

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING / JULY 18, 2008
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 July 18, 2008, 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 April 18, 2008
3. Report of Oil & Gas Administrator about new permits and drilling activity
4. Status of Ridgeway Arizona Oil Corporation 12-15-30 State (Permit 900)
5. Ridgeway Arizona Oil Corporation request for shut-in status for the 11-21 State (Permit 895) and 9-21 State (Permit 897)
6. Ridgeway Arizona Oil Corporation request to drill horizontal segments in its wells located in Townships 9 North through 12 North and Ranges 28 East through 31 East, Gila and Salt River Meridian
7. Status of Ridgeway Arizona Oil Corporation drilling program between St Johns and Springerville including possible report from a representative of Ridgeway
8. Discussion about liability of wells on leases pending a decision from the State Land Department
9. Discussion about Oil and Gas Conservation Commission letterhead
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

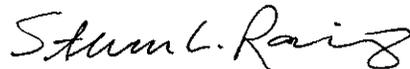
The Oil and Gas Conservation Commission may vote to go into Executive Session, pursuant to A.R.S. § 38-431.03(A)(3) or (4), which will not be open to the public, to consult with its attorney and receive legal advice with respect to any regular agenda item listed on this agenda.

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 7th day of July 2008

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
April 18, 2008

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Jones, Vice-Chairman
Mr. Stephen R. Cooper, Member
Mr. Robert L. Wagner, Member
Dr. M. Lee Allison, State Geologist and Director of Arizona Geological Survey
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. J. Dale Nations, Chairman, called the regular Commission Meeting of April 18 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF JANUARY 18, 2008

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF JANUARY 18, 2008 BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

REPORT OF THE STATE GEOLOGIST AND DIRECTOR

Dr. Allison discussed the new budget signed by the Governor. He indicated that it would not affect the Commission's operations because the Arizona Geological Survey had already accommodated the anticipated cuts. Dr. Allison discussed the new bookstore at the Phelps Dodge building in downtown Phoenix and a bill to merge the Department of Mines and Mineral Resources into the Geological Survey. He noted that the House committee turned down the bill but that he thought it was only a matter of time before a merger took place.

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. He reported that 18 new permits were issued to Ridgeway Arizona Oil Corporation (Ridgeway) since the January 18 meeting and that Enterprise Products and Plains LPG Services continued to make significant improvements to their LPG (liquefied petroleum gas) facilities near Adamana and Luke, respectively.

RIDGEWAY ARIZONA OIL CORPORATION 12-15-30 STATE (PERMIT 900)

Mr. Rauzi reported that Ridgeway submitted an application to plug the 12-15-30 well as soon as equipment was available. Mr. White reported that Ridgeway hired a plugging contractor out of Farmington, New Mexico to accomplish the job.

STATUS OF STATE LAND DEPARTMENT DECISION REGARDING EXTENSION OF LEASES 13-101357 (PERMITS 895 AND 916) AND 13-101510 (PERMIT 897) BY PAYMENT OF SHUT-IN ROYALTY

Mr. Dixon reported that the State Land Department denied Ridgeway's request to extend the leases by paying shut-in royalty. He noted that the leases would go to Gary Kiehne and Hunt Oil Company. Mr. Portman indicated that Ridgeway intended to appeal the decision.

RIDGEWAY ARIZONA OIL CORPORATION REQUEST TO DRILL HORIZONTAL SEGMENTS IN 12-34-29X (PERMIT 954), 12-31-30 (956) AND 12-31-30X (957)

Mr. Rauzi reported that Ridgeway submitted applications to drill horizontal segments in three previously permitted wells. He reviewed each application and noted that Ridgeway had submitted all information required by rule. Mr. Rauzi recommended approval.

Mr. White asked if the Commission could further authorize the administrator to approve future applications for horizontal wells if they met all of the requirements necessary for approval in a hearing. Mr. Portman added that such an administrative approval was accepted practice in Texas. In response to an inquiry from the Commission, Mr. Cox indicated he could not offer a legal opinion regarding Ridgeway's request at this time but would look into the matter. Mr. Cooper noted that if the Commission could not grant such authorization at this time it should consider amending the appropriate rule to accomplish that in the future.

Mr. Jones moved, seconded by Mr. Wagner:

TO APPROVE HORIZONTAL SEGMENTS IN THE 12-34-29X, 12-31-30, AND 12-31-30X WELLS

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION DRILLING PROGRAM BETWEEN ST JOHNS AND SPRINGVILLE INCLUDING POSSIBLE REPORT FROM A REPRESENTATIVE OF RIDGEWAY

Mr. Rauzi reported that Ridgeway had permitted 21 and drilled ten wells so far this year. He noted that Ridgeway's drilling and testing program was still in progress.

Mr. Portman discussed the status of Ridgeway's drilling and testing program to demonstrate at least two trillion cubic feet of proved but undeveloped reserves to justify a pipeline to west Texas. He anticipated drilling seven more wells in the current program.

DISCUSSION ABOUT OIL AND GAS CONSERVATION COMMISSION LETTERHEAD

Mr. Rauzi noted Dr. Allison's suggestion to list the Commissioners on the letterhead. The Commission requested a draft with the address centered between the state seal and list for review at the next meeting.

CALL TO THE PUBLIC

Mr. Dixon reported that the State Land Department would hold a drawing on May 16, 2008 for leases involved in a simultaneous filing in April 2007. He noted that seven individuals participated in the simultaneous filing.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on July 18, 2008, in room 321 at the State Land Department Building in Phoenix.

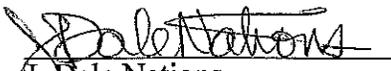
ADJOURNMENT

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:20 a.m.

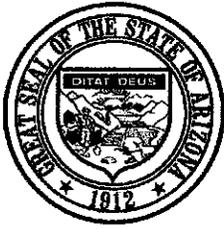
APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Curtis Cox
Joe Dixon
Barry Portman
Thomas White

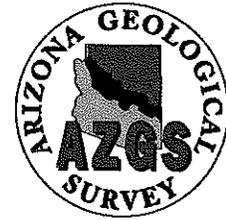
Assistant Attorney General
State Land Department
Enhanced Oil Resources (Parent company of Ridgeway)
Ridgeway Arizona Oil Corporation



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

July 11, 2008

To: Oil and Gas Conservation Commissioners

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

Re: Activity Report for the July 18, 2008, Meeting

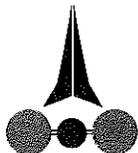
Two new permits to drill were issued since your last meeting on April 18 to Ridgeway Arizona Oil Corporation for wells at its CO₂ project between St Johns and Springerville. So far this year, Ridgeway has permitted 23 wells and drilled 13. These wells are in various stages of testing and completion. Ridgeway is still waiting on the availability of a contractor to plug and abandon the 12-15-30 State (Permit 900), which is on a lease picked up by Hunt Oil.

The State Land Department advised Ridgeway by letter of April 23, 2008, to apply with the Commission for shut-in status for the 9-21, 11-18, and 11-21 wells pursuant to A.A.C. R12-7-121 and R12-7-125. These wells have been temporarily abandoned since 1998. Ridgeway submitted a completion report dated 6-18-2008 for the 9-21 and 11-21 wells and requested the Commission to re-classify the wells to shut-in from their current status of temporarily abandoned.

Ridgeway submitted application to drill horizontal segments in wells located within Townships 9 through 12 North and Ranges 28 through 31 East. Mr. Cox indicated that this approach appeared satisfactory provided each individual application was in compliance with A.A.C. R12-7-115(B) and R12-7-107(D).

You may recall the issue of liability for wells on leases pending a decision from the State Land Department was discussed in your meeting of January 18, 2008. Mr. Cox delivered a memo in your April 18, 2008 meeting indicating that the Commission would not be liable for potential harms at those wells but you could not discuss the memo in open session because it was not on the agenda. I have included the liability issue on the July 18 agenda.

Item 5



Ridgeway

Arizona Oil Corporation

St. Johns Helium/CO₂ Project
P.O. Box 1110 • St. Johns, AZ 85936

Wednesday, July 09, 2008

Steve Rauzi
Arizona Geological Survey
410 West Congress Ste. 100
Tucson, AZ. 85701

RE: Well Status Change

Dear Mr. Rauzi:

Ridgeway is requesting a change of status for wells number 9-21 state and 11-21 state. These wells are currently under "temporary abandonment" status Ridgeway is requesting that the status of these wells be changed to "Shut in" status in accordance with the "Arizona Administrative Code" R12-7-125.B.

Please see attached completion reports.

Sincerely,

Thomas White
Operations Supervisor
Ridgeway AZ. Oil Corp.

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

Tel: 928-337-3230
Fax: 928-337-3162
Email: ridgewayaz@frontiernet.net

WELL COMPLETION OR RECOMPLETION REPORT AND WELL LOG

DESIGNATE TYPE OF COMPLETION

New Well Work-Over Deepen Plug Back Same Reservoir Different Reservoir Oil Gas Dry

DESCRIPTION OF WELL AND LEASE

Operator Ridgeway Arizona Oil Corp		Address & Phone No. P O Box 1110 St. Johns, AZ 85936	
Federal, State or Indian Lease Number or name of lessor if fee lease 13-101510		Well Number State 9-21	Field & Reservoir Wildcat
Location 1980' FNL & 1980' FEL		County Apache	
Sec. Township-Range or Block & Survey Sec 21, T9N, R31E			

Date spudded 3-6-97	Date total depth reached 3-18-97	Date completed, ready to produce 7-11-97	Elevation (DF, KB, RT or Gr.) 7197 feet	Elevation of casing head flange 7197 feet
Total depth 2686	P.B.T.D.	Single, dual, or triple completion? Single		<small>If this is a dual or triple completion furnish separate report for each completion</small>

Producing interval(s) for this completion 2489-2659		Rotary tools used (interval) 0-2686	Cable tools used (interval) N/A
Was this well directionally drilled? NO	Was directional survey made?	Was copy of directional survey filed?	Date filed

Type of electric or other logs run (check logs filed with the Arizona Geological Survey)
Hilt-B, FBst-A, CMR-T, GR, Plt Ex

Date filed
unknown

CASING RECORD

Casing (report all strings set in well -- conductor, surface, intermediate, producing, etc.)

Purpose	Size hole drilled	Size casing set	Weight (lb./ft.)	Depth set	Sacks cement	Amount pulled
Surface	12 1/4"	8 5/8"	20#	1285'	395	
Production	7 7/8"	4 1/2"	4.12	2683'	459	

TUBING RECORD

Size in.	Depth set ft.	Packer set at ft.	Size in.	Top ft.	Bottom ft.	Sacks cement	Screen (ft.)

LINER RECORD

PERFORATION RECORD

Number per ft.	Size & type	Depth interval	ACID, SHOT, FRACTURE, CEMENT SQUEEZE RECORD
			Amount & kind of material used Depth interval
2	.38 jrt	1942'-2147'	150 sk squeeze
2	.38 jrt	2489'-2659'	55,000# 16/30 sand frac

INITIAL PRODUCTION

Date of first production		Producing method (indicate if flowing, gas lift or pumping -- if pumping, show size & type of pump)					
Date of test 7-11-97	Hours tested 168 hrs	Choke size N/A	Oil prod. during test N/A bbls.	Gas prod. during test 7.7 MCF	Water prod. during test -0- bbls.	Oil gravity *APII	
Tubing pressure	Casing pressure 325 psi	Calculated rate of production per 24 hrs.	Oil bbls.	Gas 1100 MCF	Water n/a bbls.	Gas - oil ratio n/a	

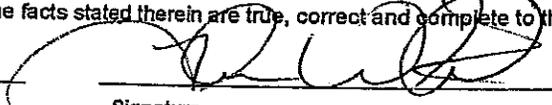
Disposition of gas (state whether vented, used for fuel or sold)
vented

CERTIFICATE: I, the undersigned, under the penalty of perjury, state that I am the Field Operations Supv of the Ridgeway Arizona Oil Corp (company), and that I am authorized by said company to make this report; and that this report was prepared under my supervision and direction and that the facts stated therein are true, correct and complete to the best of my knowledge.

6-18-08

Date

Signature



6-24-08

Mail completed form within thirty days of completion to:
Oil and Gas Program Administrator
Arizona Geological Survey
416 W. Congress, #100
Tucson, AZ 85701

Permit No. 897

STATE OF ARIZONA
OIL & GAS CONSERVATION COMMISSION

Well Completion or Recompletion Report and Well Log

Form No. 4

File One Copy

REPORT NO.
RIDGEW

PAGE NO. 1

TEST DATE:
11-JUL-1997

STAR

RAOC
WELL FILE

9-21
Schlumberger

Schlumberger Transient Analysis Report
Based on Model Verified Interpretation
Of a Schlumberger Well Test

897

COMPANY: RIDGEWAY ARIZONA OIL & GAS		WELL: STATE #21-9	
TEST IDENTIFICATION		WELL LOCATION	
Test Type	BUILDUP	Field	WILD CAT
Test No.	CNE	County	APACHE
Formation	GRANITE WASH	State	ARIZONA
Test Interval (ft)	2489 to 2659		
COMPLETION CONFIGURATION		TEST STRING CONFIGURATION	
Casing Size O.D./I.D. (in) ...	4.5 / 3.98	Gauge Depth (ft) / Type	2238 / ELECT.
Hole Size (in)	7.975		
Gross Perf. Interval (ft)	2489 to 2659		
Net Pay (ft)	115		
INTERPRETATION RESULTS		TEST CONDITIONS	
Model of Behavior	HOMOGENEOUS	Producing Time (hrs)	261.8 ^{11 d³}
Fluid Type Used for Analysis..	GAS	Shut-in Duration (hrs)	119.5 ^{5 d³}
Reservoir Pressure (psl)	570 @ 2238 Ft		
Transmissibility (md.ft/op) ..	358361.		
Effective Permeability (md) ..	37.3 (to Gas)		
Skin Factor	38.9		
Distance to Boundary (ft)	968		
Radius of Investigation (ft)..	1252		
ROCK/FLUID/WELLBORE PROPERTIES			
Gas Gravity	1.528 (CO2)		
Liquid/Gas Ratio (STB/MMSCF) .	0		
Water Cut (%)	0		
Viscosity (cp)	0.01196		
Total Compressibility (1/psl).	1.427E-03		
Porosity (%)	14		
Reservoir Temperature (F)	128		

PRODUCTION RATE DURING TEST: Q-LAST = 1100 MSCF/D

COMMENTS:

A 5-DAY BOTTOMHOLE PRESSURE BUILDUP TEST WAS CONDUCTED FROM 11-JUL-1997 TO 18-JUL-1997 FOLLOWING 11-DAYS PRODUCTION. ANALYSIS OF THE DIAGNOSTIC LOG-LOG PLOT OF PRESSURE AND DERIVATIVE INDICATES THE PRESENCE OF SKIN AND VARIABLE WELLBORE STORAGE EFFECTS AT EARLY TIME, TRANSITIONAL FLOW REGIME AT MID TIME, AND A GENTLY INCREASING DERIVATIVE SLOPE AT LATE TIMES. THE INCREASING DERIVATIVE SLOPE IS NON-UNIQUE AS SEVERAL RESERVOIR MODELS BEHAVE SIMILARLY; 2-POROSITY, 2-LAYERED, RADIALY COMPOSITE, AND SEALING OUTER BOUNDARIES. THE BUILDUP WAS MATCHED USING A HOMOGENEOUS SYSTEM MODEL WITH A SINGLE SEALING (NO-FLOW) OUTER BOUNDARY AT A DISTANCE OF 970-FT FROM THE WELLBORE (SEE ANALYSIS RESULTS AND PLOTS, PAGES 2-5). BASED ON THE MATCH, A MARKED DECREASE IN TRANSMISSIBILITY (KH/u) OCCURS WITHIN 1000-FT OF THE WELLBORE IN ONE DIRECTION; THIS COULD BE DUE TO A REDUCTION IN PERMEABILITY, ZONE THINNING, OR A PHYSICAL SEALING FAULT.

THE TESTED INTERVAL HAS THE CHARACTERISTICS OF GOOD EFFECTIVE PERMEABILITY TO GAS AND A SEVERELY DAMAGED WELLBORE CONDITION AT THE TIME OF THE TEST. PRODUCTION COULD BE DRAMATICALLY IMPROVED WITH THE REMOVAL OF THIS SKIN DAMAGE. NO OTHER SEALING OR SUPPORTING BOUNDARIES WERE DETECTED WITHIN THE 1250-FT RADIUS OF INVESTIGATION FOR THE TEST. FOR QUESTIONS ABOUT THIS REPORT, PLEASE CONTACT DEBORA HALLFORD AT (303) 843-9090.

WELL COMPLETION OR RECOMPLETION REPORT AND WELL LOG

DESIGNATE TYPE OF COMPLETION
 New Well Work-Over Deepen Plug Back Same Reservoir Different Reservoir Oil Gas Dry

DESCRIPTION OF WELL AND LEASE

Operator Ridgeway Arizona Oil Corp		Address & Phone No. P O Box 1110 St. Johns, AZ 85936		
Federal, State or Indian Lease Number or name of lessor if fee lease 13-101357		Well Number State 11-21	Field & Reservoir Wildcat	
Location 1980' FWL & 1980' FSL		County Apache		
Sec. Township-Range or Bolck & Survey Sec 21, T11N, R30E G&SRM				
Date spudded 2-22-97	Date total depth reached 3-5-97	Date completed, ready to produce 9-12-97	Elevation (DF, KB, RT or Gr.) 6918 feet	Elevation of casing head flange 6918 feet
Total depth 2410'	P.B.T.D. 2386'	Single, dual, or triple completion? Single		<small>If this is a dual or triple completion furnish separate report for each completion</small>
Producing interval(s) for this completion 1652'-1691'; 1715'-1744'; 1787'-1964'; 2268'-2381'		Rotary tools used (interval) 0-2410		Cable tools used (interval) N/A
Was this well directionally drilled? no	Was directional survey made? no	Was copy of directional survey filed? no	Date filed N/A	
Type of electric or other logs run (check logs filed with the Arizona Geological Survey)			Date filed unknown	

CASING RECORD

Casing (report all strings set in well -- conductor, surface, intermediate, producing, etc.)

Purpose	Size hole drilled	Size casing set	Weight (lb./ft.)	Depth set	Sacks cement	Amount pulled
Surface	12 1/4"	8 5/8"	20#	817'	600 sks	
Production	7 7/8"	4 1/2"	4.25	2386'	600 sks	

TUBING RECORD

LINER RECORD

Size n/a in.	Depth set n/a ft.	Packer set at n/a ft.	Size n/a in.	Top n/a ft.	Bottom n/a ft.	Sacks cement n/a	Screen (ft.) n/a

PERFORATION RECORD

ACID, SHOT, FRACTURE, CEMENT SQUEEZE RECORD

Number per ft.	Size & type	Depth interval	Amount & kind of material used	Depth interval
1	.38 Jrt	1787-1964; 2268-2381	75,000# 16/30 sand frac	2268-2381
1	.38 Jrt	1652-1691; 1715-1744	55,000# 16/30 sand frac	1787-1964

INITIAL PRODUCTION

Date of first production n/a		Producing method (indicate if flowing, gas lift or pumping -- if pumping, show size & type of pump) n/a				
Date of test 9-12-97	Hours tested 126	Choke size	Oil prod. during test bbls.	Gas prod. during test 10.29 M MCF	Water prod. during test -0- bbls.	Oil gravity *APII
Tubing pressure n/a	Casing pressure 423	Calculated rate of production per 24 hrs.	Oil n/a bbls.	Gas 1.96 MCF	Water -0- bbls.	Gas - oil ratio n/a

Disposition of gas (state whether vented, used for fuel or sold)

CERTIFICATE: I, the undersigned, under the penalty of perjury, state that I am the Field Operations Supv of the Ridgeway Arizona Oil Corp (company), and that I am authorized by said company to make this report; and that this report was prepared under my supervision and direction and that the facts stated therein are true, correct and complete to the best of my knowledge.

6-18-08

Date

Signature

Mail completed form within thirty days of completion to:
 Oil and Gas Program Administrator
 Arizona Geological Survey
 416 W. Congress, #100
 Tucson, AZ 85701

STATE OF ARIZONA
OIL & GAS CONSERVATION COMMISSION
 Well Completion or Recompletion Report and Well Log

REPORT NO.
RS1121

PAGE NO. 1

TEST DATE:
12-SEP-1997

STAR

Schlumberger Transient Analysis Report Based on Model Verified Interpretation Of a Schlumberger Well Test

Schlumberger

(895)

COMPANY: RIDGEWAY ARIZONA OIL & GAS

WELL: STATE #11-21

TEST IDENTIFICATION

Test Type BUILDUP TEST
Test No. ONE
Formation AMOS WASH
Test Interval (ft) 2268 to 2396

WELL LOCATION

Field WILD CAT
County APACHE
State ARIZONA
Sec/Twn/Rng 21/11N/30E

COMPLETION CONFIGURATION

Casing Size O.D./I.D. (in) ... 4.5 / 3.96
Hole Size (in) 7.875
Perforated Interval (ft) 2268 to 2396
Net Pay (ft) 160

TEST STRING CONFIGURATION

Gauge Depth (ft)/Type 2166/9657-LMR

TEST CONDITIONS

Producing Time (hrs) 73469
Shut-in Duration (hrs) 126

INTERPRETATION RESULTS

Model of Behavior HOMOGENEOUS
Fluid Type Used for Analysis.. GAS
Reservoir Pressure (psi) 589
Transmissibility (md.ft/cp) .. 106
Effective Permeability (md) .. 0.04 (to Gas)
Skin Factor 24.4
Radius of Investigation (ft).. 54

ROCK/FLUID/WELLBORE PROPERTIES

Gas Gravity
Liquid/Gas Ratio (STB/MMSCF) . 0
Water Cut (%) 0
Res. Saturations, Sw/So/Sg (%). 20/0/80
Viscosity (cp) 0.06309
Total Compressibility (1/psi). 8.47398E-05
Porosity (%) 28
Reservoir Temperature (F) 98

PRODUCTION RATE DURING TEST: 1.96 MSCF/D = Q-Last

COMMENTS:

A 5-DAY BOTTOMHOLE PRESSURE BUILDUP TEST WAS CONDUCTED FROM 12-SEP-1997 TO 17-SEP-1997; PRIOR TO THE BUILDUP THE WELL WAS REPORTED TO HAVE PRODUCED 6 MMSCF CUMULATIVE VOLUME AT A LAST FLOWRATE OF ONLY 1.96 MCFD. HENCE, CALCULATED EFFECTIVE PRODUCING TIME IS 8.39 YRS. DURING THE EARLY PORTION OF THE BUILDUP, SEVERAL OTHER ZONES UPHOLE WERE PERFORATED. THE PERFORATING OPERATIONS CAUSED SEVERAL LARGE PRESSURE SPIKES IN EARLY TIME. ANALYSIS OF THE DIAGNOSTIC LOG-LOG PLOT OF PRESSURE AND DERIVATIVE INDICATES THE PRESENCE OF AN APPARENT HOMOGENEOUS SYSTEM WITH SKIN AND PERFORATION "NOISE" IN EARLY TIME, AND AN APPARENT INFINITE ACTING RADIAL FLOW REGIME AT LATE TIMES, AS EVIDENCED BY THE STABILIZED DERIVATIVE. THE BUILDUP WAS MATCHED USING A HOMOGENEOUS, INFINITE SYSTEM RESERVOIR MODEL WITH SKIN AND CONSTANT WELLBORE STORAGE (SEE ANALYSIS RESULTS AND PLOTS, PAGES 2-6). NO ATTEMPT WAS MADE TO MATCH THE EARLY TIME DATA WHICH WAS DOMINATED BY PERFORATING EFFECTS.

BASED ON THE MATCH, THE TESTED INTERVAL HAS THE CHARACTERISTICS OF LOW PERMEABILITY EFFECTIVE TO GAS AND A SEVERELY DAMAGED WELLBORE CONDITION AT THE TIME OF THE TEST. AS EVIDENCED BY THE 1-1/2 LOG-CYCLE SPAN BETWEEN PRESSURE AND DERIVATIVE IN LATE TIMES. PRODUCTION FROM THIS ZONE COULD BE DRAMATICALLY IMPROVED WITH THE REMOVAL OF THIS SKIN DAMAGE. QUESTIONS ABOUT THIS REPORT SHOULD BE DIRECTED TO DEBORA HALLFORD AT (303) 843-9090.

Janet Napolitano

GOVERNOR

Mark Winkleman

COMMISSIONER

April 23, 2008

Mr. Thomas White
Ridgeway Arizona Oil Corporation
P.O. Box 1110
590 South White Mountain Drive
St. Johns, Arizona 85936

Re: Shut-In Status for Wells 9-21, 11-18 and 11-21

Dear Mr. White:

On January 17, 2006, Ridgeway Arizona Oil Corporation (Ridgeway) requested to be allowed to pay shut-in royalty on oil and gas leases 13-101357 and 13-101510, which were to expire the next day, January 18, 2006. Ridgeway had drilled three wells on the two leases, 11-18 (in 2004) and 11-21 (in 1997) on lease 13-101357, and 9-21 (also in 1997) on lease 13-101510. To accommodate Ridgeway's request for paying shut-in royalty on the leases, the Arizona State Land Department (ASLD) contracted with H. J. Gruy and Associates, Inc. (Gruy), of Houston, Texas, to assess the potential for the three wells to be capable of producing in paying quantities, the industry standard for determination of shut-in status for oil or gas wells. In early 2006, Gruy reviewed the existing data on the three wells and informed the ASLD by letter dated June 23, 2006 that the production potential of the three wells could not be determined using the data provided. Ridgeway then supplied some follow-up information on the three wells in June 2007, and in early 2008 the ASLD again contracted with Gruy to perform a reassessment of the well's production capabilities. By letter of April 21, 2008, attached, the ASLD has been informed by Gruy that their previous conclusion of June 2006 is unchanged, namely that the data provided does not allow a determination to be made on the potential for the wells to be capable of production. Since it can not be established to the satisfaction of the ASLD that the 9-21, 11-18 and 11-21 wells are capable of producing in paying quantities, the ASLD will be denying Ridgeway's request to pay shut-in royalty on the 13-101357 and 13-101510 leases. Subsequent to this determination, the respective leased areas would then be awarded to Mr. Gary Kiehne (as application 13-110557) and Hunt Oil Company (as application 13-110626).

Understanding that Ridgeway would appeal a decision to deny paying shut-in royalty on the two leases, prior to issuing a formal decision on the matter, the ASLD advises Ridgeway to apply with the Arizona Oil and Gas Conservation Commission (OGCC) for shut-in status of the three wells by filing the appropriate well completion documents as

Mr. Thomas White
April 23, 2008
Page 2 of 2

per Arizona Administrative Code (ACC) Title 12, Chapter 7, Article 1, Section R12-7-121. If the OGCC grants Ridgeway shut-in status for the three wells, the ASLD will honor this determination and extend the two leases under shut-in royalty provisions for an additional five years from the expiration date of the leases (January 18, 2006). Ridgeway should complete this action by the next OGCC meeting on July 18, 2008. If Ridgeway chooses not to take this measure, please let me know so the ASLD can issue the formal decision via a Commissioner's Order.

If you have any questions, I may be contacted at the address on the letterhead, by e-mail at jdixon@land.az.gov, or by phone at (602) 542-2688.

Sincerely,



Joseph A. Dixon
Geologist

Attachment

cc: Bill Dowdle, Director, Natural Resources Division, ASLD;
Steve Rauzi, Oil and Gas Administrator, Arizona Geological Survey;
Gary Kiehne; P.O. Box 2039; Springerville, AZ 85938
Bill Rex, Hunt Oil Company; 1900 North Akard Street; Dallas, TX 75202
Lease Files

H.J. GRUY AND ASSOCIATES, INC.

333 Clay Street, Suite 3850, Houston, Texas 77002 • TEL. (713) 739-1000 • FAX (713) 739-6112

April 21, 2008

Arizona State Land Department
1616 West Adams Street
Phoenix, Arizona 85007

Attention: Joe Dixon
Geologist

Re: Updated
Production Capacity Review
11-21 State
11-18 State
9-21 State

Gentlemen:

At the request of the Arizona State Land Department (ASLD), H.J. Gruy and Associates, Inc. has independently reviewed a set of supplemental data provided for the three, above referred, wells located in Apache County, Arizona. As specified in our contract with the ASLD (#LAND-2008-859), we have formed judgments regarding the three wells based on the new information supplied and our previous work for the ASLD on this issue.

Our effort was focused on judging if the available individual well data is sufficient to determine whether or not each well is currently capable of producing Carbon Dioxide and Helium from penetrated subsurface geologic formations. Additionally, our review was structured to consider if the data were adequate to estimate production rates that could be achieved and sustained by each well. We were also asked to provide engineering advice to the Land Department concerning possible future actions that would explicitly demonstrate the production capability and capacity of each well.

The subject wells are: the 11-21 State and 11-18 State wells located on oil and gas lease 13-101357; and the 9-21 State well located on oil and gas lease 13-101510.

We have reviewed the information provided on March 10, 2008, by the Arizona State Land Department for each of the aforementioned wells in combination with the data, in our files, that were previously provided by the ASLD.

It is our conclusion, after examination of the recently provided information, that the judgments and recommendations presented to the ASLD in our letter dated June 23, 2006, titled *Production Capacity Review, 11-21 State, 11-18 State, 9-21 State* are unchanged.

In conducting this work, we relied on data supplied on March 10, 2008, by the Arizona State Land Department, plus data supplied by the Land Department for our previous review, and to a limited extent, data available in the public record. Provided data were accepted as represented, and we have assumed the authenticity and completeness of all documents submitted. No independent well tests or property inspections were conducted by our staff in conjunction with this work. The opinions presented in this report reflect our informed judgments based on generally accepted standards of professional investigation but are subject to those recognized uncertainties associated with interpretation of engineering and geologic information and subject to any limitations explicitly described herein. In conducting our work, we performed investigations to the level of detail that we deem reasonably appropriate to form the judgments expressed herein. The opinions and recommendations stated herein may be revised if additional data becomes available to us.

H.J. Gruy and Associates, Inc. is a privately owned, independent consultancy, and compensation for our efforts is not contingent upon the outcome of our work. We have no financial interest in the properties reviewed and foresee no future interest in the properties. Any distribution or publication of this report or any part thereof must include this letter in its entirety. This report is for guidance, but responsibility for subsequent decisions resides with the decision maker.

Sincerely yours,

H.J. GRUY AND ASSOCIATES, INC.
Texas Registration Number F-000637

by: 
Robert Rasor, P.E.
Executive Vice President
Engineering Manager



RR/pab

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H.J. GRUY AND ASSOCIATES, INC.

333 Clay Street, Suite 3850, Houston, Texas 77002 • TEL. (713) 739-1000 • FAX (713) 739-6112

June 23, 2006

Arizona State Land Department
1616 West Adams Street
Phoenix, Arizona 85007

Attention: Michael Rice
Manager, Minerals Section

Re: Production Capacity Review
11-21 State
11-18 State
9-21 State

Gentlemen:

At the request of the Arizona State Land Department, H.J. Gruy and Associates, Inc. has independently reviewed the data provided for three wells located within the state of Arizona. As specified in our contract with the Land Department, we have formed judgments concerning specific questions regarding the three wells.

Our effort was mainly focused on judging if the available individual well data is sufficient to determine whether or not each well is currently capable of producing Carbon Dioxide and Helium from penetrated subsurface geologic formations. Additionally, our data review was structured to consider if the data were adequate to estimate production rates that could be achieved and sustained by each well. We were also asked to examine reports published by William M. Cobb & Associates, Inc. that provide a resource evaluation with analyses of the subject wells. The examination was designed to assess the degree of completeness and the reliability of the Cobb & Associates work. We were also asked to provide engineering advice to the Land Department concerning possible future actions that would explicitly demonstrate the production capability and capacity of each well.

The subject wells are: the 11-21 State and 11-18 State wells located on oil and gas lease 13-101357; and the 9-21 State well located on oil and gas lease 13-101510.

We have reviewed the information provided by the Arizona State Land Department for each of the aforementioned wells. In our judgment, the provided data is not sufficient to determine if each well is currently capable of producing. Although a variety of data is available, the quantity and quality of the basic data varies significantly among the wells. We believe that the coherence and completeness of the individual well data is not adequate to allow for reliable, explicit computations of well production flow rates. Additionally, it should be noted that in those few instances where measured flow test information is available, we do not consider the data to be

sufficient to form the basis for a reliable estimate of sustainable production capability. It should be recognized that although post-drilling subsurface formation pressure measurements indicate that some fluids have been produced from selected formations in selected wells, this observation should not lead to the conclusion that the wells are capable of sustainable gas production.

The reports published by William M. Cobb & Associates, Inc. were studied, by us, to determine if the conclusions provided therein are supported by diligent engineering and geosciences work. It is our opinion that the work forming the basis of the aforementioned reports is complete and represents a reasonable approach to the analysis requested. Cobb & Associates used a numerical reservoir simulation model to generate a forecast of the future production attributable to wells in the area of study. Given the quantity and quality of the data available to Cobb & Associates, we believe this methodology fits the task. The reader should, however, be aware that the application of numerical reservoir simulation in cases such as this requires the engineer to make choices and assumptions regarding model data input requirements not satisfied by the available basic data set. Therefore, the resulting forecast, although theoretically robust, may differ, for various reasons, from actual future performance.

It is our opinion, considering the limited amount of useable data available from each well and the unquantified possible limitations of the reservoir simulation work, that another approach is best suited to resolving concerns of production capability. We strongly recommend that Ridgeway Petroleum Corp. in cooperation with the Arizona State Land Department conduct a long-term production flow test on each of the subject wells. All aspects of each well production test should be performed by an independent well testing company. The test on each well should extend for a period not less than seventy-two (72) hours, and should be performed with a completion scheme that is the same as the completion concept anticipated by the operator during future continuous production operations. Individual well flow tests should be designed as a flow-after-flow test, and should be performed such that the various set flow rates differ significantly in magnitude. The independent testing company should continuously monitor well behavior during the test period to ensure reliable data recording. At a minimum, the flow rates, flowing surface tubing pressure, choke size, and flowing surface tubing temperature should be recorded, and a formal report including recorded data measurements should be issued by the testing company. We urge Ridgeway Petroleum Corp. and the Arizona State Land Department to make every effort to initiate these tests within the next 90 days to take advantage of summer weather conditions.

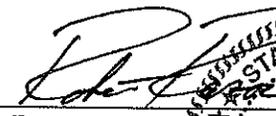
In our judgment, long-term testing of each subject well is the most efficient and reliable approach to determining well production capability without reliance on subjective interpretations of the limited currently existing data sets.

In conducting this work, we relied on data supplied by Ridgeway Petroleum Corp. and the Arizona State Land Department, and to a limited extent, data available in the public record. Provided data were accepted as represented, and we have assumed the authenticity and completeness of all documents submitted. No independent well tests or property inspections were conducted by our staff in conjunction with this work. The opinions presented in this report reflect our informed judgments based on generally accepted standards of professional investigation but are subject to those recognized uncertainties associated with interpretation of engineering and geologic information and subject to any limitations explicitly described herein. In conducting our work, we performed investigations to the level of detail that we deem reasonably appropriate to form the judgments expressed herein. The opinions and recommendations stated herein may be revised if additional data becomes available to us.

H.J. Gruy and Associates, Inc. is a privately owned, independent consultancy, and compensation for our efforts is not contingent upon the outcome of our work. We have no financial interest in the properties reviewed. Any distribution or publication of this report or any part thereof must include this letter in its entirety. This report is for guidance, but responsibility for subsequent decisions resides with the decision maker.

Sincerely yours,

H.J. GRUY AND ASSOCIATES, INC.
Texas Registration Number F-000637

by: 
Robert Rasor, P.E.
Executive Vice President
Engineering Manager



RR/pab

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Subject: July 18, 2008 Oil and Gas Conversation Commission Hearing

From: "Bill Rex" <BRex@huntoil.com>

Date: Thu, 17 Jul 2008 16:50:06 -0500

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

Steve, pursuant to your Oil and Gas Conversation Commission Hearing to be held tomorrow July 18, 2008, Agenda Item # 5. Hunt Oil USA, Inc., respectfully requests that the Arizona Oil and Gas Conversion Commission deny Ridgeway Arizona Oil Corporation's request for shut-in status on the 9-21 State Well (Permit 897). Hunt feels that Ridgeway's request for shut-in status in 2008 for a well drilled in 1997 is an unreasonable request. If it was Ridgeway's intention to request shut-in status on this well, it should have been more appropriate to do so when the well was actually drilled, not 11 years later in an administrative effort to save a lease that should have expired by its own terms.

If you have any questions regarding Hunt's position on this matter, please do not hesitate to contact me.

Bill Rex, CPL

Vice President-U.S. Land & Negotiations

Hunt Oil USA, Inc.

1900 North Akard Street

Dallas, Texas 75201-2300

214-978-8600 (office)

214-978-8673 (fax)

brex@huntoil.com

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 before drilling a new well, re-entering an abandoned well, or assuming responsibility as the operator of an existing well. Choosing one of the following options, an operator shall provide a performance bond for each well or a blanket perfor-

mance bond 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, plug each dry or abandoned well, repair each well causing waste or pollution, maintain and restore each well site and otherwise act in a manner that is consistent with A.R.S. Title 27 Chapter 4 and this Chapter:

1. For individual wells, an operator shall provide a \$10,000 bond for each well drilled to a total depth of 10,000 feet or less or a \$20,000 bond for each well drilled deeper than 10,000 feet, or
2. For multiple wells, an operator shall provide one of the following blanket bonds to cover all wells:
 - a. \$25,000 for 10 or fewer wells;
 - b. \$50,000 for more than 10 but fewer than 50 wells; or
 - c. \$250,000 for 50 or more wells.
- B. An operator shall provide 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 an operator plans to transfer a property and desires release from the bond, the following rules apply:
 1. The operator shall notify the Commission in writing of the proposed transfer, providing 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 operator shall obtain from the proposed transferee a declaration to the Commission in writing, accepting the transfer and responsibility for each well. As the new operator, the proposed transferee shall submit a new bond or bonds unless the transferee has previously provided a blanket bond that complies with subsection (A)(2);
 3. If 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 transferor and the bonding company in writing of the 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). Amended by final rulemaking at 11 A.A.R. 2948, effective September 10, 2005 (Supp. 05-3).

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;

(H₂S) in excess of 10 ppm and in areas where the presence or absence of H₂S is unknown, the operator shall contract the services of an approved H₂S safety company to be on location at the known or expected depths.

- B. A written contingency plan providing details of actions to be taken to alert and protect operating personnel and members of the public in the event of an accidental release of H₂S gas shall be submitted to the Commission as part of the initial application for a permit to drill or as a sundry notice.

Historical Note

Former Rule 117; Former Section R12-7-118 renumbered and amended as Section R12-7-119, former Section R12-7-117 renumbered and amended as Section R12-7-118 effective September 29, 1982 (Supp. 82-5). Amended effective January 19, 1994 (Supp. 94-1).

R12-7-119. Wellhead and Lease Equipment

- A. The operator shall install and maintain valves, fittings, and wellhead connections that
1. Have a rated working pressure equivalent to at least 100% of the calculated or known surface pressure to which they may be subjected from the producing zone;
 2. Allow well production, productivity, deliverability, and transient pressure tests;
 3. Permit pressures to be obtained on both casing and tubing; and
 4. Control the flow of the oil, gas, or geothermal resources on a flowing well.
- B. The operator shall produce flowing oil wells into tanks equipped with high-low pressure and high-low level shut-in controls and shall install a safety valve that automatically closes on the wellhead in the event of surface production equipment malfunctions.
- C. The operator shall equip artificial lift wells with wellhead safety sensors to shut off the source of power in the event of abnormally high or low flowline pressures.

Historical Note

Former Rule 118; Former Section R12-7-119 renumbered and amended as Section R12-7-120, former Section R12-7-118 renumbered and amended as Section R12-7-119 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

R12-7-120. Notification of Fire, Leaks, Spills, and Blowouts

- A. Each operator shall notify the Commission within 24 hours of any fire, break, leak, spill, overflow, or blowout that occurs at any oil, gas, or geothermal drilling, producing, or transportation facility, or at any injection, disposal, or storage facility.
- B. Each operator shall file a final written report within 15 days of resolving incidents described in subsection (A) giving the location by quarter-quarter section, township, and range; date and time of occurrence; specific nature and cause of the incident; resultant damage; action taken to correct the situation and prevent its reoccurrence; and losses of hydrocarbons or geothermal resources.

Historical Note

Former Rule 119; Former Section R12-7-120 renumbered and amended as Section R12-7-121, former Section R12-7-119 renumbered and amended as Section R12-7-120 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

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 cas-

ing, 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 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 W. Congress, Ste. 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 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 six months to two years from the date of the request if the Commission finds that the operator has 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.

Historical Note

Former Rule 120; Former Section R12-7-121 renumbered and amended as Section R12-7-122, former Section R12-7-120 renumbered and amended as Section R12-7-121 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). Amended by final rulemaking at 13 A.A.R. 4596, effective February 2, 2008 (Supp. 07-4).

R12-7-122. Recompletion and Routine Maintenance Operations

- A. After a well has been completed, it shall not be deepened, redrilled, plugged back, reworked, or recompleted in a different zone, without prior approval by the Commission of a written application showing the character of the proposed work and the time it will begin. The Commission shall notify the

applicant in writing whether the proposed work is approved or disapproved.

- B. In the case of an emergency, an application may be made by electronic communication, and the Commission may by electronic communication authorize the work; however, written application required in subsection (A) shall be filed with the Commission within 10 days after emergency authorization is given, even though the work has already been commenced or completed. The Commission shall confirm the emergency authorization in writing upon receipt of the written application.
- C. Written approval from the Commission is not required on acidizing, fracturing, and reperforating, or other routine well operations designed to restore or maintain production.
- D. Within 15 days following the completion of any work described in this Section, the operator shall file a written report with the Commission identifying the well and fully describing the work performed. If the well is recompleted, a completion report shall be filed as required by R12-7-121.

Historical Note

Former Section R12-7-121 renumbered and amended as Section R12-7-122 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

R12-7-123. Reserved

R12-7-124. Reserved

R12-7-125. Temporarily Abandoned and Shut-in Wells

- A. 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 Commission permits the well to be temporarily abandoned or shut-in. The Commission shall not classify a well as shut-in until the operator submits a completion report under R12-7-121.
- B. An operator may temporarily abandon or shut-in a well for up to 5 years if the operator demonstrates to a quorum of the Commission a future beneficial use of the well and submits a Sundry Notice to the Commission containing the following information:
 1. Evidence of casing integrity as required in R12-7-112 including a complete description of the current casing, cementing, and perforation record of the well;
 2. The stimulation and cement squeeze record and complete data on the results of any well tests performed to date; and
 3. All other well data required in R12-7-121(A).
- C. Before an approved time-frame for a temporarily abandoned or shut-in well expires, the operator shall return the well to beneficial use under a plan approved by the Commission, permanently plug and abandon the well, or apply for an extension to temporarily abandon or shut-in the well. If the integrity of the well casing is in question, the Commission may require the operator to:
 1. Prove casing integrity in accordance with R12-7-112;
 2. Plug any well that fails to meet the casing integrity required by R12-7-112; and
 3. Re-test the well in accordance with R12-7-150 to continue shut-in status.
- D. An operator shall ensure that no work begins on a temporarily abandoned or shut-in well until approved by the Commission. The operator shall give at least 24 hours' notice to the Commission before any work begins. Within 15 days of completing the proposed work, the operator shall file a written report with the Commission fully describing the work performed including a copy of all test rates, pressures, and fluid analyses.

Historical Note

Adopted effective January 2, 1996 (Supp. 96-1).
Amended by final rulemaking at 6 A.A.R. 4827, effective December 7, 2000 (Supp. 00-4).

R12-7-126. Application to Plug and Abandon

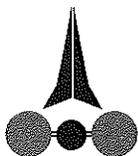
- A. Before abandoning any well, the operator shall submit an application to plug and abandon to the Commission and obtain approval. The application shall set forth the name and location of the well, the mechanical condition of the well, the productive zone and latest production, and a complete description of the proposed work. The plan shall provide for the protection of all formations containing usable-quality water, oil, gas, or geothermal resources.
- B. In the case of a drilling well or an emergency, the application may be made by electronic communication, and the Commission may by electronic communication authorize the work; however, the operator shall file a written application within 10 days after the emergency authorization is given even though the work has already been commenced or completed. The Commission shall confirm the emergency authorization in writing upon receipt of the written application.

Historical Note

Former Rule 201; Amended effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

R12-7-127. Plugging Methods and Procedures

- A. Before abandoning any well, the operator shall submit an application to plug and abandon to the Commission for approval as required in R12-7-126. All down-hole plugging shall be conducted through drill pipe or tubing, unless otherwise approved by the Commission.
- B. Open hole
 1. A cement plug shall be placed to extend at least 50 feet below the bottom, except as limited by total depth or plugged back total depth, to 50 feet above the top of any zone containing fluid with a potential to migrate, any zone of lost circulation, and any zone containing potentially valuable minerals, including noncommercial hydrocarbons, coal, and oil shale.
 2. All freshwater zones shall be plugged with a continuous cement plug which shall extend from at least 50 feet below to at least 50 feet above the freshwater zone, or a 100-foot plug shall be centered across the base of the freshwater zone and a 100-foot plug shall be centered across the top of the freshwater zone.
 3. Open hole below the shoe of cemented casing shall be plugged with cement which shall extend from at least 50 feet below to at least 50 feet above the shoe.
- C. Cased hole
 1. A cement plug shall be placed opposite all open perforations and extend to a minimum of 50 feet below, except as limited by total depth or plugged back total depth, to 50 feet above the perforated interval. In lieu of the cement plug, a bridge plug may be placed within 50 to 100 feet above the open perforations and followed by at least 50 feet of cement.
 2. If any casing is cut and recovered, a cement plug shall be placed to extend at least 50 feet above and below the stub.
 3. No annular space that extends to the surface shall be left open to the drilled hole below. If this condition exists, a minimum of the top 100 feet of each annulus shall be plugged with cement.
- D. Plugging mud having the proper weight and consistency to prevent movement of other fluids into or within the bore hole shall be placed across all intervals not plugged with cement. In



Ridgeway

Arizona Oil Corporation

St. Johns Helium/CO₂ Project
P.O. Box 1110 • St. Johns, AZ 85936

item 6

July 2, 2008

hcd 7-3-08

Oil & Gas Commission
410 W Congress Ste 100
Tucson, AZ 85701

Attn: Mr. Steve Rauzi

RE: Request for Horizontal Drilling

Dear Mr. Rauzi:

Ridgeway Arizona Oil Corp. requests permission to drill horizontal segments in our wells which are located in Townships 9 North through 12 North, and Ranges 28 East through 31 East, of the Gila and Salt River Meridian, in Apache County Arizona.

Drilling the horizontal segments in the wells will increase deliverability, therefore, reducing well density. If permission is granted, Ridgeway will continue to file timely reports and keep the Arizona Oil & Gas Commission and Arizona State Land Department abreast of our drilling operations.

If you have any questions, please feel free to contact me at 888-337-7444.

Sincerely,

Thomas White
Field Operations Supervisor

cc: Well Files

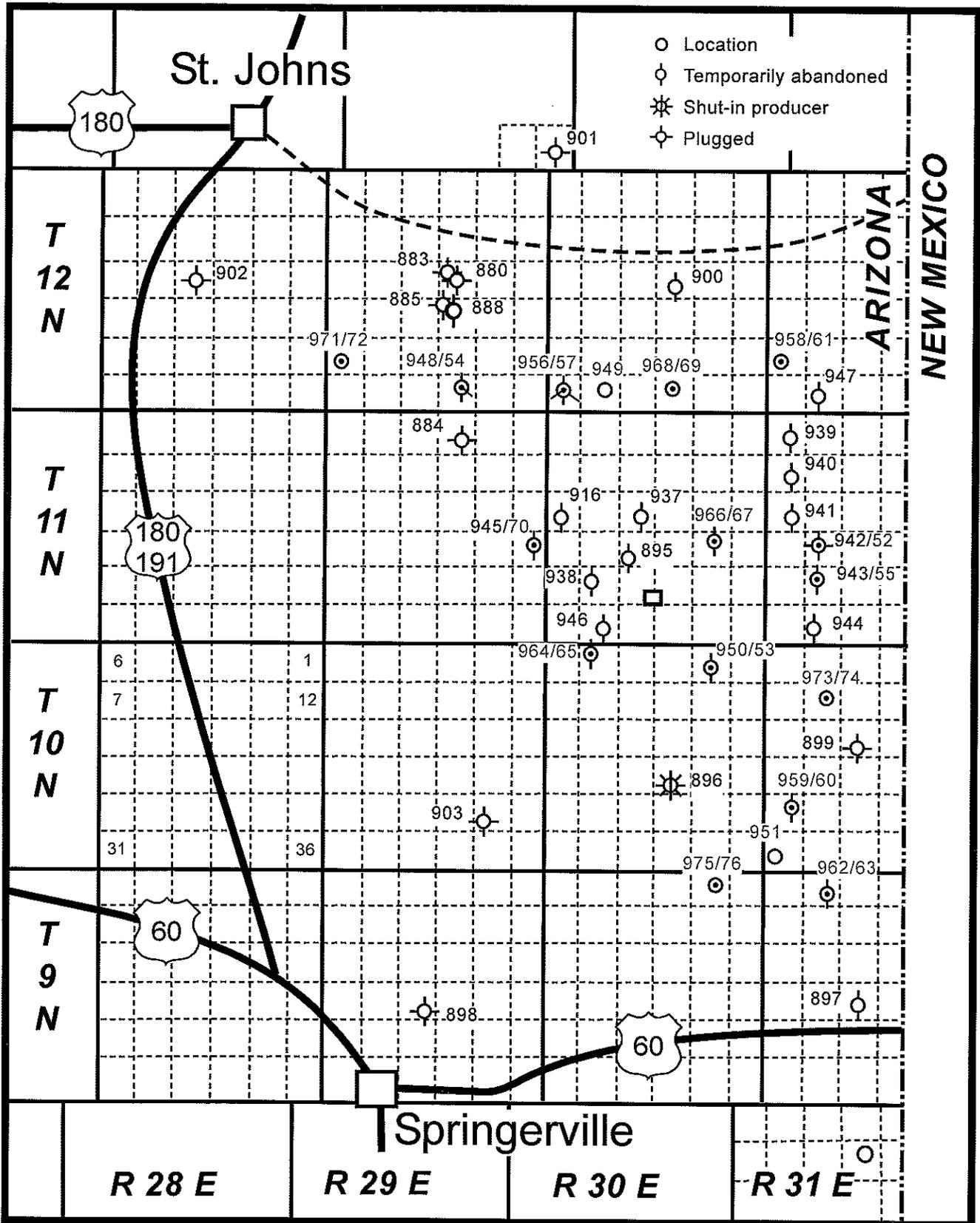
P.O. BOX 1110
St. Johns, AZ 85936

Tel: 928-337-3230
Fax: 928-337-3162

Email: ridgewayaz@frontiernet.net

item 7

Ridgeway Arizona Oil Corporation Wells



6/10/08



Location and status of Ridgeway Arizona Oil Corp wells in east-central Arizona

<u>Permit</u>	<u>Well</u>	<u>Location Sec-Twp-Rge</u>	<u>Total Depth</u>	<u>Status and comment</u>
880	1 Plateau Cattle	ne sw 15-12n-29e	2431 ft	Completed as gas 8/1994, plugged 9/1997
883	1A Plateau Cattle	ne sw 15-12n-29e	220 ft	Drilled 11/1994, plugged 11/1997
884	3-1 State	ne se 3-11n-29e	1813 ft	Completed as gas 10/1995, plugged 9/2004
885	22-1 State	nw nw 22-12n-29e	218 ft	Drilled 8/1995, plugged 8/1997
888	22-1X State	se nw 22-12n-29e	2149 ft	Completed as gas & shut-in 6/1997
890	35-1 State	ne sw 35-12n-29e	not drilled	Permit expired 4/1997
891	10-1 State	sw ne 10-11n-29e	not drilled	Permit expired 4/1997
892	11-1 State	se nw 11-11n-29e	not drilled	Permit expired 4/1997
893	2-1 State	se nw 2-11n-29e	not drilled	Permit expired 4/1997
895	11-21 State	ne sw 21-11n-30e	2410 ft	Drilled 3/1997, temporarily abandoned
896	10-22 State	sw sw 22-10n-30e	2265 ft	Completed as gas 7/2002; shut in 3/2004
897	9-21 State	sw ne 21-9n-31e	2686 ft	Drilled 3/1997, temporarily abandoned
898	9-22-29 State	sw se 22-9n-29e	3180 ft	Drilled 4/1997, plugged 2/2004
899	10-16-31 State	ne sw 16-10n-31e	2728 ft	Drilled 5/1997, plugged 2/2004
900	12-15-30 State	ne sw 15-12n-30e	2603 ft	Drilled 5/1997, temporarily abandoned
901	13-36-29 State	sw ne 36-13n-29e	2454 ft	Drilled & plugged 5/1997
902	12-16-28 State	nw ne 16-12n-28e	2280 ft	Drilled 5/1997, plugged 1/2005
903	10-26-29 State	nw sw 26-10n-29e	3200 ft	Drilled 5/1997, plugged 1/2000
904	15-28-29 State	ne nw 28-15n-29e	2410 ft	Drilled & plugged 6/1997
915	11-33 State	ne sw 33-11n-30e	not drilled	Permit expired 10/2004
916	11-18 State	c sw 18-11n-30e	2535 ft	Drilled 5/2004, temporarily abandoned
917	10-13 State	ne sw 13-10n-30e	not drilled	Permit expired 10/2004
937	11-16-30 State	nw se 16-11n-30e	2377 ft	Drilled 3/2007, temporarily abandoned
938	11-29-30 State	se nw 29-11n-30e	1906 ft	Drilled 2/2007, temporarily abandoned
939	11-06-31 State	nw se 06-11n-31e	2711 ft	Drilled 4/2007, temporarily abandoned
940	11-07-31 State	nw se 07-11n-31e	1885 ft	Drilled 4/2007, temporarily abandoned
941	11-18-31 State	nw se 18-11n-31e	2035 ft	Drilled 4/2007, temporarily abandoned
942	11-20-31 State	se nw 20-11n-31e	1934 ft	Drilled 5/2007, plugged 2/10/08
943	11-29-31 State	se nw 29-11n-31e	2850 ft	Drilled 5/2007, RU 7 dy flow test 2/7/08
944	11-32-31 State	ne sw 32-11n-31e	2900 ft	Drilled 5/2007, temporarily abandoned
945	11-24-29 State	sw ne 24-11n-29e	1906 ft	Drilled 2/2007, Reenter 2/5/08
946	11-32-30 State	c se 32-11n-30e	1690 ft	Drilled 3/2007, temporarily abandoned
947	12-32-31 State	ne sw 32-12n-31e	85 ft	Spudded 5/2007, temporarily abandoned
948	12-34-29 State	nw ne 34-12n-29e	1140 ft	Spudded 2/15/2008, blow out plugged 2/18
949	12-32-30 State	sw ne 32-12n-30e	not drilled	Permitted 1/10/2008
950	10-02-30 State	sw ne 02-10n-30e	2650 ft	Spudded 1/31/2008, perf 1710-48
951	10-31-31 State	nw sw 31-10n-31e	not drilled	Permitted 3/25/08
952	11-20-31x State	se nw 20-11n-31e	not drilled	Permitted 1/29/2008
953	10-02-30x State	sw ne 02-10n-30e	1899 ft	Spudded 2/27/2008, 9 5/8 at 1147, eval
954	12-34-29x State	nw ne 34-12n-29e	3048 ft	Spudded 2/20/08, retainer 1921 hor 1990 tv
955	11-29-31x State	se nw 29-11n-31e	1909 ft	Spudded 3/12/2008, 7" 1909, p 1866-1904
956	12-31-30 State	se nw 31-12n-30e	2814 ft	Spudded 3/1/08, retainer 2031 hor
957	12-31-30x State	se nw 31-12n-30e	2622 ft	Spudded 3/16/08, retainer 1640 hor 1548 tv
958	12-30-31 State	sw sw 30-12n-31e	not drilled	Permitted 2/04/08
959	10-29-31 State	sw ne 29-10n-31e	4202 ft	Spudded 3/09/08, 5 1/2 at 2490, tvd 2217
960	10-29-31x State	sw ne 29-10n-31e	not drilled	Permitted 2/04/08
961	12-30-31x State	sw sw 30-12n-31e	not drilled	Permitted 3/04/08
962	09-05-31 State	nw se 05-09n-31e		Spudded 4/02/08, lost air hammer
963	09-05-31x State	nw se 05-09n-31e	2969 ft	Spudded 4/07/08, retainer at 2590 hor
964	10-05-30 State	nw nw 05-10n-30e	2600 ft	Spudded 3/28/08, 7-dy test w/ DH bomb
965	10-05-30x State	nw nw 05-10n-30e	not drilled	Permitted 3/21/08
966	11-23-30 State	nw ne 23-11n-30e	2550 ft	Spudded 4/23/08, 7 at 2370, acid 5/27
967	11-23-30x State	nw ne 23-11n-30e	not drilled	Permitted 3/21/08
968	12-34-30 State	se nw 34-12n-30e	not drilled	Permitted 6/10/08
969	12-34-30x State	se nw 34-12n-30e	not drilled	Permitted 6/10/08
970	11-24-29x State	sw ne 24-11n-29e	2137 ft	Spudded 4/25/08, 9 5/8 a 930, 7 a 2137

Data Status for wells spudded or drilled in 2007

Permit	Well Name	Location	Start	Finish	Depth	SN	Mud	Wire	Test	Gas	Comment
937	11-16-30 State	nw se 16-11n-30e	02/26	03/14	2377 ft	1912		GR	X	X	1.1 mmcf/d 4-27 to 5-11
938	11-29-30 State	se nw 29-11n-30e	01/26	02/05	1906 ft	1911	X		X	X	2.5 mmcf/d
939	11-06-31 State	nw se 06-11n-31e	03/17	04/05	2711 ft	1918			X	X	2.65 mmcf/d 4-13 to 5-8
940	11-07-31 State	nw se 07-11n-31e	04/07	04/24	1885 ft	1915					WOE & surf csg at 1885
941	11-18-31 State	nw se 18-11n-31e	04/09	04/24	2035 ft	1917					WOCT & high wtr flow
942	11-20-31 State	se nw 20-11n-31e	04/24	05/14	1934 ft	1916					WOE & surf csg at 1934
943	11-29-31 State	se nw 29-11n-31e	04/26	05/14	2850 ft		X	X	X		Rig for 7 dy flow test 2/7
944	11-32-31 State	ne sw 32-11n-31e	04/26	05/14	2900 ft	1919					WOE, fish in hole
945	11-24-29 State	sw ne 24-11n-29e	02/12	02/27	1906 ft	1913		GR	X	X	DIL Feb 08
946	11-32-30 State	c se 32-11n-30e	02/16	03/08	1690 ft	1914				X	WOCT, no flow test
947	12-32-31 State	ne sw 32-12n-31e	04/26	05/14	0085 ft						Conductor to 85

Data Status for wells spudded or drilled in 2008

948	12-34-29 State	nw ne 34-12n-29e	02/15	02/17	1140 ft	1920					Plugged due to bad hole
950	10-02-30 State	ne sw 02-10n-30e	01/29	02/19	2650 ft						Perf 1710-48'
953	10-02-30x State	ne sw 02-10n-30e	02/27		1899 ft						Evaluate
954	12-34-29x State	nw ne 34-12n-29e	02/20	03/04	3048 ft		X	X			retainer 1921 hor 1990 tvd
955	11-29-31x State	se nw 29-11n-31e	03/12		1909 ft		X				7 at 1909, perf 1866-1904
956	12-31-30 State	se nw 31-12n-30e	02/22	3/10	4202 ft	1921	X				5 1/2" 2490 ret 2031 TVD 2217
957	12-31-30x State	se nw 31-12n-30e	03/16		2622 ft	1922	X				7" 1540 ret 1640 TVD 1548
959	10-29-31 State	sw ne 29-10n-31e	03/09		2869 ft	1923	X	X			cbl, nfd
962	9-05-31 State	nw se 05-09n-31e	04/02								Lost air hammer
963	9-05-31x State	nw se 05-09n-31e	04/07		2969 ft			NFD			Retainer 2590 hor ap
964	10-05-30 State	nw nw 05-10n-30e	03/28		2600 ft			IL	X	X	Run 7-dy flow test
966	11-23-30 State	nw ne 23-11n-30e	04/23		2550 ft						9 5/8 at 1134, 7 at 2370, acid
970	11-24-29x State	sw ne 24-11n-29e	04/24		2137 ft						Spud 4/25, 9 5/8 a 930, 7 a 2137

5/21/08

item 8

STATE (PERMIT 947); POSSIBLE REPORT FROM A REPRESENTATIVE OF RIDGEWAY, AND POSSIBLE DECISION CONCERNING EXTENSION OF TEMPORARY ABANDONMENT

Mr. Rauzi discussed the information that Ridgeway submitted for the wells drilled in 2007 and the status of all of the wells including three on leases pending a decision from the Land Department to extend the leases by paying shut-in royalty. He recommended conditional extension of temporary abandonment to January 2008 for the 11-21, 9-21, and 11-18 and extension of temporary abandonment to January 2008 for the remainder of the wells.

Mr. Rice reported that the Land Department anticipated a decision on the shut-in royalty issue regarding the 11-21, 9-21, and 11-18 wells in the near future and wanted to see all of the wells fully tested and either completed as gas wells or plugged and abandoned in the next year. He discussed the issue of the lessee's obligations and access to the wells pending the Land Department's decision to extend leases by payment of shut-in royalties.

Mr. Portman discussed Ridgeway's program to test every well to either be included as a reserve well in an SEC-quality reservoir report from Cawly & Gillespie or plugged and abandoned. He explained that Ridgeway needed the report to demonstrate at least two trillion cubic ft of reserves to justify construction of a pipeline to the Permian Basin.

Mr. White discussed the timeline to drill new wells in 2008 and complete the work that Ridgeway wanted to accomplish for the wells drilled in 2007 and previous years. He discussed Ridgeway's perspective regarding the shut-in royalty issue.

Mr. Jones moved, seconded by Ms. Negley:

TO EXTEND TEMPORARY ABANDONMENT OF THE 22-1X , 11-21, 10-22, 9-21, 11-18, 11-16-30 , 11-29-30 , 11-06-31 , 11-07-31 , 11-18-31 , 11-20-31 , 11-29-31 , 11-32-31, 11-24-29 , 11-32-30 , AND 12-32-31 THROUGH JANUARY 2009

Motion carried unanimously.

✓ } Mr. White and Mr. Rice discussed the issue of liability for the wells pending a decision from the Land Department regarding the shut-in royalty issue. The Commission requested its counsel, Mr. Cox, to look into the liability issue. Mr. Cox advised that Ridgeway should also explore the question of liability with its counsel in light of its concern about the issue.

DISCUSSION ABOUT OIL AND GAS CONSERVATION COMMISSION LETTERHEAD

Mr. Rauzi drafted a letterhead like the one the Commission had used when it was a stand-alone agency in Phoenix. The Commission agreed with a suggestion from Mr. Wagner to modify the drafted layout slightly and add the Oil and Gas Program Administrator for another review at the next meeting.

ELECTION OF OFFICERS

Ms. Negley moved, seconded by Mr. Wagner:

TO CONTINUE THE CURRENT OFFICERS FOR TWO MORE YEARS



Janet Napolitano
Governor

Oil and Gas Conservation Commission

State of Arizona

416 W. Congress, Suite 100

Tucson, Arizona 85701

520-770-3500

www.azogcc.az.gov

Steven L. Rauzi, Oil and Gas Administrator

item 9

Commissioners:

J. Dale Nations, Ph.D. Chair

Robert L. Jones, Vice Chair

Stephen R. Cooper

Michele P. Negley

Robert L. Wagner

AZOGCC Mtg July 18, 2008

<u>Name</u>	<u>Representing</u>
MICHELE VANQUATHEN	GARY KIEHNE
Thomas White	RAOZ
Barry Portman	RAOZ
Joe Dixon	ASLD
Yale Rogers	self
Bill Dowdle	ASLD