

OIL & GAS CONSERVATION COMMISSION
— MINUTES OF MEETING / APRIL 28, 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 April 28, 2006, at 10:00 a.m. in Room 111 of the Arizona Geological Survey located at 416 West Congress, Tucson, Arizona 85701. 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 January 13, 2006
3. Report of Oil & Gas Administrator about permits issued and wells drilled, plugged, or temporarily abandoned 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. 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.
7. Announcements
8. Adjournment

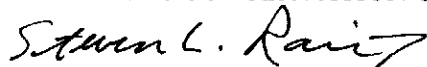
The Oil and Gas Conservation Commission may vote to go into Executive Session, pursuant to A.R.S. § 38-431.03(A)(3) or (4), which will not be open to the public, to consult with its attorney and receive legal advice with respect to any regular agenda item listed on this agenda.

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 21st day of April 2006

OIL AND GAS CONSERVATION COMMISSION



Steven L. Rauzi
Oil and Gas Program Administrator

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting Steve Rauzi at (520) 770-3500. Requests should be made as early as possible to allow time to arrange the accommodation. This document is available in alternative formats by contacting Steve Rauzi at (520) 770-3500.

OIL AND GAS CONSERVATION COMMISSION
416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
January 13, 2006

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 Program Administrator

Dr. J. Dale Nations, Chairman, called the regular Commission Meeting of January 13 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

Dr. Nations presented Mr. Jones with a certificate of completion of ethics training from the Governor's Office.

Dr. Nations reported that the Governor had re-appointed him to the Commission. Dr. Nation's term expired in January 2006.

APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 14, 2005

Mr. Jones moved, seconded by Mr. Lane:

**THAT THE MINUTES OF THE MEETING OF OCTOBER 14, 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 reported that a permit was issued to Ultimate Exploration and Development for a hole near Colorado City and that APS completed two temperature gradient holes in the Clifton area.

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

Dr. Nations discussed the November 16 hearing of the Interim Committee and the follow-up material prepared by Mr. Rauzi. The Interim Committee voted 9 to 0 to continue the Commission. HB 2098 continues the Commission for 10 years through 2016.

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), APACHE COUNTY AND POSSIBLE DECISION CONCERNING REQUEST FOR TEMPORARY ABANDONMENT AND POSSIBLE REPORT OR PRESENTATION BY A REPRESENTATIVE OF RIDGEWAY

Mr. Rauzi reported that Ridgeway submitted a written request to extend temporary abandonment through January 2007. Ms. Woodall asked who authorized Mr. White to write

the request. Mr. Lakser, President and CEO, stated that he authorized Mr. White. Mr. Rauzi recommended extension noting no change in environmental, safety or beneficial use issues from previous extensions except that four wells, permit numbers 895, 897, 900, and 916, were on leases that would expire this month and be subject to a simultaneous filing. He recommended extending temporary abandonment for the four wells if Ridgeway regained the leases or allowing Ridgeway 120 days to plug the wells if Ridgeway did not regain the leases.

Ms. Woodall asked if Ridgeway did not regain the leases would the new lessee allow access to Ridgeway to plug the wells and what about the gap between the expiration of the lease and issuance of the new lease. Mr. Rice responded that the Land Department planned to incorporate language in the new leases to allow Ridgeway access to plug the wells and would allow access during the gap. Mr. Kiehne asked if that would conflict with generally standard lease provisions allowing an operator 180 days to recover equipment from an expired lease. Ms. Woodall indicated Mr. Rice's statements to allow access covered that.

Mr. Wagner moved, seconded by Mr. Jones:

TO EXTEND TEMPORARY ABANDONMENT TO WELLS 22-1X (888) AND 10-22 (896) THROUGH JANUARY 2007

Motion carried unanimously.

Mr. Jones moved, seconded by Mr. Wagner:

TO EXTEND TEMPORARY ABANDONMENT THROUGH JANUARY 2007 TO WELLS 11-21 (895), 9-21 (897), 12-15-30 (900), AND 11-18 (916) IF RIDGEWAY REGAINED THE LEASES IN A DRAWING AS A RESULT OF A SIMULTANEOUS FILING AND TO PLUG THE WELLS WITHIN 180 DAYS OF THE DRAWING IF RIDGEWAY DID NOT REGAIN THE LEASES

Motion carried unanimously.

Ms. Woodall advised Ridgeway that in the event it did not regain the leases and was not able to plug the wells within the 180 days granted in the motion to show factual evidence of its diligent efforts to contract with appropriate companies to plug the wells.

ELECTION OF OFFICERS

In light of Dr. Nation's reappointment, Mr. Wagner moved, seconded by Mr. Jones:

TO CONTINUE THE CURRENT OFFICERS FOR ANOTHER YEAR

After discussion Mr. Lane offered a substitute motion, seconded by Mr. Jones to:

REELECT THE CURRENT OFFICERS FOR A NEW TWO-YEAR TERM

Mr. Wagner withdrew his original motion; Mr. Jones withdrew his original second.

The substitute motion carried unanimously.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

Dr. Nations announced that Dr. Lee Allison was the new Director of the Arizona Geological Survey and State Geologist but did not attend because of a previous engagement.

The Commission scheduled its next meeting at 10:00 a.m. on April 28, 2006, in the conference room at the Arizona Geological Survey in Tucson.

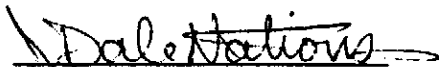
ADJOURNMENT

Mr. Jones moved, seconded by Mr. Lane:

THAT THE MEETING BE ADJOURNED

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

APPROVED


Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

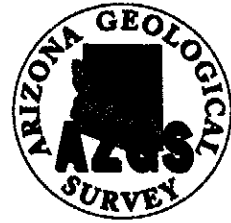
| | |
|----------------------|--|
| Richard Ahern | Arizona State Land Department |
| Theresa Craig | Assistant Attorney General for State Land Department |
| Gary Kiehne | Public |
| Barry Lakser | Ridgeway Arizona Oil Corporation |
| Mike Rice | Arizona State Land Department |
| Gary Slusher | Arizona State Land Department |
| Michelle Van Quatham | Ryley Carlock & Applewhite |
| Tom White | Ridgeway Arizona Oil Corporation |
| Laurie Woodall | Assistant Attorney General for Oil and Gas Conservation Commission |



Janet Napolitano
Governor

State of Arizona
Arizona Geological Survey

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



M. Lee Allison
Director and State Geologist

April 21, 2006

To: Oil and Gas Conservation Commissioners

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

Re: Activity Report for the April 28, 2006, Meeting

One permit to drill was issued and one well was drilled since your last meeting on January 13, 2006.

EL Paso Natural Gas Company permitted another stratigraphic well in the Picacho basin to gather additional information relative to subsurface storage of natural gas. El Paso plans to start drilling in late April or early May.

Ultimate Exploration and Development LLC drilled its well southwest of Colorado City to a total depth of 7690 ft in March and April. All information from the Ultimate hole is being held confidential in accordance with statute.

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

The Commission extended temporary abandonment to the Ridgeway 22-1X and 10-22 wells through January 2007. The Commission conditionally extended temporary abandonment to the Ridgeway 11-21, 9-21, 12-15-30 and 11-18 wells through January 2007 depending on whether or not Ridgeway regained its expiring leases. Mr. Tom White of Ridgeway informed me that he would be in attendance to discuss the matter.

House Engrossed

FILED

**JANICE K. BREWER
SECRETARY OF STATE**

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

CH 61

HOUSE BILL 2098

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)



1 Be it enacted by the Legislature of the State of Arizona:

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.

10 Sec. 3. Purpose

11 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
12 the legislature continues the oil and gas conservation commission to regulate
13 the drilling for and production of oil, gas, helium and geothermal resources,
14 promote the conservation of these resources, protect their ownership rights,
15 safeguard the public health and otherwise effect the public policy of this
16 state pursuant to section 27-502, Arizona Revised Statutes.

17 Sec. 4. Retroactivity

18 Sections 1 and 2 of this act are effective retroactively to July 1,
19 2006.

APPROVED BY THE GOVERNOR APRIL 10, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 10, 2006.

BILL STATUS OVERVIEW**HB2098****SPONSORS:** REAGAN P**TITLE:** oil and gas commission; continuation**HOUSE FIRST READ:** 01/11/06**COMMITTEES: ASSIGNED COMMITTEES ACTION**

| | | | | |
|--------------------|----------|--------------|----------------------|----------------|
| <u>Vote Detail</u> | 01/11/06 | <u>ENV</u> | 01/18/06 (7-0-0-2-0) | <u>DP</u> |
| <u>Vote Detail</u> | 01/11/06 | <u>RULES</u> | 01/24/06 (9-0-0-0-0) | <u>C&P</u> |

SECOND READ: 01/12/06**MAJORITY CAUCUS:** 01/24/06 Y**MINORITY CAUCUS:** 01/24/06 Y**CONSENT CALENDAR:** 01/24/06 10:00 AM**THIRD READ: DATE AYES NAYS NV EXC EMER AMEND RFE 2/3 VOTE RESULT**

| | | | | | | | | | | |
|--------------------|----------|----|---|---|---|--|--|--|--|--------|
| <u>Vote Detail</u> | 02/06/06 | 51 | 7 | 2 | 0 | | | | | PASSED |
|--------------------|----------|----|---|---|---|--|--|--|--|--------|

TRANSMIT TO SENATE: 02/06/06**SENATE FIRST READ:** 02/06/06**SECOND READ:** 02/13/06**COMMITTEES: ASSIGNED COMMITTEES ACTION**

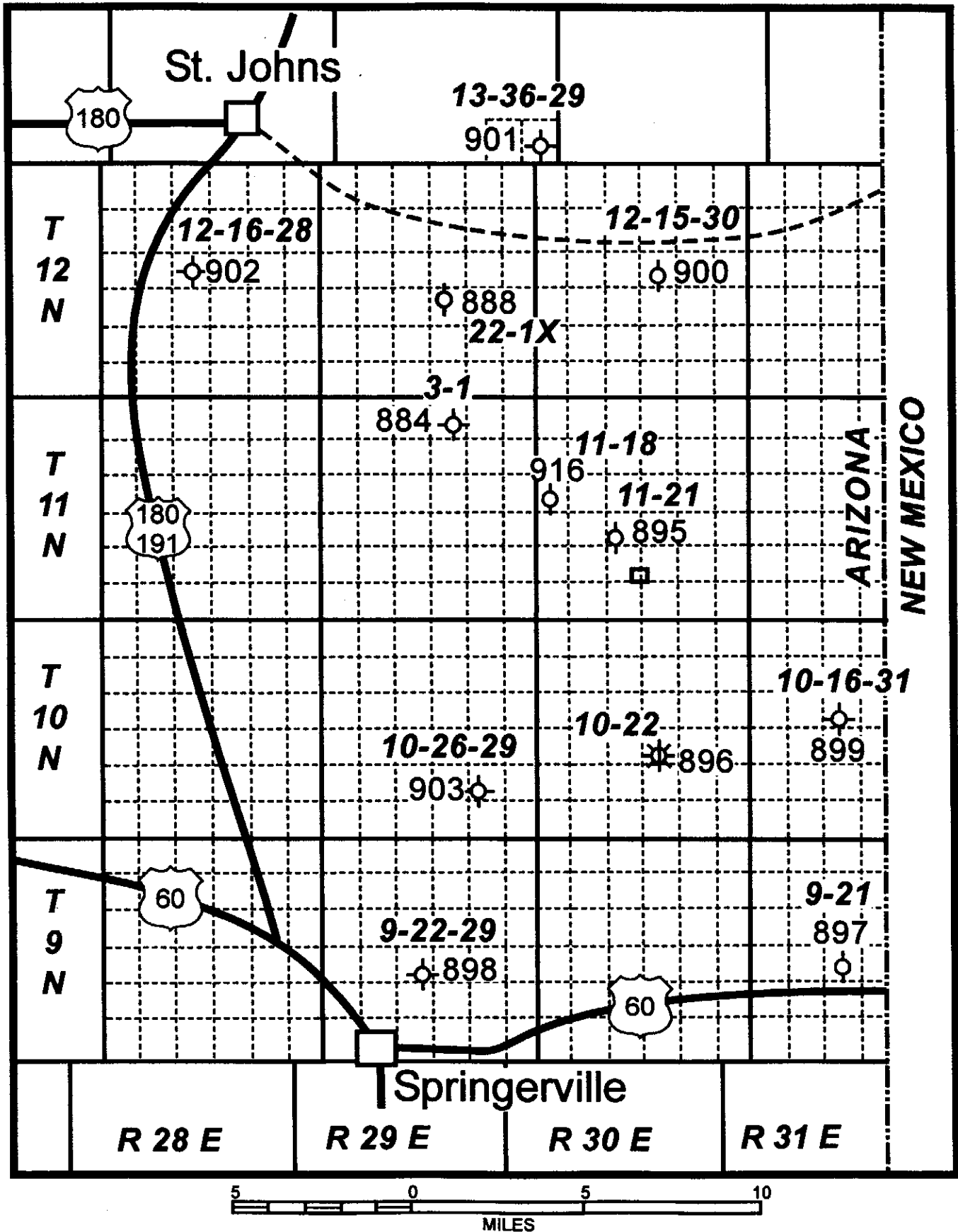
| | | | | |
|--------------------|----------|--------------|--------------------|------------|
| <u>Vote Detail</u> | 02/13/06 | <u>NRRA</u> | 03/01/06 (6-0-1-0) | <u>DP</u> |
| | 02/13/06 | <u>RULES</u> | 03/06/06 | <u>PFC</u> |

MAJORITY CAUCUS: 03/21/06 Y**MINORITY CAUCUS:** 03/21/06 Y**CONSENT CALENDAR:** 03/06/06 12:36 PM**THIRD READ: DATE AYES NAYS NV EXC EMER AMEND RFE 2/3 VOTE RESULT**

| | | | | | | | | | | |
|--------------------|----------|----|---|---|---|--|--|--|--|--------|
| <u>Vote Detail</u> | 04/03/06 | 26 | 4 | 0 | 0 | | | | | PASSED |
|--------------------|----------|----|---|---|---|--|--|--|--|--------|

TRANSMIT TO HOUSE: 04/03/06**TRANSMITTED TO:** GOVERNOR 04/04/06**ACTION:** SIGNED 04/10/06

Ridgeway Arizona Oil Corporation Wells



7-28-06 O&C mtg

| <u>Name</u> | <u>Representing</u> |
|---------------|---------------------|
| Thomas White | R.A.O.C. |
| Richard Akern | ASLD |