

OIL & GAS CONSERVATION COMMISSION  
MINUTES OF MEETING/OCTOBER 16, 2009  
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 October 16, 2009, at 10:00 a.m. in Room 321 of the State Land Department Building located at 1616 West Adams Street, Phoenix, Arizona 85007.

The agenda for the meeting is as follows:

1. Call to Order
2. Approval of Minutes of Meeting of July 17, 2009
3. Conflicts of interest
4. Report of State Geologist and Director about administrative, budget, and staff support matters
5. Report of Oil & Gas Administrator about new permits and drilling activity
6. Status of El Paso well AGS 1-21 (Permit 933) and possible decision concerning temporary abandonment
7. Status of Ridgeway Arizona Oil Corporation drilling program between St Johns and Springerville including possible report from a representative of Ridgeway
8. 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.
9. Announcements
10. 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 October 2009

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  
July 17, 2009

Present:

Dr. J. Dale Nations, Chairman  
Mr. Robert L. Jones, Vice-Chairman  
Mr. Stephen R. Cooper, Member  
Ms. Michele P. Negley, Member  
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of July 17 to order at 10:01 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF APRIL 17, 2009

Mr. Jones moved, seconded by Mr. Cooper:

THAT THE MINUTES OF THE MEETING OF APRIL 17, 2009, BE ACCEPTED  
AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

Dr. Nations, Ms. Negley, and Mr. Cooper all indicated a potential future conflict of interest regarding NGS Energy. Mr. Cox advised that if they did not have a quorum then they would have to put their conflicts aside and continue with their responsibilities under the statute.

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

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 five permits were issued to Southwest Exploration Company for stratigraphic wells at its potash project southeast of Holbrook. Southwest had finished drilling two of the holes and planned to finish the remaining holes by early August. He reported that Willcox Greenhouse LLC was drilling below 3000 ft at its geothermal well north of Willcox and that APS (Arizona Public Service Company) planned to start drilling its stratigraphic test near the Cholla Power plant next week.

INTRODUCTION OF NGS ENERGY AND ELOY STORAGE PROJECT

Ms. Van Quathem distributed handouts of selected regulations and the NGS project and discussed the Commission's jurisdiction over storage wells. Ms. Laura Luce introduced individuals from NGS Energy and gave an overview of some of NGS Energy's assets and projects around the country with emphasis on the Eloy project. Mr. Chabannes described his

background and gave an overview of the construction and operational aspects of natural gas storage facilities with emphasis on the Eloy storage project. He addressed issues such as water, brine disposal ponds, pressure gradients, and operating pressures.

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

Mr. White indicated that there was no report at this time.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on October 16, 2009, in room 321 at the State Land Department Building in Phoenix.

Mr. Rauzi reported that the Commission's website had been hacked and was off-line for about three weeks to upgrade security features.


ADJOURNMENT

Mr. Jones moved, seconded by Ms. Negley:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:50 p.m.

APPROVED

  
J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE

Charles Chabannes	NGS Energy
Curtis Cox	Assistant Attorney General
Joe Dixon	State Land Department
Laura L Luce	NGS Energy
Deirdre McCaffrey	NGS Energy
Slav Sopkin	EDC
Geof Storey	NGS Energy
Michele Van Quathem	NGS Energy
Thomas White	Ridgeway Arizona Oil Corporation



Janice K. Brewer  
Governor

State of Arizona  
**Oil and Gas Conservation Commission**

416 W. Congress, Suite 100  
Tucson, Arizona 85701  
520-770-3500  
[www.azogcc.az.gov](http://www.azogcc.az.gov)  
Steven L. Rauzi, Oil and Gas Administrator

Commissioners:  
J. Dale Nations, Ph.D. Chair  
Robert L. Jones, Vice Chair  
Stephen R. Cooper  
Michele P. Negley  
Katosha Nakai

October 7, 2009

To: Oil and Gas Conservation Commissioners

From: <sup>SCR</sup> Steven L. Rauzi, Oil and Gas Administrator

Re: Activity Report for the October 16, 2009, Meeting

Six wells were drilled since your last meeting on July 17. Southwest Exploration Company drilled four stratigraphic wells at its potash project southeast of Holbrook. Southwest is holding information from the wells confidential. Willcox Greenhouse LLC drilled its geothermal well north of Willcox to a depth of 4000 ft. Willcox Greenhouse is pleased with the results and is in the process of completing the well to help heat its greenhouse. APS (Arizona Public Service) drilled its stratigraphic well near the Cholla Power plant to a total depth of 3853 ft. The Department of Energy, through the West Coast Carbon Sequestration Partnership, provided most of the funding for the APS well. The APS well revealed that the Devonian and Pennsylvanian rocks underlying the Cholla Power plant are not porous or permeable enough to sequester carbon dioxide.

El Paso Natural Gas submitted a written request to extend temporary abandonment of its AGS 1-21 well in the Picacho Basin for two years. El Paso has submitted evidence of casing integrity including stimulation and cement squeeze record and data on well tests performed to date.

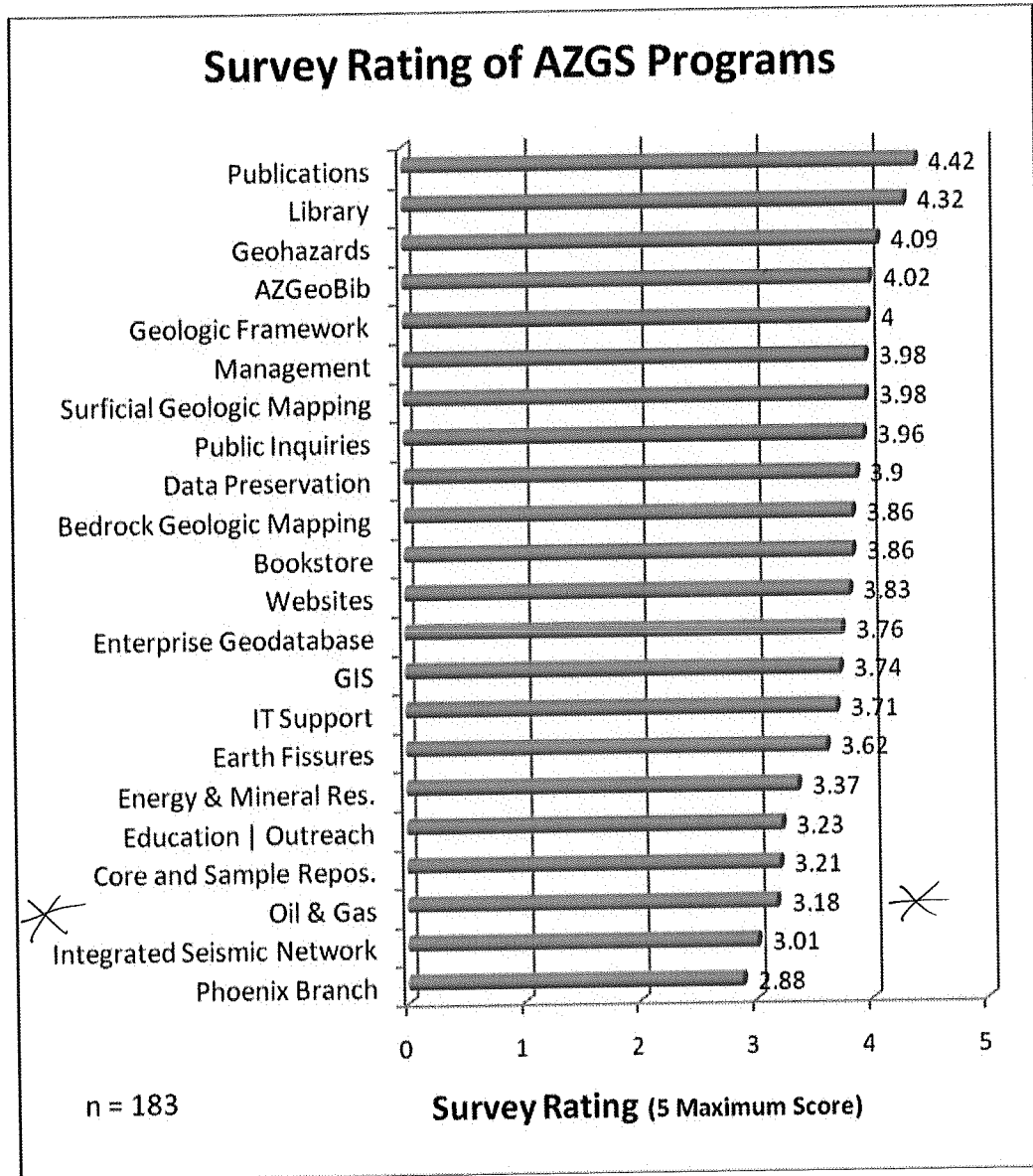
## Rating AZGS Programs

At 11:15 p.m., Saturday, Oct 3, 2009  
 183 Responses, 79 Comments,  
 78 self-identified

Please rate the following Arizona Geological Survey programs in terms of their importance.

Answer Options	Very Important	Important	Moderately Important	Of Little Importance	Unimportant	Rating Average	Response Count
Library: A publically available central repository and a Bookstore: To manufacture and distribute publications	100	52	22	5	3	4.32	182
Publications: Prepare and publish technical, and non-Public inquiries: Provide timely and objective scientific	58	64	42	13	5	3.86	182
Education/Outreach Information: Give lectures and Websites: Host an internet website(s) with topical Bibliography of Arizona Geology: Maintain a publically	108	48	17	5	2	4.42	180
Earth Fissure. Map earth fissures throughout Arizona	69	53	48	10	3	3.96	183
Surficial Geologic Mapping: Map and describe surfical Geohazards: Map, describe and monitor known and Geologic framework: Serve as a primary source of	23	50	63	33	11	3.23	180
	60	57	42	18	4	3.83	181
	81	50	30	16	5	4.02	182
	59	41	45	26	10	3.62	181
	81	47	29	17	7	3.98	181
	91	42	30	6	11	4.09	180
	78	51	33	15	5	4.00	182
* AZ Oil and Gas Conservation Commission: Provide the primary technical and administrative support to the AZOGCC in administering and enforcing regulations	36	40	47	38	21	3.18	182
Bedrock Geologic Mapping: Map and describe the Core and Sample Repository: Operate and maintain a Energy and mineral resources: Map and characterize IT support: Provide technical – hardware and software -- Geographic Information System: Support geologic Enterprise Geodatabase: Operate and maintain a public Data preservation: Digitize and preserve existing analog Phoenix branch: One-person office to respond to AZ Integrated Seismic Network: A state-wide Management: The state geologist shall direct the	70	53	33	16	10	3.86	182
	31	41	58	34	16	3.21	180
	39	52	42	29	17	3.37	179
	54	52	52	17	7	3.71	182
	58	50	49	19	6	3.74	182
	59	50	50	14	8	3.76	181
	64	52	50	13	2	3.90	181
	34	26	45	34	41	2.88	180
	29	36	49	32	30	3.01	176
	77	42	45	10	5	3.98	179
Please add any additional comments:							79
<b>answered question</b>							<b>183</b>
<b>skipped question</b>							<b>0</b>

# Rating of all 22 AZGS Programs: Budget Survey 3 October 2009



### **Arizona Oil and Gas Conservation Commission Milestones**

- **1927.** First act passed by the State Legislature providing for the conservation of oil and gas and regulation of oil and gas wells. Administered by the State Land Commissioner
- **1951. Oil and Gas Conservation Act of 1951.** Created the Arizona Oil and Gas Conservation Commission (OGCC) at the session of the legislature next following the discovery and production of oil or gas in the State
- **1959.** The OGCC was created as a stand-alone State agency in Phoenix. Powers and duties were transferred from State Land Commissioner
- **1972.** The OGCC was given jurisdiction over geothermal resources
- **1978.** The OGCC was given jurisdiction over class II disposal, enhanced recovery, and hydrocarbon storage wells
- **1991.** The OGCC was attached administratively to the AZGS in Tucson

### **Arizona Oil and Gas Conservation Commission 2008-2009 Highlights**

- Issued 30 drilling permits and 14 wells were drilled in 2008
- Issued nine drilling permits and five wells were drilled through August 2009
- 51,575 barrels oil produced in 2008 at average \$90.24/barrel with estimated gross value of \$4,654,128
- 523,130 Mcf of gas produced in 2008 at average \$5.98/Mcf with estimated gross value of \$3,128,317
- 1,018,184 acres of State Trust land leased as of December 2008 at average \$1.00/acre with estimated minimum gross income of \$1,018,184
- 358,321 acres of Federal land leased as of December 2008 at average \$1.50/acre with estimated gross income of \$537,481
- Samples for 639 oil, gas, and geothermal wells representing about 2.1 million linear ft of subsurface information. Statutes require an operator to submit samples from oil, gas, and geothermal wells to the OGCC.



OGCC MTG 10-16-09

<u>Name</u>	<u>Representing</u>
✓ Thomas White	Ridgeway
✓ Louise Erickson	attending w/ Curtis Cox, AAG
✓ Greg Getman	EPNG
✓ Joe Dixon	AZ State Land Dept.