

OIL & GAS CONSERVATION COMMISSION
— MINUTES OF MEETING / MARCH 9, 2007 —
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 March 9, 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 27, 2006
3. Report of State Geologist and Director about administrative, budget, and staff support matters
4. Report of Oil & Gas Administrator about new permits 936-947 and general drilling activity
5. Report about five-year review of rules
6. Possible action to initiate rulemaking proceedings to amend A.A.C. R12-7-115 and R12-7-121
7. Status of High Plains well 1-17 Santa Fe and possible decision concerning temporary abandonment
8. Status of Ridgeway Arizona Oil Corp 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), 11-18 State (Permit 916), possible decision concerning temporary abandonment, and possible report from a representative of Ridgeway and follow-up discussion
9. Status of Ridgeway Arizona Oil Corp wells 11-29-30 State (Permit 938), 11-24-29 State (Permit 945), 11-32-30 State (Permit 946), and 11-16-30 State (Permit 937), possible decision concerning temporary abandonment, and possible report from a representative of Ridgeway and follow-up discussion
10. 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.
11. Announcements
12. Adjournment

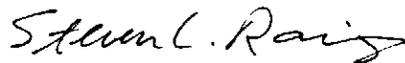
The Oil and Gas Conservation Commission may vote to go into Executive Session, pursuant to A.R.S. § 38-431.03(A)(3) or (4), which will not be open to the public, to consult with its attorney and receive legal advice with respect to any regular agenda item listed on this agenda.

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 2nd day of March 2007

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
October 27, 2006

Present:

Ms. Michele P. Negley, Acting Chairman
Mr. Joseph J. Lane, Member
Mr. Robert L. Wagner, Member
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Ms. Michele P. Negley, Acting Chairman, called the regular Commission Meeting of October 27 to order at 10:10 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF JULY 28, 2006

Mr. Lane moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF JULY 28, 2006 BE ACCEPTED
AS PRESENTED

Mr. Wagner noted the incorrect spelling of the word "skeletonization" at the top of page two. Mr. Rauzi indicated that he would correct that in the minutes for July 28.

Motion carried unanimously.

REPORT OF THE STATE GEOLOGIST AND DIRECTOR

None

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 El Paso Natural Gas and High Plains Petroleum had finished drilling their holes in the Picacho basin and near Concho and reviewed and discussed some statistics about the number of visitors to the Commission's new web page.

DISCUSSION AND POSSIBLE DECISION ABOUT WELL SAMPLES RECEIVED PURSUANT TO A.A.C. R12-7-121

Mr. Rauzi reviewed his draft guidelines for destructive analyses and skeletonization of samples. Ms. Woodall, Commission counsel, recommended that the Oil and Gas Administrator determine what an adequate and representative amount of sample is in response to Mr. Wagner's concern about who is responsible for making that judgment.

Mr. Lane moved, seconded by Mr. Wagner:

TO APPROVE THE GUIDELINES AS SUBMITTED WITH THE ADDITION OF
LANGUAGE "THE OIL AND GAS ADMINISTRATOR DETERMINES THAT"
AFTER THE PHRASE "NO DESTRUCTIVE TESTING SHALL BE PERMITTED
UNLESS"

Motion carried unanimously.

DISCUSSION AND POSSIBLE DECISION ABOUT FIVE-YEAR REVIEW OF RULES

Mr. Rauzi summarized and discussed the rules being reviewed and proposed that R12-7-115 and R12-7-121 be amended to improve clarity and understanding.

Mr. Wagner moved, seconded by Mr. Lane:

TO AUTHORIZE THE OIL AND GAS ADMINISTRATOR TO PROCEED WITH THE PROPOSED AMENDMENTS AND SUBMIT A COPY OF THE FINAL 5-YEAR REVIEW REPORT TO THE COMMISSION

Motion carried unanimously.

STATUS OF EL PASO AGS 1-21 (PERMIT 933) AND POSSIBLE DECISION CONCERNING TEMPORARY ABANDONMENT

Mr. Rauzi reported that El Paso had submitted a written request to temporarily abandon the AGS 1-21 hole for three years to allow for further evaluation. He reviewed the current mechanical condition and integrity of the hole and recommended approval of El Paso's request.

Mr. Wagner moved, seconded by Mr. Lane:

TO GRANT TEMPORARY ABANDONMENT FOR THREE YEARS TO THE EL PASO AGS 1-21

Mr. Rauzi reported that El Paso had submitted a sundry notice containing evidence of casing integrity, stimulation and cement squeeze record, complete data on the results of any well tests performed to date, and all other well data required in R12-7-121(A) in response to questions by Ms. Woodall, counsel to the Commission.

Motion carried unanimously.

STATUS OF HOLBROOK ENERGY WELLS 35-1 HORTENSTINE (PERMIT 919) AND 17-1 NZ (PERMIT 924) AND POSSIBLE DECISION CONCERNING TEMPORARY ABANDONMENT

Mr. Rauzi reported that temporary abandonment of the two wells expired this month. He noted that Holbrook Energy submitted an application to plug the 35-1 Hortenstine and a written request to extend the temporary abandonment of the 17-1 NZ for six months. Mr. Rauzi recommended approval of the requested extension.

Mr. Lane moved, seconded by Mr. Wagner:

TO GRANT TEMPORARY ABANDONMENT FOR SIX MONTHS TO THE 17-1

Motion carried unanimously.

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 TEMPORARY ABANDONMENT AND POSSIBLE REPORT OR PRESENTATION BY A REPRESENTATIVE OF RIDGEWAY

Mr. Rauzi reviewed the current status noting that no decision was necessary at this time.

Mr. White indicated that 22-1X and 10-22 were not on leases subject to expiration and reported that Ridgeway had submitted application to drill eight wells. Ms. Woodall pointed out that the issue of responsibility for wells on expired leases was outside the notice of discussion in response to an inquiry by Mr. White.

CALL TO THE PUBLIC

Mr. Buff reported the Bureau of Land Management (BLM) planned to hold an oil and gas lease sale in February or March 2007. He noted that district court was reviewing Premco Western's appeal of the BLM's decision to terminate its unit in northwestern Arizona.

ANNOUNCEMENTS

Ms. Negley described her new job heading up a Phoenix office for KEMA, a Dutch company implementing all of Arizona Public Services' energy efficiency measures and programs for residential commercial markets, in case in the future there are any conflicts of interest.

Mr. Wagner described his part-time job with a civil engineering consulting firm dealing with geology issues such as flood plains and alluvial fans and how water drains but which has no relation to his work on this Commission.

The Commission scheduled its next meeting at 10:00 a.m. on February 9, 2007, in room 321 at the State Land Department Building in Phoenix.

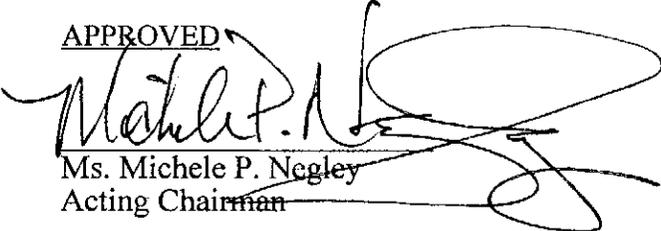
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Lane:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:05 a.m.

APPROVED


Ms. Michele P. Negley
Acting Chairman

GUESTS IN ATTENDANCE

Jay Baughman
Paul J. Buff
Thomas White
Laurie Woodall

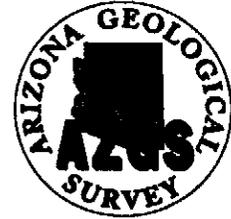
Office of Strategic Planning and Budgeting
U.S. Bureau of Land Management
Ridgeway Arizona Oil Corporation
Office of the Attorney General



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

March 2, 2007

To: Oil and Gas Conservation Commissioners

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

Re: Activity Report for the March 9, 2007, Meeting

Twelve new permits to drill were issued and four wells were drilled since your last meeting on October 27, 2006. Eleven permits were issued to Ridgeway Arizona Oil Corporation for wells between St. Johns and Springerville and one permit was issued to High Plains Petroleum for a well near Concho. Ridgeway had drilled the 11-29-30 and 11-24-29 State and was drilling the 11-32-30 and 11-16-30 State as of this writing. High Plains has not started its well near Concho.

High Plains Petroleum submitted a written request to temporarily abandon its 17-1 Santa Fe near Concho. High Plains drilled this well in October 2006.

AmeriGas is in the process of selling its LPG storage facility near Glendale to Plains LPG Services. The sale is expected to close in April. AmeriGas performed a workover and mechanical integrity test of its # 3 well and Enterprise Products is in the process of working over several wells at its storage facility at Adamana.

Ridgeway submitted a written request to extend temporary abandonment to six of its wells through January 2008. The 22-1X and 10-22 are on leases extended by Ridgeway paying shut-in royalty. Ridgeway did not regain the leases for the 11-21, 9-21, 12-15-30 and 11-18 in the Land Department's drawing on January 17, 2007. Ridgeway requested the Land Department to extend the leases by paying shut-in royalty for the 11-21, 9-21, and 11-18 but not the 12-15-30. As a result, Ridgeway has 180 days from January 17, 2007 to plug the 12-15-30 in accordance with your motion of January 13, 2006 if the new lessee has no interest in the well. Ridgeway would need to plug the 11-21, 9-21 and 11-18 if the Land Department does not grant Ridgeway's request to extend the leases by paying shut-in royalty and the new lessee has no interest in the wells.

The Governor's Regulatory Review Council approved the five-year review of rules report in its February 6 meeting. The Commission proposed to amend R12-7-115 and R12-7-121 in the five-year review report.

R12-7-115. Deviation of Hole and Directional Drilling

- A. ~~No~~ An operator drilling a well may be ~~shall not intentionally deviated~~ deviate from ~~its~~ the normal vertical course of the well unless the operator ~~shall first file~~ files an application and ~~obtain~~ obtains approval from the Commission after notice and hearing. The normal vertical course of a well is defined by ~~a tolerance wherein the maximum deviation of the well does not exceed a 100-foot radius from the surface location~~ an average deviation from vertical of not more than five degrees in any 500-foot interval. The operator shall test any vertical or deviated well that is drilled or deepened at least once each 500 feet or at the first bit change succeeding 500 feet. The operator shall tabulate all deviation tests run and file the tabulation with the Commission within 30 days after drilling is completed. Deviation from the vertical for short distances is permitted in the drilling of a well without special approval only to straighten the hole, sidetrack junk, or correct other mechanical difficulties.
- B. An application for directional drilling shall include
1. The name, address, and ~~phone~~ telephone number of the operator;
 2. The field name, lease name, well number, state permit number, reservoir name, and county where the proposed well is located;
 3. A plat or sketch showing the distance from the surface location to section and lease lines and to the target location within the intended producing interval;
 4. The reason for the intentional deviation; and
 5. The signature of the operator.
- C. The operator of any well capable of production and whose producing interval or any portion ~~thereof~~ of the producing interval is located 330 feet or less in the case of an oil well or 1,660 feet or less in the case of a gas well from the boundary of any drilling unit shall run a directional survey before running the production casing.
- D. In order to ensure compliance with this Section, the Commission may require the operator to run a directional survey of any hole at the operator's expense. The Commission may require an operator to run a directional survey of any hole at the request of an offset operator at the expense and risk of the offset operator unless the survey shows that the well is completed at a point outside the drilling unit or at an unauthorized point.
- E. Within 30 days ~~following the completion of~~ after drilling a directionally-drilled well, the operator shall file with the Commission a complete angular deviation and directional survey of the well, obtained by a well survey company.
- F. ~~Nothing in these rules shall be interpreted to permit the drilling of any~~ An operator shall not drill a well in ~~such~~ a manner that it ~~crosses the~~ results in the well crossing drilling unit lines, except by approval obtained from the Commission after notice and hearing.

R12-7-121. Well Completion and Filing Requirements

- A.** An operator shall file a completion report with the Commission within 30 days after a well is completed. The completion report shall contain a description of the well and lease, the casing, tubing, liner, perforation, stimulation, and cement squeeze records, and data on the initial production. The operator shall submit other well data to the Commission within 30 days of the date the work is done, including any:
1. Lithologic, mud, or wireline log;
 2. Directional survey;
 3. Core description and analysis;
 4. Stratigraphic or faunal determination;
 5. Formation or drill-stem test;
 6. Formation fluid analysis; or
 7. Other similar information or survey.
- B.** An operator shall furnish samples of all drilled cuttings, at a maximum interval of 10 feet, to the Commission within 30 days after drilling is completed. The operator may furnish samples of continuous core in chips at 1-foot intervals. The operator shall:
1. Wash and dry all samples;
 2. For each sample, place approximately 3 tablespoons of the sample in an envelope with the following identifying information: the well from which the sample originates, the location of the well, the Commission's permit number for the well, and the depth at which the sample is taken; and
 3. Package sample envelopes in protective boxes and ship prepaid to:
Oil and Gas Administrator
Arizona Geological Survey
416 West Congress, Suite 100
Tucson, AZ 85701
- C.** Confidential records:
1. The Commission shall keep the completion report and all well information required by this Section for any well drilled for oil and gas in unproven territory confidential for ~~4~~ one year after the drilling is completed unless the operator gives written permission to release the information at an earlier date. The Commission shall provide notice to the operator 60 days before confidential records become subject to public inspection and, at the operator's request, extend the confidential period for ~~6~~ six months to ~~2~~ two years from the date of the request if the Commission finds that the operator has ~~demonstrated that release would~~ provided credible evidence that disclosure of the information is likely to cause harm to the operator's competitive position with respect to unleased land in the vicinity of the well.
 2. The Commission shall keep the completion report and all well information required by this Section for any well drilled in search of geothermal resources confidential for one year after drilling is completed upon operator request.

AOGCC MTG. MAR 9, 2007

Name

Representing

Thomas White

RAOC.

MICHELE VAN QUATHEN

RYLEY CARLOCK & APPLEWHITE

BILL REX

HUNT OIL USA, INC

~~Jeff~~ Owen

KHL, Inc.

JoAnn Joux

Theresa Craig

Assoc AG represent State Land Dept

Mike Rice

State Land

Larry Meyer

State Land