500
	Blanket bond	\$50,000
Utah:	Less than 1,000 ft	\$1,500 (\$15,000 blanket)
(R649-3)	1,000-3,000 ft	\$15,000
	3,000-10,000 ft	\$30,000
	More than 10,000 ft	\$60,000
	Blanket bond	\$120,000

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

R12-7-101. Definitions

In this Chapter, unless the context otherwise requires:

"API" means American Petroleum Institute.

"Barrel" means 42 (US) gallons measured at 60° F and atmospheric pressure at sea level.

"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.

"Condensate" means liquid hydrocarbons recovered at the earth's surface as a result of condensation due to reduced pressure or temperature of petroleum hydrocarbons that exist in a gaseous phase in subsurface reservoir rocks.

"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.

"Gas well" means a well that produces with a gas-oil ratio in excess of 50,000 cubic feet of gas per barrel of oil.

"Injection well" means a well used to inject air, gas, water, or other substance into an underground stratum.

"Mcf" means 1000 cubic feet of gas reported at a pressure base of 14.73 pounds per square inch absolute and a standard temperature base of 60° F.

"Oil well" means a well that produces with a gas-oil ratio less than 50,000 cubic feet of gas per barrel of oil.

"Operator" means any person authorized by an owner 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.

"Stratigraphic test or core hole test" means drilling a hole 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.

Historical Note

Former B; Former Section R12-7-101 renumbered and amended as Section R12-7-102, former Section R12-7-100 renumbered and amended as Section R12-7-101 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1). Amended by final rulemaking at 6 A.A.R. 4827, effective December 7, 2000 (Supp. 00-4).

R12-7-102. Repealed

Historical Note

Former 101; Former Section R12-7-102 renumbered and amended as Section R12-7-103, former Section R12-7-101 renumbered and amended as Section R12-7-102 effective September 29, 1982 (Supp. 82-5). Repealed effective January 19, 1994 (Supp. 94-1).

R12-7-103. Bond

A. An operator shall file a performance bond with the Commission prior to approval of a permit to drill a new well, re-enter an abandoned well, or assume responsibility as operator of existing wells. The bond amount shall be \$10,000 for a well drilled to a total depth of 10,000 feet or less, \$20,000 for a well

drilled deeper than 10,000 feet, or \$25,000 as a blanket bond to cover all wells and shall be payable to the Oil and Gas Conservation Commission, State of Arizona, and conditioned upon the faithful performance by the operator of the duty to drill each well in a manner to prevent waste, plug each dry or abandoned well, repair each well causing waste or pollution, and maintain and restore the well site.

- B. The Commission shall accept a bond in the form of a surety bond, executed by the operator as principal and a corporate surety authorized to do business in Arizona, a certified check, or a certificate of deposit at a federally insured bank authorized to do business in Arizona.
- C. Transfer of property does not release the bond. If a property is transferred and the principal desires to be released from the bond, the procedure shall be as follows:
1. The principal on the bond shall notify the Commission in writing of the proposed transfer, giving the location of each well, the date and number of each permit to drill, and the name, address, and telephone number of the proposed transferee.
 2. The transferee of any well or of the operation of any well shall declare to the Commission in writing acceptance of the transfer and of the responsibility of each well and shall submit a new bond or bonds unless the transferee's blanket bond applies to the well or wells.
 3. When the Commission approves the transfer, the transferor is released from all responsibility with respect to the well or wells, and the Commission shall notify the principal and the bonding company in writing that the transferor's applicable bond or bonds are subject to release.

Historical Note

Former Rule 102; Former Section R12-7-103 renumbered and amended as Section R12-7-104, former Section R12-7-102 renumbered and amended as Section R12-7-103 effective September 29, 1982 (Supp. 82-5). Amended effective January 19, 1994 (Supp. 94-1).

R12-7-104. Application for Permit to Drill

- A. Before drilling or re-entering any well or conducting any surface disturbance associated with such activity, the operator shall submit to the Commission an application for permit to drill or re-enter and obtain approval. The complete application package shall contain:
1. An application for permit to drill on a form provided by the Commission, which shall include the operator's name, address, and phone number, and a description of the proposed well and its location;
 2. A well and well-site construction plan that meets the requirements of R12-7-108 through R12-7-118;
 3. A plat, prepared and certified by a registered surveyor bearing the surveyor's certificate number, on which is shown the exact acreage or legal subdivision allotted to the well as required by R12-7-107, the well's exact location, and its ground-level elevation;
 4. An organization report as required by R12-7-194;
 5. A performance bond, as required by R12-7-103; and
 6. A fee of \$25.00 per well.
- B. The Commission shall mail to the applicant, within 30 days of receipt of the application required in subsection (A), written notice of administrative completeness or a detailed list of deficiencies. Within 30 days of receipt of all items required in subsection (A), the Commission shall review the application and:
1. Issue a permit to drill, or
 2. Provide a written explanation in compliance with A.R.S. § 41-1076 to the applicant if the application is not approved.

**TITLE 19 NATURAL RESOURCES & WILDLIFE
CHAPTER 15 OIL AND GAS
PART 3 DRILLING**

New Mexico

19.15.3.101 PLUGGING BOND

A. Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Division, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Division, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Division. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

B. Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

C. One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

- (1) Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$ 10,000

- (2) All other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$ 10,000
More than 10,000 feet	\$ 12,500

UT Admin Code R649-3. Drilling and Operating Practices.

Utah

5. The bond amount for drilling or operating wells located on lands with fee or privately owned minerals shall be one of the following:

5.1. For wells of less than 1,000 feet in depth, an individual well bond in the amount of at least \$1,500, for each such well.

5.2. For wells of more than 1,000 feet in depth but less than 3,000 feet in depth, an individual well bond in the amount of at least \$15,000 for each such well.

5.3. For wells of more than 3,000 feet in depth but less than 10,000 feet in depth, an individual well bond in the amount of at least \$30,000 for each such well.

5.4. For wells of more than 10,000 feet in depth, an individual well bond in the amount of at least \$60,000 for each such well.

6. If, prior to the January 1, 2003 revision of this bonding rule, an operator is drilling or operating more than one well on lands with fee or privately owned minerals, and a blanket bond was furnished and accepted by the division in lieu of individual well bonds, that operator shall remain qualified for a blanket bond with the division subject to the amounts described by this bonding rule.

6.1. A blanket bond shall be conditioned in a manner similar to individual well bonds and shall cover all wells that the operator may drill or operate on lands with fee or privately owned minerals within the state.

6.2. For wells of less than 1,000 feet in depth, a blanket bond in the amount of at least \$15,000 shall be required.

6.3. For wells of more than 1,000 feet in depth, a blanket bond in the amount of at least \$120,000 shall be required.

5

Fax

To: Tom White, RAOC **From:** Steve Rauzi

Fax: ~~587-3522~~ 337-3162 **Date:** April 28, 1999

Phone: 337-3230 **Pages:** 2

Re: Water well acceptance **CC:** Charles Cantwell, ASLD

Urgent For Review Please Comment Please Reply Please Recycle

•Comments:

Thank you for copying me with the 3 letters you wrote to the grazing lessees regarding potential conversion of the 9-22-29, 10-26-29, and 12-16-28 to water wells. As you are probably aware, the transfer is accomplished through oil and gas rule A.A.C. R12-7-129 after the well has been plugged in accordance with R12-7-127 to the base of the fresh water strata. I have attached a copy of our application to plug and abandon for your convenience.

If the grazing lessees were interested in using the abandoned wells as water wells, they would need to advise the Land Department of that. It is the Land Department that would accept the wells as water wells.

Please let me know if we may be of further assistance.

had app to p+a Jan 21, 2004 (5 yrs later)

To: Oil and Gas Program Administrator
Arizona Geological Survey
416 W. Congress, Suite 100
Tucson, Arizona 85701

This is to advise you that I accept the abandoned oil or gas exploration well, known as the _____
State 9-22-29, located on the 2674' F/WL (quarter-quarter)
1091' F/SL of Section 22, Township 9 N, Range 29E, County of Apache, Arizona, as
a domestic water well.

I accept full responsibility for the proper maintenance and use of the above well, including its final
plugging, in compliance with rules of the Arizona Department of Water Resources (12 A.A.C. 15).

I understand that I am responsible for compliance with the provisions of the State Groundwater Code,
A.R.S. Title 45, Ch. 2, Article 10, and with any applicable requirements of the federal government.

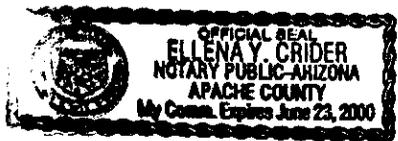
Signature Larry E. Sherwood
Address PO Box 717
Springerville, Ariz 85938

* * * * *

State of Arizona
County of Apache

On this, the 13th day of May, 1999, before me Ellena Y Crider
the undersigned officer, personally appeared Larry E. Sherwood, known
to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and
acknowledged that Larry E. Sherwood executed the same for the purpose stated
therein contained.

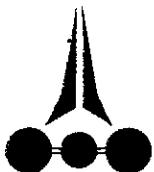
In witness whereof I hereunto set my hand and official seal.



Notary Public Ellena Y Crider
My commission expires June 23, 2000

OIL & GAS CONSERVATION COMMISSION
WATER WELL ACCEPTANCE
FORM 26 - File one copy

Permit Number 898



Ridgeway
Arizona Oil Corporation

Thursday, June 03, 1999

Mike Rice
Manager, Minerals Section
Arizona State Land Dept.
1616 West Adams
Phoenix, Az. 85007

RE: Transferal of well for water well usage

Dear Mike,

This letter is in regards to our wells located on state land. The wells in question are State 9-22-29e, State 10-26-29e, we have released the mineral lease's on this land and the parties that hold the surface lease would like to utilize these wells for water wells. Because this is state land and not private what is the proper procedure to transfer these wells? also included in this letter are copies of water well acceptance forms from both interested parties.

Included in the land that Ridgeway released is well 12-16-28e we have not had a response concerning this well as a water well so we will follow the standard plug and abandon procedure.

Your immediate response in this matter is appreciated.

Sincerely

Thomas White
Production Manager R.A.O.C.

Cc Mike Anable

Jane Dee Hull
Governor

Michael E. Anable
State Land
Commissioner

Arizona State Land Department



1616 West Adams Street Phoenix, AZ 85007 www.land.state.az.us

October 1, 1999

Mr. Thomas White, Production Manager
Ridgeway Arizona Oil Corporation
P. O. Box 1110
St. Johns, Arizona 85936

Re: Exploration Gas Wells
State 10-26-29 and State 9-22-29

Dear Mr. White:

In regard to your letter of June 3, 1999, please note that the procedure for conversion of oil and gas wells on state land should be as follows:

- 1) A letter should be sent to the State Land Department, requesting permission to convert the nonproductive well to a water well. Included with the request should be a copy of the well completion report, and any information regarding water quality.
- 2) A copy of the request to the State Land Department, and an application to plug and abandon the well should be filed with the Oil and Gas Conservation Commission.
- 3) The Land Department will request at this time, that the lessee submit an application to place improvements with the Department.
- 4) Upon receipt of the request for conversion, well completion report, application to plug and abandon, and an application to place improvements, the Land Department will request approval from the Arizona Department of Water Resources.
- 5) Upon approval by the Oil and Gas Conservation Commission and Department of Water Resources, the Land Department will authorize the conversion to a water well.

- 6) Upon authorization by the Land Department, and in accordance with Oil and Gas Conservation Commission Rule R12-7-129, the well is to be plugged to the base of the freshwater aquifer, and the lessee shall then file with the Commission, the required water well acceptance form.

As specifically relates to the State 10-26-29 and State 9-22-29, the Land Department has no objection to these wells being converted to water wells. A copy of this letter along with an application to place improvements and a water well acceptance form, have been sent to our grazing lessees.

Sincerely,



Michael Rice, Manager
Minerals Section

MR/jh

Jane Dee Hull
Governor

Michael E. Anable
State Land
Commissioner

Arizona
State Land Department



1616 West Adams Street Phoenix, AZ 85007 www.land.state.az.us

October 1, 1999

Mr. and Mrs. Larry Sherwood
P.O. Box 717
Springerville, Arizona 85938

RE: Exploration Gas Well: State 9-22-29
Conversion to water well.

Dear Mr. and Mrs. Sherwood:

As you may recall, Mr. Stephen Williams, Range Section Manager, sent you a letter on May 18, 1999, regarding the conversion of an oil and gas well to a water well. In this regard, I am sending you an application to place improvements and a water well acceptance form. The water well acceptance form differs from the form which you previously signed in that the form states that the well will be used as a livestock water well. At your earliest convenience would you please return these forms to the Department.

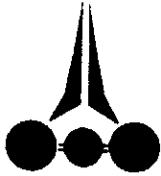
As also concerns the conversion of these wells, please note that the well, as will be plugged and abandoned by Ridgeway Arizona Oil Corporation, is not a reimburseable improvement. Any equipment added to a livestock water well, and any appurtenant storage tanks and watering troughs, in order to be entitled to reimbursement or compensation, shall have the permission of the Department before their placement.

As lastly involves this matter, please note that it is the understanding of the Department that Ridgeway will only plug the well back to the base of the freshwater aquifer. Because the well casing will not be perforated, the well will be incapable of producing water until such time as you have the well completed as a water well. It may be prudent in this instance to determine the cost of perforating the well.

Sincerely,


Michael Rice, Manager
Minerals Section

MR/jh



Ridgeway

Arizona Oil Corporation

St. Johns Helium/CO₂ Project

December 30, 2003

State of Arizona
Arizona Geological Survey
416 West Congress
Suite 100
Tucson, AZ 85701

Attn: Mr. Steve Rauzi
Oil & Gas Administrator

RE: 9-22-29 State (Permit 898)
Water Well Acceptance

Dear Mr. Rauzi:

I am in receipt of letter from the Arizona State Land Department, which has a copy of a letter that you wrote to Walter Ruck on September 26, 2003. I was unaware of the original letter you issued and have forwarded it for comments and direction.

In reviewing the well files for the listed wells, I came across the Water Well Acceptance form from Mr. Sherwood for the 9-22-29 (Permit 898), an original was sent to your office on June 23, 2000, and I show nothing else in the file after that date. I have enclosed a copy of the acceptance form for your review.

I will forward any additional information I receive from Walter on his intentions for the compliance of the OGCC rules pertaining to the other listed wells, by January 5, 2003. If you have any questions please feel free to contact me at 888-337-7444.

Sincerely,

Carmen Tanner
Office Manager

Enclosure

cc: Walter Ruck, Ridgeway Petroleum Corp.
Michael Rice, Arizona State Land Dept.

P.O. Box 1110
St. Johns, AZ 85936

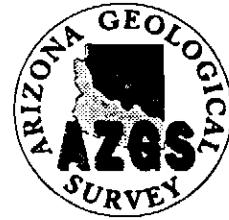
Tel: 928 337 3230
Fax: 928 337 3162



Janet Napolitano
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500
www.azgs.az.gov



Larry D. Fellows
Director and State Geologist

5+6

September 26, 2003

Mr. Walter B. Ruck
Chairman of the Board and President
Ridgeway Petroleum Corporation
1080, 700 4th Avenue S.W.
Calgary, Alberta T2P 3J4

Re: 1. 3-1 State (Permit 884) Completed as gas well and shut-in September 1995
2. 22-1X State (Permit 888) Completed as gas well and shut-in June 1997
3. 11-21 State (Permit 895) Temporarily abandoned January 1998
4. 10-22 State (Permit 896) Producing well and shut-in July 2003
5. 9-21 State (Permit 897) Temporarily abandoned January 1998
6. 9-22-29 State (Permit 898) Temporary abandonment denied in May 1999.
7. 10-16-31 State (Permit 899) Temporarily abandoned January 1998
8. 12-15-30 State (Permit 900) Temporarily abandoned January 1998

Dear Mr. Ruck:

I reviewed the status of Ridgeway's wells after you telephoned September 5, 2003. The Oil and Gas Conservation Commission (OGCC) granted shut-in or temporary abandonment status to all of Ridgeway's wells, except the 9-22-29 State (Permit 898), in its meeting of May 7, 1999. The shut-in and temporary abandonment periods for all of the referenced wells have expired, except for the 10-22 State (Permit 896), which is a producing well.

Under amended R12-7-125, an operator may temporarily abandon or shut in a well for up to five years if the operator demonstrates to the OGCC a future beneficial use of the well. If Ridgeway submits a written request to the OGCC for temporary abandonment or shut-in status for each of the expired wells before January 1, 2004, the OGCC will place the request on the agenda for its January 23, 2004 meeting in Phoenix. Please include a summary of the testing results to date, including all open perforations, and documentation of the current mechanical condition of all strings of casing in each of the wells with your written request as required in R12-7-125(B). Please note that R12-7-125(C) requires Ridgeway to plug the expired wells unless it submits a request for temporary abandonment or shut-in status. A copy of R12-7-125 is enclosed for your reference.

The 10-16-31 State is of particular concern to the OGCC. You indicated in your phone call that this well had problems with the casing and would need to be

Mr. Walter B. Ruck
Ridgeway Petroleum Corporation
September 26, 2003
Page 2

plugged. Our files include a notice of intention to hydraulically fracture the 10-16-31 State in August 2001. However, the OGCC has received no subsequent report of that fracture treatment as required by R12-7-125(D). Your statement about the casing suggests that the fracture stimulation may have damaged the casing in the 10-16-31 State. R12-7-125(C) requires an operator to plug any well that fails to meet the casing integrity required by R12-7-112. Please submit the subsequent report of the fracture stimulation of the 10-16-31 State along with documentation of the mechanical integrity of the casing string in this well.

As noted above, the OGCC did not grant temporary abandonment to the 9-22-29 State (Permit 898), which was on a lease that Ridgeway relinquished in January 1999. The OGCC informed Ridgeway by letter of May 13, 1999 that R12-7-125 requires an operator to plug a well not granted temporary abandonment. In your phone call, you indicated that Ridgeway received no response to a certified letter offering the 9-22-29 State to the grazing lessee as a water well in 1999, that Ridgeway has had no further communication with the grazing lessee since that time, and that this obligated Ridgeway to plug the well.

R12-7-125(A) specifies the procedures to be followed for abandoning wells: "If drilling injection, or production operations at a well are suspended, or have been suspended for 60 days, an operator shall plug the well under R12-7-127 unless the OGCC permits the well to be temporarily abandoned or shut-in." As noted above, Ridgeway, by its own admission, suspended operations at this well more than four years ago. This four-year time period far exceeds the 60 days suspension-of-operations period provided in the rule. R12-7-126 requires an operator to submit an application to the OGCC to plug and abandon and to obtain approval before abandoning a well. The OGCC has not received an application to plug and abandon the 9-22-29 State.

Arizona law specifically provides that the OGCC may adopt rules "requiring a reasonable bond with good and sufficient surety conditioned on the performance of the duties prescribed by this subsection...including the obligation to plug each dry or abandoned well." R12-7-103 requires Ridgeway to file a performance bond with the OGCC. Ridgeway has deposited two instruments, which are intended to meet the \$25,000 surety amount required for a blanket bond. Enforcement of the operator's obligations is discussed at A.R.S. 27-524(E), which provides: "The owner or operator is responsible for the full cost of plugging each dry or abandoned well. If the owner or operator fails to properly plug and abandon the well the OGCC may: (1) Forfeit the bond and use the money for that purpose. (2) Sue the owner or operator for cost in excess of the bond and the owner or operator is liable for that amount."

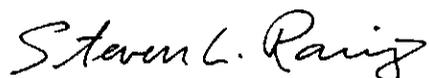
Mr. Walter B. Ruck
Ridgeway Petroleum Corporation
September 26, 2003
Page 3

Please respond in writing within 30 days of receipt of this letter to inform the OGCC of how Ridgeway intends to comply with the plugging and abandonment requirements mandated by Arizona law and OGCC regulations. Specifically, please provide a date when Ridgeway will submit its application to plug and abandon the 9-22-29 State in accordance with R12-7-126, and a specific date when it intends to plug the 9-22-29 State.

If the OGCC does not receive a response from Ridgeway, the OGCC will consider at its January 23, 2004 meeting, whether this constitutes a failure to "properly plug and abandon the 9-22-29 State" as specified in A.R.S. 27-524(E). The OGCC will also consider whether to proceed to forfeit the bond and exercise any other enforcement options available to it.

The OGCC hopes these outstanding issues can be resolved expeditiously. Please call me if you have any questions.

Sincerely,



Steven L. Rauzi
Oil And Gas Administrator

- c J. Dale Nations, Chairman, Oil and Gas Conservation Commission
- Larry D. Fellows, Director and State Geologist
- Laurie A. Woodall, Office of the Attorney General
- Michael Rice, Manager, Minerals Sections, Arizona State Land Department

From: "Marc Osborn" <mosborn@rrpartners.com>

Date: Fri, 9 Jan 2004 07:34:04 -0800

To: <Steve.Rauzi@azgs.az.gov>

Here is the call in number for the 1000 call.

1-866-751-7435 *7569*

Conference call w/ Alan Means, Cambrian Mgmt
and Marc Osborn @ 10:00-10:40a
Jan 9, 2004

Marcus B. Osborn
Manager, Government & Public Affairs
R&R Partners Inc.
80 East Rio Salado Parkway
Suite 210
Tempe Arizona 85281
Tel: 480-317-6058
Fax: 480-804-0033
Email: mosborn@rrpartners.com
Web: <http://www.rrpartners.com>

ameans@cambrianmgmt.com
432-620-9181

- Alan under impression 9-22-29 well was turned over as a water well.
- Not so = I reviewed correspondence from 1999 that form improperly submitted.
 - Well was never plugged back (857' perms) to base of fresh water.
 - Alan agreed can't use well perforated in salt wtr zones as fresh water well.
 - Won't save money by turning over after plug back. Cheapest to just P+A.
 - Will submit application to P+A.

- Alan reviewed history of 10-16-31 well and current mechanical condition.
- No subsequent report of Aug 2001 frac treatment.
 - Tom White Aug 2002 phone call = making wtr, low pressure and possible CSG damage.
 - Need MIT to demonstrate integrity of CSG.
 - Even with CSG integrity how to deal w/ wtr in the fractured open hole??
 - Alan Means agreed - thinks best course of action is to P+A well.
 - Will run MIT then determine whether TA or P+A.

- Alan reviewed his involvement with Ridgeway
- Hired in Spring 2002 to look at drilling and completion practices on wells
 - Will use better drilling and completion techniques on 3 new wells.
 - If successful = opportunity to go back to other wells and get better results.
 - No serious concerns about CSG integrity in or contamination from other wells.
 - I agree
 - Will outline above and submit request for TA by early next week.

Marc Osborn indicated they would review the above with their client and submit a draft letter with application to plug 9-22-29 and run MIT in 10-16-31 wells. Then have formal submission before OSGC mtg. I urge action on 9-22-29 and 10-16-31 before new drilling.



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

May 13, 1999

Mr. Thomas White
Production Manager
Ridgeway Arizona Oil Corporation
P.O. Box 1110
St. Johns, Arizona 85936

878

Re: Status of Shut-in Wells

Dear Mr. White:

This will confirm the Oil and Gas Conservation Commission's decision of May 7, 1999, regarding the status through January 2000 of Ridgeway's 10 shut-in wells.

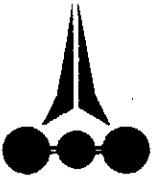
1. The Commission granted extension of shut-in status for the 7 wells located on active leases. These include wells 3-1 State (Permit 884), 22-1X State (888), 11-21 State (895), 10-22 State (896), 9-21 State (897), 10-16-31 State (899), and 12-15-30 State (900).
2. The Commission did not grant an extension for the 3 wells located on leases released by Ridgeway. These include wells 9-22-29 State (898), 12-16-28 State (902), and 10-26-29 State (903).

As you know, A.A.C. R12-7-125 requires the 3 wells not granted an extension to be plugged and abandoned or converted to water well use pursuant to A.A.C. R12-7-129 before Ridgeway's performance bond may be released on the wells.

Sincerely,

Steven L. Rauzi
Oil & Gas Program Administrator

c Larry D. Fellows, Director and State Geologist
J. Dale Nations, Chairman, Oil and Gas Conservation Commission



Ridgeway
Arizona Oil Corporation

Wednesday, January 20, 1999
Mr. Steve Rauzi
Az. Geological Survey
Suite 100
416 W. Tucson, 85701

RE: Request of temporary abandonment status for State Permit #'s 884, 888, 895, 896, 897, 898, 899, 900, 902 and 903

Dear Mr. Rauzi:

We are requesting that temporary abandonment status be extended to the above-mentioned wells, as was mentioned in my letter dated Jan. 05, 1999 these wells have well-bore skin damage and warrant further testing and evaluation.

If there are any questions concerning this matter please advise.

Sincerely,
Ridgeway AZ. Oil Corp.

Thomas White
Production Manager

Cc: Mike Rice
Andrew Hurwitz





Ridgeway
Petroleum Corp.

546

January 22, 2004

Steve Rauzi
Oil and Gas Administrator
Arizona Geological Survey
416 W. Congress
Suite 100
Tucson, Arizona 85701

P.O. Box 2083

Midland, Tx 79702

* letter was handed out by Mark Osburn at the Jan 23, 2004 OGCC mtg

Re: Our Ltr Dated 1/16/02: Subj:
Shut-in/Temporarily Abandon Wells
St. Johns Helium/CO₂ Field
Apache County, Arizona

Dear Mr. Rauzi:

Ridgeway has been asked to provide additional time definitive dates with regard to the shut-in and temporary abandoned wells near St. Johns. The purpose of this letter is to reemphasize the importance of those wells and our view of them as assets but, based upon your office's desires, attempt to provide some time frames for their reactivation or plugging. Much of our progress on this overall project is dependent on the State of Arizona's assistance (e.g. unitization agreement) and please recognize that these time frames we provide herein assume expeditious action by other State agencies.

not a condition or qualification which the OGCC accepted in its Mtg

Ridgeway Arizona Oil Corporation is continuing the development of the St. Johns Helium/CO₂ Field. Immediate plans include the drilling of three (3) wells in the first quarter of 2004. Then, as the unit is approved and the field is developed, the shut-in and temporarily abandoned wells will be either incorporated in the expansion or they will be plugged and abandoned. We anticipate the expansion to occur from a central area and move outward in all directions over time. Therefore, Ridgeway requests a two (2) year extension on the following wells:

3-1 State (Permit 884)
11-21 State (Permit 895)

These wells will either be returned to production or plugged and abandon within two (2) years. The 10-16 well was addressed in the earlier letter; should that well be available with a successful casing integrity test it would fall into the above category.

Development will not proceed to peripheral wells until later dates. We therefore request a four (4) year extension on the following wells:

22-1X State (Permit 888)
10-22 State (Permit 896)
9-21 State (Permit 897)
12-14 State (Permit 900)

These wells will either be returned to production or plugged and abandoned with four (4) years.

In the last few days Ridgeway has been successful in scheduling a pulling unit which will mobilize from Farmington, NM. We will plug the State 9-22 (Permit 898) during the month of February 2004. In addition, the casing integrity test will performed on the State

10-16 (Permit 899) in February. As stated in the previous letter, if the State 10-16 fails the integrity test the well will be plugged and abandoned at that time.

If you have any questions or require additional information please contact the undersigned at (432) 682-7664 or Alan D. Means at (423) 620-9181.

Respectfully,

A handwritten signature in black ink, appearing to read "L. Stephen Melzer". The signature is written in a cursive, flowing style.

L. Stephen Melzer
Director, Ridgeway Arizona Oil Company



Ridgeway
Petroleum Corp.

P.O. Box 2083
Midland, Tx 79702

546
10-16

January 16, 2004

Steve Rauzi
Oil and Gas Administrator
Arizona Geological Survey
416 W. Congress
Suite 100
Tucson, Arizona 85701

Re: Shut-in Wells
St. Johns Helium/CO₂ Field
Apache County, Arizona

Dear Mr. Rauzi:

The purpose of this letter is to propose/provide a plan for the Oil and Gas Conservation Commission's approval to achieve compliance with Oil and Gas Conservation Commission's rules and policies with a group of previously drilled wells defining the St. Johns anticlinal structure. This then attempts to fully address the letter of September 26, 2003 wherein your office submitted a request for Ridgeway's plans to maintain and bring into compliance the following wells:

1. 3-1 State Well Permit 844
2. 22-1X State Well Permit 888
3. 11-21 State Well Permit 895
4. 10-22 State Well Permit 896
5. 9-21 State Well Permit 897
6. 9-22-29 State Well Permit 898
7. 10-16-31 State Well Permit 899
8. 12-15-30 State Permit 900

Well-9-22-29 (Permit 898)

The following plan accompanied by an Application to Plug and Abandon (see attached) reflects our recent conversations with you. Ridgeway is herewith requesting approval to permanently plug and abandon Well 9-22-29 (Well Permit 898). We have recontacted the surface lessor and confirmed his desire to utilize the well as a water well but are now aware that plugging and abandoning the subaquifer intervals within well 9-22-29 is a high priority and must for Ridgeway. Unfortunately because of the remote location of the wells and lack of equipment in the immediate St. Johns area, contracting the appropriate equipment crews to the area is proving problematic. As a result, we are unable to offer a specific date at the time of this letter to definitively provide your office with a date to plug and abandon the 9-22-29 but Ridgeway proposes that no later than three weeks of the January, 2004 Oil and Gas Commission meeting, we will have a date for starting work and will provide that timing to the Oil and Gas Administrator and will perform the needed work to plug and abandon the 9-22-29. That timing will reflect the availability of the needed equipment and the crews to perform the work.

Well 10-16-31 (Permit 899)

Based on the condition of the Well 10-16-31 and conversations with Mr. Steve Rauzi, Ridgeway believes that the best approach to address the future of this well is to conduct a casing (mechanical) integrity test (MIT) to assess whether temporary abandonment is appropriate or, alternatively, if the well should be permanently plugged and abandoned.

Should the MIT reflect integrity of the casing string, Ridgeway prefers to have this well available for future operations. It is Ridgeway intention to move to the 10-16 well with the pulling unit finishing the 9-22 well.

Requests of Extensions for Temporary Abandonment

Ridgeway Arizona Oil Corp respectfully requests an extension of the five (5) year time period outlined under Temporarily Abandoned and Shut-in Wells, R12-7-125.

Ridgeway is currently working with State Land Department to acquire permits to drill three new wells in the Spring/Summer of 2004. These new wells will be drilled and completed utilizing new techniques. Depending on results from the new wells, Ridgeway will examine the appropriateness of new and improved drilling and completion practices that may be applied to wells in the future. If the improved drilling and completions practices are successful with the proposed wells, the shut-in wells in the field may be candidates for potential workovers to improve productivity and return them to productive status. Therefore Ridgeway, believes that it is appropriate for the Oil and Gas Commission to grant an extension on the temporary abandonment status for the following wells:

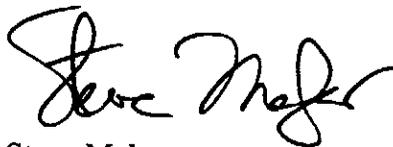
1. 3-1 State Well Permit (844)
2. 22-1X State Well Permit (888)
3. 11-21 State Permit (895)
4. 9-21- State Permit (897)
5. 12-15-30 State Permit (900)

The final well is the 10-22 State (Well Permit 896). We anticipate that the 10-22 will be back on production within the month as Reliant gets their plant expansion completed.

Thank you for past patience and for your consideration of this important matter. After some careful review this week and, in my opinion, Ridgeway has misinterpreted some of your office's rules in the past and now looks forward to the opportunity to resolve the status of the wells and to continue working with the State of Arizona in making this world-class helium and CO₂ project a reality.

For your assistance, I have requested that our contractor, Alan Means who is currently responsible for all drilling activities for Ridgeway be available by phone (432-620-9181) for your January Oil and Gas Commission meeting to answer and technical questions. If you have any questions of concerns about the matters contained in this letter or attached submittals, please contact me at 1-432-682-7664.

Sincerely,



Steve Melzer
Director, Ridgeway Arizona Oil Company

Encl: Application to Plug and Abandon (9-22 State) – {orig + copy}
Sundry Notice for Casing Integrity Test (10-16 State) – {orig}

APPLICATION TO PLUG AND ABANDON

FIELD Wildcat
OPERATOR Ridgeway AZ Oil Corp. ADDRESS & PHONE P.O. Box 1110 St. Johns, AZ (928) 337-3230
LEASE NUMBER (Lessor's name if fee) 13-101536 WELL NO. State 9-22
LOCATION 2874 FWL, 1091 ESL of section 22, T19N, R29E, Apache County, AZ

TYPE OF WELL Gas - CO2 TOTAL DEPTH 3180'
(Oil, Gas, or Dry)

ALLOWABLE (if Assigned) -
LAST PRODUCTION TEST OIL (Bbls.) WATER (Bbls.)
GAS (MCF) DATE OF TEST

PRODUCING HORIZON Ft. Apache/Amos PRODUCING FROM 2222' TO 2296'
Wash/Riggs 2336' 2562'
2607' 3164'

1. COMPLETE CASING RECORD:

Surface 12 1/4" hole, 8 5/8" 20# Steel 1136' 600sks Cement Circ. to surf.
Production 7 7/8" hole, 4 1/2" 4025# FG 3174' 600sks Cement Circ. to surf.

2. FULL DETAILS OF PROPOSED PLAN OF WORK:

- 1) MIRU Pulling unit
2) Set CIBP @ 2180' and spot 20sx
3) POOH spot 50sx from 1500' to 780'
4) Spot 10sx at surface
5) Cut off surface and production casing weld on cap and dry hole marker as per rule R12-7-127
6) Restore wellsite

DATE COMMENCING OPERATIONS TBA

NAME OF PERSON DOING WORK

Signature [Handwritten Signature]
Agent

Title P.O. Box 1110 St. Johns, AZ 85936

Address January 21, 2004
Date

Mail two copies of completed form to:
Oil and Gas Program Administrator
Arizona Geological Survey
418 W. Congress #100
Tucson, AZ 85701

Date Approved
STATE OF ARIZONA
OIL & GAS CONSERVATION COMMISSION
By

STATE OF ARIZONA
OIL & GAS CONSERVATION COMMISSION
Application to Plug and Abandon
File Two copies
Form No. 9

Permit No. 898

SUNDRY NOTICES AND REPORTS ON WELLS

1. Name of Operator Ridgeway Arizona Oil Corp.
 2. OIL WELL GAS WELL OTHER (Specify) CO2 Supply
 3. Well Name State 10-16
 Location 1980 FWL & 1980 FSL
 Sec. 16 Twp. 10-N Rge. 31E County Apache, Arizona
 4. Federal, State, or Indian Lease Number, or lessor's name if fee lease 13-101540

5. Field or Pool Name Wildcat

6. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF PULL OR ALTER CASING
 FRACTURE TREAT DIRECTIONAL DRILL
 SHOOT OR ACIDIZE PERFORATE CASING
 REPAIR WELL CHANGE PLANS
 (OTHER) _____

SUBSEQUENT REPORT OF:

WATER SHUT-OFF WEEKLY PROGRESS
 FRACTURE TREATMENT REPAIRING WELL
 SHOOTING OR ACIDIZING ALTER CASING
 ABANDONMENT
 (OTHER) Casing Integrity Test

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log, Form 4)

1. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.

1. Move in rig up pulling unit
2. Pick up and run in hole with 5 1/2" packer on 2 3/8" tubing
3. Set packer at 2000' and pressure backside to 500psi
4. If integrity test is good, rig down and move out
5. If casing fails integrity test, submit paperwork to plug and abandon

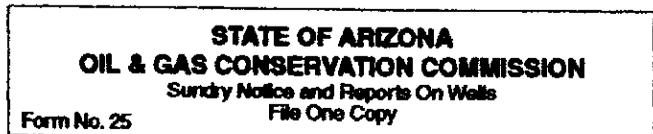
8. I hereby certify that the foregoing is true and correct.

Signed _____

Title Agent

Date 1/19/04

Permit No. 899



Ridgeway

Subject: Ridgeway

From: "Alan Ameans" <ameans@cambrianmgmt.com>

Date: Thu, 22 Jan 2004 15:18:17 -0600

To: "Steve Rauzi" <steve.rauzi@azgs.az.gov>

Steve,

We are working on the Sundry Notice for the 10-16 fracture treatment and the Application to Plug and Abandon. Also, please find attached a draft of a letter pertaining to the proposed extensions for the shut-in wells.

Thanks

Alan D. Means, PE
Cambrian Management, Ltd.

State of Arizona
Arizona Geological Survey
416 W. Congress
Suite 100
Tucson, Arizona 85701
Attn: Mr. Steve Rauzi

January 22, 2004

Re: Ridgeway Arizona Oil Corporation
Shut-in/Temporarily Abandon Wells
St. Johns CO2/Helium Field
Apache County, Arizona

Mr. Rauzi

Ridgeway Arizona Oil Corporation plans to continue to develop the St. Johns CO2/Helium Field. Plans include the drilling of three (3) wells in the first quarter of 2004. As the field is developed the shut-in and temporarily abandoned wells will be either incorporated in the expansion or they will be plugged and abandoned. Ridgeway requests a two (2) year extension on the following wells:

3-1 State (Permit 884) - *completed as gas*
11-21 State (Permit 895) - *never completed*

These wells will either be returned to production or plugged and abandon within two (2) years.

We request a four (4) year extension on the following wells:

22-1X State (Permit 888) - *completed as gas*
10-22 State (Permit 896) - *production*
9-21 State (Permit 897) - *never*
12-14 State (Permit 900) - *never*

These wells will either be returned to production or plugged and abandoned with four (4) years.

If you have any questions or require additional information please contact Steve Melzer at (432)682-7664 or Alan D. Means at (423)620-9181.

Respectfully,

Alan D. Means, PE

*10-16 well pipeline laid to
but never completed.
Tom White phone call*

Subject: Well 10-16

From: "Alan Ameans" <ameans@cambrianmgmt.com>

Date: Thu, 22 Jan 2004 16:52:20 -0600

To: "Steve Rauzi" <steve.rauzi@azgs.az.gov>

Steve,

I have reviewed the actual fracture treatment report on the State 10-16 well. After our conversation about Mr. White's comments that there was a problem with the frac job I was concerned about what had actually occurred. The treatment report looks normal I don't see any anomalies in the treatment that would indicate that there were any problems with the frac job. We'll have the Sundry Notice to ASAP.

Thanks

Alan D. Means

Selected notes from phone calls regarding the 10-16-31 State well

Tom White, Ridgeway Arizona Oil Corporation, Returns my phone call, August 10, 2001

Is busy rigging up a lot of equipment for tomorrow's CO₂ frac of 10-16-31. Plant should be in production by time of AIPG field trip on October 27.

Tom White, Ridgeway Arizona Oil Corporation, Called, August 30, 2001

Frac job on 10-16-31 went really good. Will prepare subsequent Sundry and completion rpt.

Tom White, Ridgeway Arizona Oil Corporation, Returns my phone call, July 16, 2002

Have problem with 10-16-31 well. After frac job it did not maintain pressure they wanted. He's having an engineer take a look at it.

Tom White, Ridgeway Arizona Oil Corporation, Returns my phone call, July 31, 2002

Lost pressure in 10-16 hole when they frac'd it last summer. Need to get someone out to look at it.

Tom White, Ridgeway Arizona Oil Corporation, Returns my phone call, August 28, 2002

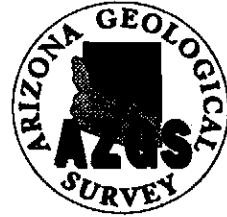
Review 10-22 completion report and correct township and range of well. He informed me that there are problems with the 10-16-31. Can't get above 100 lbs. and making water. It broke down weird when they fractured it last year. They may have damaged the casing. Options include running 3-inch lined tubing in hole and cementing it in place or redrill the hole.



Janet Napolitano
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500
www.azgs.az.gov



Larry D. Fellows
Director and State Geologist

December 17, 2003

Mr. Greg Gettman
El Paso Western Pipeline
2 North Nevada Ave
Colorado Springs CO 80903

Re: Wells 1-24 SunCor (Permit 909), 1-19 SunCor (Permit 911), and
1-12 Kakerlee (Permit 912)

Dear Greg:

As we discussed, A.A.C. R12-7-125 requires an operator to plug a well after suspending operations unless the Oil and Gas Conservation Commission (OGCC) permits the well to be temporarily abandoned. It is now necessary for El Paso to request temporary abandonment for the referenced wells in accordance with R12-7-125. El Paso can then continue its evaluation of the wells in accordance with R12-7-125(D).

The next meeting of the OGCC is scheduled for January 23, 2004 in Phoenix. Please submit a written request for temporary abandonment in accordance with R12-7-125(B) before January 9, 2004 and the OGCC will place the request on the agenda for the January 23 meeting.

I have enclosed a copy of A.A.C. R12-7-125 and a Sundry Notice Form for your reference and use. Please call me if you have any questions.

Sincerely,

Steven L. Rauzi
Oil & Gas Administrator

Enclosure

January 7, 2004

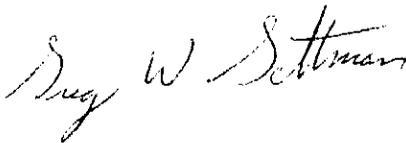
Mr. Steven Rauzi
State of Arizona
Oil & Gas Conservation Commission
416 West Congress
Suite 100
Tucson, AZ 85701

RE: Copper Eagle Gas Storage LLC
Kakerlee #1-12 (Sec. 12, T2N, R2W)
SunCor Development #1-19 (Sec. 19, T2N, R1W)
SunCor Development #1-24 (Sec. 24, T2N, R2W)
Maricopa County, AZ

Dear Mr. Rauzi:

Attached are the Sundry Notice and Reports Forms requesting approval from the Arizona Oil and Gas Conservation Commission to temporarily abandon the captioned wells for up to five years pursuant to the provisions of ACC R12-7-125. The referenced schematic for the Kakerlee 1-12 will be provided in a subsequent mailing. If you have any questions or require additional information, please give me a call at (719) 520-4533.

Sincerely,



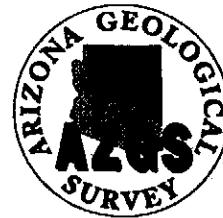
Greg W. Gettman
Manager, Facility Planning



Janet Napolitano
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500
www.azgs.az.gov



Larry D. Fellows
Director and State Geologist

December 17, 2003

Mr. John Somers
High Plains Petroleum
3860 Carlock Drive
Boulder CO 80305

Re: Well No. 12-16-28 State (Permit 902)

Dear John:

As we discussed, A.A.C. R12-7-125 requires an operator to plug a well after suspending operations unless the Oil and Gas Conservation Commission (OGCC) permits the well to be temporarily abandoned. It is now necessary for High Plains Petroleum to request temporary abandonment for the referenced well in accordance with R12-7-125. High Plains can then continue its evaluation of the well in accordance with R12-7-125(D).

The next meeting of the OGCC is scheduled for January 23, 2004 in Phoenix. Please submit a written request for temporary abandonment in accordance with R12-7-125(B) before January 9, 2004 and the OGCC will place the request on the agenda for the January 23 meeting.

I have enclosed a copy of A.A.C. R12-7-125 and a Sundry Notice Form for your reference and use. Please call me if you have any questions.

Sincerely,

Steven L. Rauzi
Oil & Gas Administrator

Enclosures



High Plains Petroleum Corporation

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

January 12, 2004

Arizona Geological Survey
416 W. Congress, Suite 100
Tucson, Arizona 85701

Attention: Mr. Steven L. Rauzi
Oil & Gas Administrator

Re: Request for temporary abandonment
State 12-16-28
Arizona State Lease No. 13-107141
Apache County, Arizona

Dear Steve,

This letter is to formally request temporary abandonment status for the State 12-16-28 Well on Arizona State Lease No. 13-107141, in accordance with R12-7-125(D). Please excuse the delay in responding to your letter dated December 17th. As I indicated in our telephone conversation this morning, I was out-of-town from December 21st until Saturday, January 10th, so I was unable to submit this request before January 9th. Therefore, a copy of this letter is being faxed to you immediately.

As we discussed, High Plains has proposed plugging back from the Amos Wash zone that was tested in September and testing of the Ft. Apache zone. The Ft. Apache dolomite was described as porous and vugular, and up to 130 units of gas were detected by the mud logger. However, High Plains has received no response to that November, 2003 proposal from its partner, Holbrook Basin LLC. A combined copy of the proposed completion procedure and mud log through the Ft. Apache is attached.

I plan to attend the meeting of the Arizona Oil & Gas Conservation Commission that is scheduled for January 23rd. Therefore, I should be available to answer any questions when High Plains' request is considered by the Commission. If you have any questions before the meeting, please give me a call.

Your patience and understanding with regard to this matter are appreciated very much.

Sincerely,


John Somers
High Plains Petroleum

Attachment

fc to 520-770-3505
cc: Holbrook Basin LLC



Janet Napolitano
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500
www.azgs.az.gov



Larry D. Fellows
Director and State Geologist

October 6, 2003

Mr. Robert English
P.O. Box 130
Okmulgee OK 74447

886

Re: Gus Berry #26-1 State, Sec. 26-19n-13e, Coconino County, Arizona
State Permit 886

Dear Mr. English:

This is a follow-up to my letter of July 30, 2003 about Mr. Gus Berry and the bond he posted for the referenced well. I am writing because I have not received a response to the July 30, 2003 letter I sent to Mr. Robert Rohlifing.

As we discussed, R12-7-103(A) required Mr. Berry to post a performance bond payable to the Oil and Gas Conservation Commission (OGCC) conditioned upon the duty to plug each dry or abandoned well...and maintain and restore the well site. The amount of the bond is \$10,000.

I received a telephone call from Ms. Nadine Berry some time back informing me of Mr. Berry's death and asking about release of the bond. I informed her that the bond could not be released until either the well had been plugged and the site restored or a new bond was posted. Mr. Rohlifing informed the OGCC in April 2001 that he was going to finish work on the #26-1 well on behalf of Ms. Leota Earnest and Mr. Robert English, attorney for the Berry estate. The OGCC has not heard from Mr. Rohlifing since March 2002. As you know, Mr. Rohlifing never posted a bond and repeated efforts to contact Mr. Rohlifing about finishing work on the #26-1 State have not been successful.

Enforcement of an operator's obligations is discussed at A.R.S. 27-524(E), which provides: "The owner or operator is responsible for the full cost of plugging each dry or abandoned well. If the Owner or operator fails to properly plug and abandon the well the OGCC may: (1) Forfeit the bond and use the money for that purpose. (2) Sue the owner or operator for cost in excess of the bond and the owner or operator is liable for that amount."

R12-7-127 describes the procedures for plugging and abandoning wells. R12-7-127 also requires an operator to submit an application to plug and abandon a well to the OGCC for approval in accordance with R12-7-126. The rules are part of

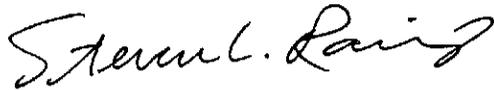
Mr. Robert English
October 6, 2003
Page 2

the Arizona Administrative Code and may be viewed at www.sosaz.com.

Please discuss this issue with Nadine Berry. Your cooperation is greatly appreciated because it will be necessary to present this issue before the OGCC for a decision on forfeiting the bond and I would like to have as much information as possible. The OGCC's next meeting is scheduled for January 23, 2004.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,



Steven L. Rauzi
Oil and Gas Administrator

c Dr. J. Dale Nations, Chairman, Oil and Gas Conservation Commission
Dr. Larry D. Fellows, Director and State Geologist

Robert English

114 N. Grand, Suite 408
PO Box 130
Okmulgee OK 74447

Telephone (918)756-5274
Fax (918)756-0502

Email robert@inglishgaither.com

INGLISH & GAITHER



PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
ig@inglishgaither.com

Luke Gaither

405 W. Trudgeon
PO Box 1090
Henryetta OK 74437

Telephone (918)652-4402
Fax (918)652-4487

Email luke@inglishgaither.com

November 6, 2003

Mr. Steven L. Rauzi
Oil and Gas Administrator
Arizona Geological Survey
416 West Congress, Suite 100
Tucson AZ 85701

Re: Gus Berry #26-1 State, Sec. 26-19N-13E
Coconino County AZ Permit #886

Dear Mr. Rauzi:

I talked to Nadine Berry and she is aware the bond should be applied to the plugging liability as there is no ability to complete the well.

Very truly yours,



Robert English

RI/lmh

cc: Nadine Berry
Robert Roling
J. J. Donegan
Leota Earnest
Johnnie Berry

P/N 886

AOGCC Mtg 1-23-04

<u>Name</u>	<u>Representing</u>
John Lomas	High Plains Petroleum
Scott Lomen	High Plains Petroleum
Gordon LeBlanc Jr.	Helbrook Basin
Greg Gortney	El Paso
Jim Houston	RIDGEWAY
Richard Allen	ASLD
Mike Rice	State Land
Marc Osborn	R&R Partners
Paul J. Buff	AZ BLM DOI
Theresa Cram	AZ Attorney Gen Office - for state land
ALAN BOHNENKAMP	AZ CORP COMM. Pipeline Safety