OIL & GAS CONSERVATION COMMISSION
—MINUTES OF MEETING / JANUARY 13, 2006—
STEVEN L RAUZI, OIL & GAS ADMINISTRATOR

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 13, 2006, 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 October 14, 2005
- 3. Report of Oil & Gas Administrator about permits issued and wells drilled or plugged since the last meeting
- 4. Status of 2006 sunset review of Arizona Oil and Gas Conservation Commission
- 5. Status of Ridgeway Arizona Oil Corporation wells 22-1X State (Permit 888), 11-21 State (Permit 895), 10-22 State (Permit 896), 9-21 State (Permit 897), 12-15-30 State (Permit 900), and 11-18 State (Permit 916) and possible decision concerning request for temporary abandonment and possible report or presentation from a representative of Ridgeway
- 6. Possible election of officers
- 7. Call to the public
 - This is the time for the public to comment. Members of the Commission may not discuss items that are not on the agenda. Therefore, action taken as a result of public comment will be limited to directing staff to study the matter or scheduling the matter for further discussion and decision at a later date.
- 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) 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 6th day of January 2006

OIL AND GAS CONSERVATION COMMISSION

Steven I. 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 October 14, 2005

Present:

Dr. J. Dale Nations, Chairman

Mr. Robert L. Jones, Vice-Chairman

Mr. Joseph J. Lane, Member

Mr. Robert L. Wagner, Member

Mr. Steven L. Rauzi, Oil and Gas Administrator

Dr. J. Dale Nations, Chairman, called the regular Commission Meeting of October 14 to order at 10:01 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF JULY 29, 2005

Mr. Jones moved, seconded by Mr. Lane:

THAT THE MINUTES OF THE MEETING OF JULY 29, 2005 BE ACCEPTED AS PRESENTED

Motion carried unanimously.

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 geothermal permits issued in the Clifton area and wells drilled and plugged south of Sanders, north of Flagstaff, and in the Picacho basin since the last meeting on July 29, 2005. He explained the Commission's jurisdiction over geothermal holes.

STATUS OF 2006 SUNSET REVIEW OF THE OIL AND GAS CONSERVATION COMMISSION

After some introductory comments from Chairman Nations, Mr. Rauzi noted that Ms. Woodall, the Commission's counsel, was favorably impressed with the sunset review report. Mr. Rauzi indicated that the interim committee had not yet scheduled a hearing and described how the Commissioners could track the interim committee's scheduled hearings on the web.

STATUS OF HOLBROOK ENERGY WELLS 35-1 HORTENSTINE (PERMIT 919) AND 17-1 NZ (PERMIT 924)

Mr. Rauzi reported that Holbrook Energy submitted a written request to extend temporary abandonment for its 35-1 Hortenstine and 17-1 NZ through May 2006. He noted the current tight market for equipment and services and reported that sundry notices on file indicated that the wells posed no environmental problems. Mr. Rauzi recommended approval of the request.

Mr. Jones moved, seconded by Mr. Wagner:

TO APPROVE TEMPORARY ABANONDONMENT FOR THE TWO WELLS FOR ONE YEAR THROUGH OCTOBER 2006

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION WELLS 22-1X STATE (888), 11-21 STATE (895), 10-22 STATE (896), 9-21 STATE (897), 12-15-30 STATE (900), AND 11-18 STATE (916), APACHE COUNTY AND POSSIBLE REPORT BY A REPRESENTATIVE OF RIDGEWAY

Mr. White indicated that there was nothing to report at this time.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on January 13, 2006, 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 10:35 a.m.

APPROVED

Or J. Dale Nations

Chairman

GUESTS IN ATTENDANCE

Tom White

Ridgeway Arizona Oil Corporation

January 6, 2006

To: Oil and Gas Conservation Commissioners

From: Steven L. Rauzi, Oil and Gas Administrator

Re: Activity Report for the January 13, 2006, Meeting

One permit to drill was issued and two wells were drilled since your last meeting on October 14, 2005.

Ultimate Exploration and Development LLC permitted an exploration well southwest of Colorado City in early January. Ultimate plans to start drilling this month.

Arizona Public Service (APS) drilled two of the three temperature gradient wells they permitted in the Clifton area. APS has completed the wells to measure and monitor heat flow.

The temporary abandonment of Ridgeway Arizona Oil Corporation's wells expires in January 2006. Ridgeway submitted a written request for an extension through January 2007.

REFERENCE TITLE: oil and gas commission; continuation

State of Arizona House of Representatives Forty-seventh Legislature Second Regular Session 2006

HB 2098

Introduced by Representative Reagan

AN ACT

REPEALING SECTION 41-3006.03, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3016.01; RELATING TO THE OIL AND GAS CONSERVATION COMMISSION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

- i -

Be it enacted by the Legislature of the State of Arizona: 1 2 Section 1. Repeal 3 Section 41-3006.03, Arizona Revised Statutes, is repealed. 4 Sec. 2. Title 41, chapter 27, article 2, Arizona Revised Statutes, is 5 amended by adding section 41-3016.01, to read: 6 41-3016.01. Oil and gas conservation commission: termination 7 July 1. 2016 8 A. THE OIL AND GAS CONSERVATION COMMISSION TERMINATES ON JULY 1, 2016. 9 B. TITLE 27, CHAPTER 4, ARTICLE 1 IS REPEALED ON JANUARY 1, 2017. Sec. 3. Purpose 10 11 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes, the legislature continues the oil and gas conservation commission to regulate 12 13 the drilling for and production of oil, gas, helium and geothermal resources. 14 promote the conservation of these resources, protect their ownership rights. safeguard the public health and otherwise effect the public policy of this 15 state pursuant to section 27-502, Arizona Revised Statutes. 16 17 Sec. 4. Retroactivity 18 Sections 1 and 2 of this act are effective retroactively to July 1, 19 2006.

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ARIZONA STATE LEGISLATURE Forty-seventh Legislature – First Regular Session

SENATE NATURAL RESOURCES AND RURAL AFFAIRS AND HOUSE OF REPRESENTATIVES ENVIRONMENT COMMITTEE OF REFERENCE FOR THE SUNSET HEARING OF THE ARIZONA OIL AND GAS CONSERVATION COMMISSION

Minutes of Meeting Wednesday, November 16, 2005 House Hearing Room 5 -- 10:00 a.m.

Chairman Reagan called the meeting to order at 10:18 a.m. and the Members present were recognized by the CoChairs.

Members Present

Senator Arzberger Senator Bee Senator Blendu Senator Cannell Senator Jarrett, Cochair

Representative Barnes Representative Landrum Taylor Representative Sinema Representative Reagan, Cochair

Members Absent

Representative Huffman

Speakers Present

Dale Nations, Chairman, Arizona Oil and Gas Conservation Commission Paul Buff, Bureau of Land Management

PRESENTATION

Dale Nations, Chairman, Arizona Oil and Gas Conservation Commission (OGCC), gave a slide presentation relating that the OGCC administers and enforces state laws relating to the conservation of oil, gas and geothermal resources. The OGCC consists of six members, five of which are appointed from the general public by the Governor, and the State Land Commissioner serves as the sixth ex-officio member. The Arizona Geological Survey (AGS) provides administrative and staff support. Even though Arizona is not a major oil-producing state, the revenue generated by oil and gas production greatly exceeds the cost of regulation by the OGCC. Compared to an annual General Fund budget for the OGCC of approximately \$60,000, the

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revenue from lease rentals recently averaged \$441,000 per year (which goes to the General Fund), and taxes recently averaged \$53,000 per year.

Mr. Barnes asked how compensation is provided for educational seminars. Mr. Nations responded that there is no budget for seminars. The commissioners meet four times per year and are compensated \$30 per day. There is only one employee, an oil and gas specialist who goes out and inspects wells that are drilled and makes sure safety precautions are followed. He does not have a travel budget and the AGS has a very limited travel budget. It would be better to have a travel budget for the employee to attend a few professional meetings per year.

Chairman Reagan noted that the OGCC was eliminated in 1991 and made into a division of the AGS, which has been a perfect fit and saves about \$130,000 per year. Mr. Nations assured Mr. Barnes that the OGCC is perfectly satisfied staying with AGS.

Mr. Nations advised Senator Jarrett that active oil wells are located on the Navajo reservation in the extreme northeastern part of Arizona in Apache County. Portions of Arizona with oil and gas potential are in the northeastern corner, the southeastern corner, the northwestern corner and possibly the Gulf of California region near Yuma.

Senator Jarrett said she understands there has been some study and experimentation in converting coal into oil in the Four Corners area and wondered if that would be under the OGCC's purview. Mr. Nations responded that coal is found on Navajo and Hopi reservation land, so that would be under federal purview, in addition to the Native American governments, but natural gas could possibly be produced from those coal beds. The gas is generally within the coal, although that has not been proven for Arizona coal. There is currently a tremendous amount of production of natural gas from coal beds in the Powder River Basin in Wyoming and the San Juan Basin in New Mexico.

Senator Jarrett recalled that when she was a child her father talked about the possibility of natural gas above the Rim. Mr. Nations said that would be in the extreme northeastern part of the state, probably the Holbrook area, where lots of wells have been drilled in the Holbrook Basin. Nothing has been developed commercially, but there is still an interest. He added that another type of gas, carbon dioxide, is being tested and produced in the St. John's area. Very few wells have been drilled over a very large area, so additional drilling will be necessary. How much would actually be productive has not yet been determined, and whether or not it is good enough to justify building a pipeline to the West Coast to deliver the carbon dioxide is currently in question.

Senator Cannell asked if there is any use for the carbon dioxide in dry ice. Mr. Nations replied that the main use is enhanced recovery in oil fields where it is pumped down into the reservoir. For example, it is being used in the Permian Basin in West Texas. Carbon dioxide is produced in Colorado and New Mexico and piped down to the oil fields in the Permian Basin. A real interest for the Arizona potential would be the West Coast where the oil fields in the Los Angeles area are being depleted. If they had a large supply of carbon dioxide, it could be pumped into the reservoirs, which would selectively move more of the oil out of the reservoir.

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Mr. Nations advised Senator Cannell that geothermal is being tested in the White Mountains volcanic region and the San Francisco Peak.

Senator Cannell asked if OGCC was involved in the proposal to store gas near Luke Air Force Base, which was very controversial. Mr. Nations answered that the OGCC regulates the maintenance of the wells, which have to be drilled to create caverns in the salt to store the gas, either liquefied or natural. The OGCC is responsible for determining that the wells are done safely, maintained properly, and monitoring production. He indicated that storage would be safe in the area as long as the wells are maintained, but he understands the public concern. There are other salt basins in Arizona where it could be done farther away from urban areas.

Senator Blendu asked why some storage facilities have blown up if they are so safe, such as in Kansas, New Mexico and Arkansas. Mr. Nations said he does not know, but the OGCC is concerned about making sure projects are done in a safe manner.

Senator Blendu remarked that he is concerned when these plans are proposed and people from the OGCC testify before a Committee that it is completely safe when the reality is it is only as safe as it is maintained and the OGCC checks it. Mr. Nations pointed out that checking involves conducting pressure tests to determine if there is any leakage, which is done regularly.

Senator Blendu noted that the storage facility that blew up in New Mexico killed 14 people including people as far away as one-quarter mile, so he believes it is unacceptable to put these storage facilities in neighborhoods. Mr. Nations reiterated the fact that there are other basins with thick sequences of salt that could be used for that kind of development without conflict with an urban area.

Senator Blendu replied that was his argument and he hopes that in the future OGCC will point that out and say there is a danger, and according to inspections, specification, and testing that danger may be minimized, but it is up to the OGCC to quantify how it affects other things when it could be done somewhere else. Mr. Nations answered that it is flammable matter and these considerations should be taken into account. Luke Air Force Base already exists and all that can be done is to monitor and make sure storage facilities are done properly, which is done by people who know what they are doing.

Senator Blendu wondered why Mr. Nations did not know about the storage facilities that blew up, noting that it would be good to find out why and factor that into OGCC's work. Mr. Nations said he will pursue the matter and prepare a review for the Members.

Chairman Reagan asked if OGCC would be involved in pursuing an oil refinery in Arizona. Mr. Nations answered that OGCC would not have anything to do with that and assumed that it would fall under the Arizona Corporation Commission.

Mr. Nations advised that Arizona is not a major oil or gas producing region, but does have a history of production since about 1957. He reviewed a chart showing the annual production

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from 1954 to 1996 (Attachment 1). He said Arizona currently has 29 active oil wells in the extreme northeastern part of the state, 14 active gas wells and 14 hydrocarbon storage wells. The hydrocarbon storage wells are south of Interstate 40 near Sanders and the Luke AFB. Other companies are interested in other basins, such as the Picacho Peak area where there is not a lot of population, and Red Lake in the extreme northwestern part of the state near Kingman.

Mr. Nations concluded the presentation by stating that with the increase in oil and gas prices, it is likely there will be more interest and investment in development of oil and gas resources in Arizona. The OGCC is prepared to encourage and regulate Arizona's oil, gas and geothermal development in the future.

He advised Senator Bee that some test drilling has been done in the Picacho Peak area to determine if the salt reservoir is adequate. Senator Bee asked if that type of project is done in conjunction with county supervisors and land planners. He is aware that Diamond Ventures is going to be putting in a huge project near Picacho Peak, so there will probably be more and more development in Pinal County.

Mr. Nations said there was some communication relative to Luke AFB with the county government, but he does not know about Picacho Peak. Senator Bee encouraged communication with the county board of supervisors.

Chairman Reagan asked Mr. Nations to send the results of the research on Senator Blendu's concerns to Tami Stowe, House Majority Research Analyst, for distribution to the Members.

PUBLIC TESTIMONY

<u>Paul Buff, Bureau of Land Management</u>, in favor of continuation of OGCC, testified that he works closely with the OGCC on leasing and drilling issues on federal lands.

RECOMMENDATION

Senator Jarrett moved that the Committee of Reference recommend to the Legislature that the Arizona Oil and Gas Conservation Commission be continued for 10 years. The motion carried by a roll call vote of 9-0-0-1 (Attachment 2).

Without objection, the meeting adjourned at 10:48 a.m.

Linda Taylor, Committee Secretary

November 21, 2005

(Original minutes, attachments, and tape are on file in the Office of the Chief Clerk.)

Arizona Oil and Gas Conservation Commission 416 West Congress, Suite 100 Tucson, Arizona 85701 (520) 770-3500

December 13, 2005

Committee of Reference for Sunset Review of the Arizona Oil and Gas Conservation Commission 1700 W Washington Ste H Phoenix AZ 85007-2844

Re: Follow-up to Hearing of November 16, 2005

Dear Chairman Reagan:

I have enclosed five pages of information about the storage safety track record of underground natural gas storage facilities. The information describes nine storage incidents including two serious accidents and seven minor storage failures or mishaps.

I could find no record of an explosion at a storage facility in New Mexico. There was an explosion in New Mexico from a gas pipeline. I have enclosed a web page from the Federal Office of Pipeline Safety that describes that explosion.

The Commission established a policy in 1994 to provide a copy of an approved application for permit to drill to the County Manager in which the well will be drilled. The Commission continues to follow this policy in order to keep county government informed about proposed exploration and drilling activity. Applications for storage wells require a public hearing and all affected parties and governmental agencies would be notified and have an opportunity to appear and be heard in accordance with statute.

Sincerely,

J Dale Nations

Chairman

Arizona Oil and Gas Conservation Commission

Enclosures

Safety

A major concern for a community in discussing the siting of a natural gas storage field is the safety track record. There are measures that can be taken to mitigate the risks associated with natural gas storage facilities.

Storage Safety Track Record

Underground natural gas storage facilities are designed and constructed to meet stringent industry and regulatory specifications and codes. These facilities have one of the best safety records of all industries, both with respect to employee safety and to the welfare of the general public. The FERC noted the impressive safety record of the storage industry in a recent ruling:

There are more than 200 jurisdictional underground storage fields generally operating successfully and safely without major operational problems, despite the variety of difficulties inherent in storage operation...Field operators have achieved broad success through a system of sound engineering practices using appropriate monitoring and testing of storage field performance throughout the entire active operating life of each storage field. The early detection of problems such practices allow has proven effective in assuring the initiation of remedies to minimize adverse effects to the environment and the preservation of the stored natural gas.³⁴

There have been relatively few problems associated with the underground storage of natural gas in the almost 90 year history of gas storage. During the last thirty years, only two serious accidents have occurred and seven minor storage failures or mishaps have been reported in the public record. These nine storage incidents are described below.

Six Lakes, Mecosta County, Michigan

In August 1974, a blowout and fire occurred during a remedial operation on a plugged storage well at the Six Lakes gas storage facility, located in Mecosta County, Michigan. After two deviated control wells were drilled and water and mud injected, the well was

³⁴ 99 FERC ¶ 61,385 (2002). Docket CP01-427-001, Dominion Transmission, Inc.

brought under control. All surface equipment was destroyed. No third party damage was recorded.

Eaton Rapids, Eaton County, Michigan

In January 1993, at the Eaton Rapids field, storage gas was found to be migrating from shut-in production wells. Upon investigation, it was discovered that there was a leak in the production casing string, but it did not impact the water supply. The only outcome was that some of the gas was produced in neighboring fields. The leak was repaired, and the facility is still in operation.

McDonald Island, San Joaquin County, California

In October 1993, an explosion and fire occurred at the McDonald Island depleted reservoir facility, owned by Pacific Gas and Electric. The accident was reportedly caused by an observation port being left off an in-line heater's firebox which, coupled with an unexplained trip-out of the system's flame, allowed the accumulation of a combustible mixture of gas and air in the box which then ignited. There were no injuries associated with the explosion and fire, although approximately \$2 million of damage occurred to the heater and surrounding equipment.

Aliso Canyon, Los Angeles County, California

Subsidence resulting from the Northridge Earthquake damaged surface piping in January 1994 at the Aliso Canyon facility in Los Angeles County, California. Although neither fire nor injuries were reported at the storage site, the field was immediately shut-in to determine the full extent of the damage and to make appropriate repairs.

Egan Storage, Acadia Parish, Louisiana

In March 1994, Saltwater injections during debrining operations at the Egan salt cavern storage facility exceeded the normal pressure gradient, resulting in fluids and gas bubbles seeping to the surface in several nearby abandoned oil wells. The company was ordered to drill off dome disposal wells in order to reduce injection pressure and abandon the shallow salt-water disposal wells on the dome. Some minor third party damage occurred.

South Romeo Storage, Macomb County, Michigan

An explosion and fire blew out two safety walls of the compressor station building at the South Romeo storage facility, the Washington 28 field in Macomb County, Michigan, in October 1997. The emergency shutdown device ("ESD") immediately closed the station, controlled the loss of gas, and prevented further damage. The failure was determined to be a design flaw in the compressor engine, which released gas into the compressor building, which subsequently exploded when a vent fan switched on. The damage was limited to the compressor building.

Yaggy Salt, Hutchinson, Kansas

The one and only facility failure involving human fatality at a natural gas storage field occurred in January 2001 at the Yaggy salt cavern storage facility, located seven miles northeast of Hutchinson, Kansas. Originally developed to store liquid hydrocarbons, the facility was converted to natural gas storage service in 1993 and purchased by a subsidiary of Kansas Power and Light (KPL).

An explosion and fire occurred at several locations in Hutchinson. One at a mobile home trailer park critically injured two people and destroyed a mobile home. The two people later died at a Wichita, Kansas hospital. The other occurrence, several blocks from the trailer park in the center of town, demolished a building and started several fires, which were extinguished. Relief wells were drilled at other locations around the city to locate and vent the gas and relieve the pressure on remaining trapped gas. It appears that the failure of the casing in a storage cavern well allowed storage gas to migrate away from the storage facility, travel up to seven miles southwest, and rise to the surface through old improperly plugged salt solution mining wells under and around the town.

The Kansas Department of Health and Environment halted injection of gas into the storage cavern. This facility is not currently in operation and is unlikely to return to storage service.

The fundamental issue at Yaggy was the age of the casing string employed in a cavern originally designed for storage of natural gas liquids. The construction of a new cavern with appropriately designed casing strings is not likely to incur the same problems.

Magnolia Gas Storage, Assumption Parish, Louisiana

A leak developed in the casing of a storage well at the Magnolia Gas Storage Facility in December 2003, releasing natural gas to an adjacent aquifer and to the atmosphere. Although there was no fire or explosion, residents were evacuated and a portion of State Highway 70 adjacent to the facility was closed. The storage well is owned by Dow Chemical Company and is leased to and operated by Gulf South Pipeline Company.

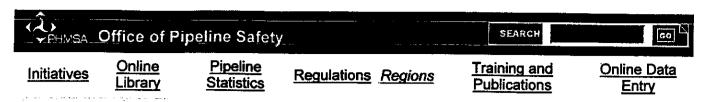
Downhole video shows three or four of the 13-3/8-inch casing connections have separated, causing the gas to leak behind the casing and subsequently to the surface. Several relief wells were drilled, and all of the gas from the shallow aquifer into which the gas migrated was vented. The Louisiana Department of Natural Resources requested sonar tests of each cavern; the results of these tests show that neither cavern experienced salt wall damage. Gulf South is in the process of evaluating whether the wells can be repaired and the caverns used once again for natural gas storage service.

Moss Bluff Gas Storage, Liberty County, Texas

Shortly after 4 A.M. of the morning of Thursday, August 19, 2004, an unscheduled event occurred with an explosion and resulting fire at the wellhead of the #1 cavern at Moss Bluff. According to the Moss Bluff Hub Partners *Incident Report Cavern #1 Well Control*, published in August 2004, the incident was caused by the separation of the 8-5/8" well string. Natural gas entered the well string, reached the surface, and flowed into above-ground piping. The Emergency Shut Down (ESD) system operated properly and shut in the piping. However, water hammer caused the piping between the wellhead and the ESD to breach. This breach caught fire, which was extinguished briefly. However, the wellhead assembly separated from the casing, causing gas to escape, which burned for five days. All operating procedures were reviewed and found to be adequate.

The one facility operator on site at the time of the event escaped unharmed. Local emergency officials responded quickly and residents within a one-mile radius were asked to evacuate the area as a safety precaution. This safety corridor was extended to a three-mile radius on the second day after part of the wellhead structure melted from the heat of the fire and allowed a higher volume gas stream to escape, which resulted in a larger vented flame.

Although this incident was visually spectacular and sensationalized by the media, it must be noted that there were no deaths, or even injuries, associated with this incident. The only losses associated with this incident are the considerable financial loss due to the escape of the gas from the storage cavern and the temporary disruption for those living in the close vicinity of this facility. Moreover, the quantity of gas that was released was about six billion cubic feet, a function of the cavern's size. By comparison, caverns built in bedded salt formations would typically only hold about one billion cubic feet of natural gas.



- Central Region
- Eastern Region
- Southern Region
- Southwest Region
- Western Region
- Links to StatePartners
- <u>Carlsbad, New</u>
 <u>Mexico Pipeline</u>

 Rupture Update

What Happened? 2 000

At 5:26 a.m. on August 19, an explosion occurred on one of three adjacent large natural gas pipelines near Carlsbad, New Mexico. El Paso Natural Gas Company operates the pipeline system. The pipelines supply consumers and electric utilities in Arizona and Southern California. Twelve people, including five children, died as a result of the explosion. The explosion left an 86 feet long crater.

Last Update 09/07/2000

What is the federal government doing about it?

The <u>National Transportation Safety Board</u> (NTSB) has sent investigators to the site. The NTSB is actively investigating the accident and is focused on finding its causes. The NTSB is examining the section of pipe that failed and will conduct laboratory test to identify flaws or corrosion in the metal walls of the pipe. They will also examine the company's record and maintenance procedures, and interview EL Paso employees.

The Office of Pipeline Safety (OPS) sent pipeline safety inspectors to ensure that no additional safety risk exist and to assist the NTSB. The OPS has ordered the section of pipeline that failed to be shut down. On August 23, 2000, OPS also issued an administrative order which required the two EL Paso Natural Gas pipelines adjacent to the failed line to be shut down until OPS determines that they can be operated safely.

The OPS is separately determining whether the Federal pipeline safety regulations it established were violated and take additional enforcement actions against the operator if there is probable cause to believe they were.

The Administrator of PHMSA and the Chairman of the NTSB visited the accident site August 24 and 25.

Last Update 09/22/2000

How long will the investigation take?



January 3, 2006

RECEIVED

JAN 0 5 2008

Arizona Geological Survey 416 West Congress Suite 100 Tucson, AZ 85936

Attn: Mr. Steven Rauzi

Oil & Gas Program Administrator

RE: Extension for Temporary Abandonment

Dear Mr. Rauszi:

At this time Ridgeway would like to request an extension of Temporary Abandonment on the following wells:

2-24-09 State 22-1X (permit 888) State 9-21 (permit 897)

State 11-21 (permit 895) State 12-15 (permit 900)

8-21-06 State 10-22 (permit 896) State 11-18 (permit 916)

We ask that the Temporary Abandonment status be granted through January 2007. If you have any questions regarding this matter, please feel free to contact me at 888-337-7444.

Sincerely,

Thomas White

Field Operations Supervisor

TW:ct

cc:

Well Files

AOGCC 111TG 1-13-06