

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING/OCTOBER 15, 2010
STEVEN L RAUZI, OIL & GAS ADMINISTRATOR

NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION
AMENDED
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 15, 2010, 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 30, 2010
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. Report on performance bonds and their status
7. Discussion about IOGCC (Interstate Oil and Gas Compact Commission) annual meeting in Tucson in November 2010
8. Status of Ridgeway Arizona Oil Corporation drilling program between St Johns and Springerville and possible report from a representative of Ridgeway
9. 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.
10. Announcements
11. 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 5th day of October 2010

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 30, 2010

Present:

Dr. J. Dale Nations, Chairman

Mr. Robert L. Wagner, Vice-chairman

Mr. Stephen R. Cooper, Member

Mr. Frank Thorwald, Member

Ms. Maria Baier, State Land Commissioner and ex-officio Member

Dr. M. Lee Allison, State Geologist and Director of Arizona Geological Survey

Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of July 30 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 APRIL 16, 2010

Mr. Thorwald moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF APRIL 16, 2010, BE ACCEPTED
AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

None

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

Dr. Allison reported that the Arizona Geological Survey avoided furloughs, lay-offs, and salary reductions because it has moved from a state-funded to a self-funded agency. He discussed the very large contract of \$22 million the Survey received to build and deploy a nationwide geothermal data system, which has helped the Survey to offset the loss of general fund appropriations. Dr. Allison reported that the Survey set up a separate, stand-alone fund for drilling bonds deposited with the agency and was in the process of developing a signature form for the release of those bond monies. He indicated that the separate bond fund and signature form would protect the bond monies from being swept up in any kind of legislative budget action. Near the conclusion of the meeting but before adjournment, the Commission posted a sign stating that the meeting had moved to room 215, which had internet access, where Dr. Allison demonstrated an online interactive map.

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 ten new permits were issued to Potash Green and Southwest Exploration/Passport Potash. He indicated that Potash Green drilled and plugged two wells and APS plugged its CO₂ sequestration test well near the Cholla power plant.

REPORT ABOUT IOGCC (INTERSTATE OIL AND GAS COMPACT COMMISSION)
ANNUAL MEETING IN TUCSON IN NOVEMBER 2010

Dr. Nations reported that the IOGCC would hold its annual meeting November 15-17 at the El Conquistador hotel in Tucson. He described the general nature of the meeting and the formation of a host committee. Commissioner Thorwald volunteered to serve.

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

Mr. Rauzi asked Mr. White about the status of the surface use plan submitted to the State Land Department for two pending applications to drill. Mr. White reported that it was still forthcoming and noted that Ridgeway planned to start drilling in the fall.

CALL TO THE PUBLIC

Mr. Dixon reported that the Carlson Group had contacted the State Land Department about permitting 10 to 12 potash holes in the next few months and that he had discussed ownership of subsurface pore space used to sequester carbon dioxide with Bob Worsley.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on October 15, 2010, in room 321 at the State Land Department Building in Phoenix.

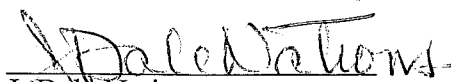
ADJOURNMENT

In room 215, Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

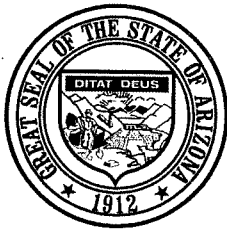
Motion carried unanimously. Time of adjournment was 11:25 a.m.

APPROVED


J. Dale Nations
Chairman

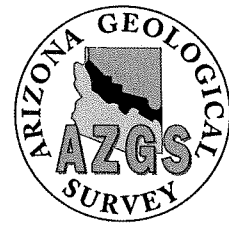
GUESTS IN ATTENDANCE

| | |
|------------------|----------------------------------|
| Mr. Curtis Cox | Assistant Attorney General |
| Mr. Joe Dixon | State Land Department |
| Mr. Thomas White | Ridgeway Arizona Oil Corporation |



Janice K. Brewer
Governor

State of Arizona
Arizona Geological Survey
416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500



M. Lee Allison, Ph.D., R.G.
Director and State Geologist

October 5, 2010

To: Oil and Gas Conservation Commissioners

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

Re: Activity Report for the October 15, 2010, Meeting

No new drilling permits were issued and no wells were drilled or plugged since your last meeting on July 30, 2010. Neither Southwest Exploration/Passport Potash nor Ridgeway Arizona Oil Corporation has started drilling the wells that they permitted.

APS (Arizona Public Service) plugged its well to test the potential of sequestering CO₂ near the Cholla power plant at Joseph City. The Cholla well did not encounter porous or permeable formations near the power plant.

Arizona Natural Gas Storage (ANGS) is continuing to complete various investigations and applications to permit, construct and operate a natural gas storage-well facility in subsurface salt in the Picacho Basin. ANGS introduced themselves and discussed their plans for the natural gas storage facility in your July 2009 meeting. ANGS plans to start drilling early next year.

Cash Securities Held by Arizona Geological Survey in Agency Fund

| Date | Effective date | Operator | Refundable Bond | Forfeited Bond | Amount | Comments |
|------------------------------------|----------------|-----------------------|----------------------|--------------------|----------------------|--|
| 5/21/1973 | | American Fuels | \$ 25,000.00 | | \$ 25,000.00 | There remains an unplugged well and no evidence that the bond was ever cancelled, In 1991 oil and gas was transferred to azgs and we have no record as to whether these funds were transferred |
| 8/1991 | | United Gas | | \$ 5000-4395.28 | \$ 604.72 | |
| 1/1994 | | Contender | | \$ 5,000.00 | \$ 5,000.00 | |
| 6/15/1995 | | Arzon Corp | \$ 10,000.00 | | \$ 10,000.00 | Requesting the General accounting office do more research on this bond to determine if it was paid back. |
| 4/17/2002 | | Aquila | \$ 10,000.00 | | \$ 10,000.00 | Requesting the General accounting office do more research on this bond to determine if it was paid back. |
| 5/24/2004 | 6/18/2004 | Salt Grass | \$ 10,000.00 | | \$ 10,000.00 | No well-wants to maintain-has active lease |
| 3/20/2009 | 3/31/2009 | Wilcox Oil & Gas Bond | \$ 10,000.00 | | \$ 10,000.00 | Producing well |
| 5/5/2009 | 5/11/2009 | SW Exploration | \$ 25,000.00 | | \$ 25,000.00 | Monies are currently on Oil and Gas Bond Fund |
| 5/24/2010 | 5/26/2010 | Potash Green, LLC | \$ 25,000.00 | | \$ 25,000.00 | Monies are currently on Oil and Gas Bond Fund |
| Total Amount in Agency Fund | | | \$ 115,000.00 | \$ 5,604.72 | \$ 120,604.72 | |

Securities Held by the State Treasurer

| Date | Operator | Bank | CD Number | Amount | Comments |
|---|----------------------|------------------|----------------|---------------------|----------|
| 7/7/1994 | Ridgeway Arizona Oil | Bank One | 4002111 | \$ 10,000.00 | |
| 11/28/1994 | Ridgeway Arizona Oil | Bank One | 4002112 | \$ 15,000.00 | |
| 11/1/2003 | Holbrook Basin | Bank of America | 91000053487715 | \$ 10,000.00 | |
| 8/19/2004 | Holbrook Energy | Bank of America | 91000057645689 | \$ 10,000.00 | |
| 9/20/2004 | Holbrook Energy | Bank One | 0100000927604 | \$ 10,000.00 | |
| 5/23/2006 | Ridgeway Arizona Oil | Bank of the West | 631-852068 | \$ 25,000.00 | |
| Total Amount Held by State Treasurer | | | | \$ 80,000.00 | |

Surety Performance Bonds

| Operator | Bond Company | Bond Number | Remark | Amount | Comments |
|---|--------------------------|-------------|-----------------|----------------------|----------|
| APS | Liberty Mutual Insurance | 024-016-685 | P/N 929 | \$ 25,000.00 | |
| Coleman Oil & Gas | (BIA Bond) | | Ltr. Credit 564 | None to State | |
| El Paso Natural Gas | Liberty Mutual Insurance | 23-007-048 | P/N925 | \$ 25,000.00 | |
| Elm Ridge Resources | (BIA Bond) | Bia B05973 | EBB wells | None to State | |
| Enterprise Products | Liberty Mutual Insurance | 022-018-498 | P/N 778 | \$ 50,000.00 | |
| Gruy Petroleum | RLI Insurance Co. | RLB0007431 | P/N 920 | \$ 25,000.00 | |
| HNZ Potash | Fidelity of Maryland | LPM08800239 | P/N 1000 | \$ 25,000.00 | |
| Mountain States Petroleum | (BIA Bond) | | DBK wells | None to State | |
| Plains LPG Services LP | RLI Insurance Co. | RLB0010111 | Blanket | \$ 25,000.00 | |
| Premco Western | (BLM Bond) | | P/N 889 | None to State | |
| Rim Southwest Corp | (BIA Bond) | | P/N 882 | None to State | |
| Total Amount Held in Surety Bonds Payable to State | | | | \$ 175,000.00 | |

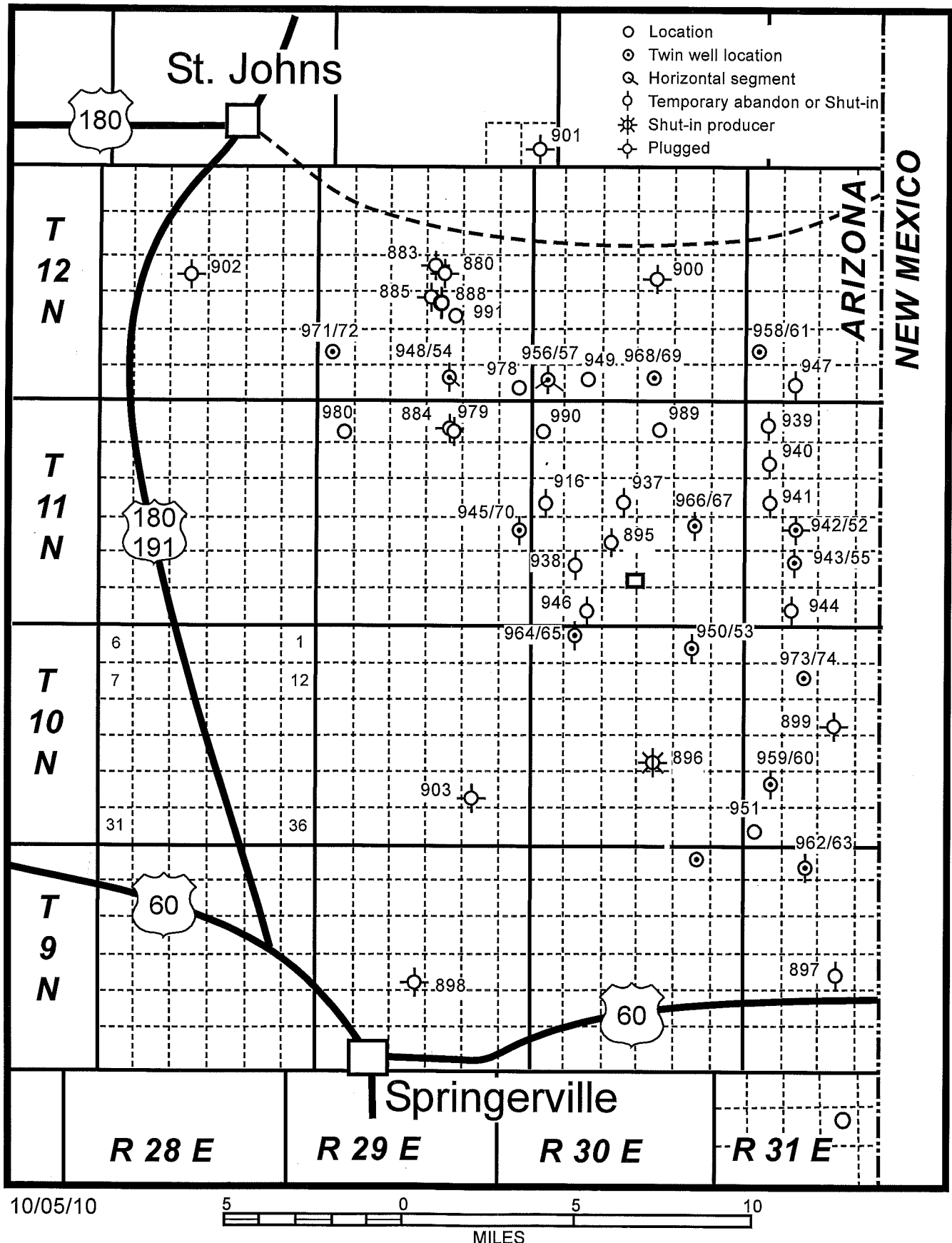
| | | | | |
|--|--|--|----|------------|
| | | | | |
| Total Amount Held in Agency Fund | | | \$ | 80,000.00 |
| Total Amount Held by State Treasurer | | | \$ | 120,604.72 |
| Total Amount Held in Surety Bonds Payable to State | | | \$ | 175,000.00 |
| Total Active Surety + Non-Surety Bonds Held September 2010 | | | \$ | 375,604.72 |

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

| Permit | Well | Location Sec-Twp-Rge | Total Depth | Status and comment |
|--------|-------------------|-------------------------|----------------|--|
| 880 | 1 Plateau Cattle | ne sw 15-12n-29e | 2431 ft | Drilled 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 | Drilled 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 | Drilled 6/1997, 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, shut-in / app to plug |
| 896 | 10-22 State | sw sw 22-10n-30e | 2265 ft | Completed 7/2002; shut in 3/2004 |
| 897 | 9-21 State | sw ne 21-9n-31e | 2686 ft | Drilled 3/1997, shut-in / app to plug |
| 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, plugged 7/2008 |
| 901 | 13-36-29 State | sw ne 36-13n-29e | 2454 ft | Drilled 5/1997, 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 6/1997, 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, shut-in |
| 938 | 11-29-30 State | se nw 29-11n-30e | 1906 ft | Drilled 2/2007, shut-in |
| 939 | 11-06-31 State | nw se 06-11n-31e | 2711 ft | Drilled 4/2007, shut-in |
| 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 2/2008 |
| 943 | 11-29-31 State | se nw 29-11n-31e | 2850 ft | Drilled 5/2007, shut-in |
| 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, shut-in |
| 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 | Drilled 2/2008, plugged 2/2008, blow out |
| 949 | 12-32-30 State | sw ne 32-12n-30e | not drilled | Permit expired 7/2008 |
| 950 | 10-02-30 State | sw ne 02-10n-30e | 2650 ft | Drilled 2/2008, temporarily abandoned |
| 951 | 10-31-31 State | nw sw 31-10n-31e | not drilled | Permit expired 9/2008 |
| 952 | 11-20-31x State | se nw 20-11n-31e | not drilled | Permit expired 7/2008 |
| 953 | 10-02-30x State | sw ne 02-10n-30e | 1899 ft | Drilled 2/2008, temporarily abandoned |
| 954 | 12-34-29x State | nw ne 34-12n-29e | 3048 ft | Drilled 2/2008, shut-in |
| 955 | 11-29-31x State | se nw 29-11n-31e | 1909 ft | Drilled 3/2008, temporarily abandoned |
| 956 | 12-31-30 State | se nw 31-12n-30e | 2814 ft | Drilled 3/2008, temporarily abandoned |
| 957 | 12-31-30x State | se nw 31-12n-30e | 2622 ft | Drilled 3/2008, temporarily abandoned |
| 958 | 12-30-31 State | sw sw 30-12n-31e | not drilled | Permit expired 8/2008 |
| 959 | 10-29-31 State | sw ne 29-10n-31e | 4202 ft | Drilled 3/2008, temporarily abandoned |
| 960 | 10-29-31x State | sw ne 29-10n-31e | not drilled | Permit expired 8/2008 |
| 961 | 12-30-31x State | sw sw 30-12n-31e | not drilled | Permit expired 9/2008 |
| 962 | 09-05-31 State | nw se 05-09n-31e | 122 | Drilled 4/2008, temporarily abandoned |
| 963 | 09-05-31x State | nw se 05-09n-31e | 2969 ft | Drilled 4/2008, temporarily abandoned |
| 964 | 10-05-30 State | nw nw 05-10n-30e | 2600 ft | Drilled 3/2008, temporarily abandoned |
| 965 | 10-05-30x State | nw nw 05-10n-30e | not drilled | Permit expired 9/2008 |
| 966 | 11-23-30 State | nw ne 23-11n-30e | 2550 ft | Drilled 4/2008, shut-in |
| 967 | 11-23-30x State | nw ne 23-11n-30e | not drilled | Permit expired 9/2008 |
| 968 | 12-34-30 State | se nw 34-12n-30e | not drilled | Permit expired 12/2008 |
| 969 | 12-34-30x State | se nw 34-12n-30e | not drilled | Permit expired 12/2008 |
| 970 | 11-24-29x State | sw ne 24-11n-29e | 2137 ft | Drilled 4/2008, temporarily abandoned |
| 971 | 12-30-29 State | ne sw 30-12n-29e | not drilled | Permit extended 2/2011 |
| 972 | 12-30-29x State | ne sw 30-12n-29e | not drilled | Permit expired 1/2009 |
| 973 | 10-08-31 State | sw ne 08-10n-31e | not drilled | Permit expired 2/14/2009 |
| 974 | 10-08-31x State | sw ne 08-10n-31e | not drilled | Permit expired 2/14/2009 |
| 978 | 12-36-29 State | nw sw 36-12n-29e | not drilled | Permit expired 8/13/2009 |
| 979 | 11-03-29x State | ne se 03-11n-29e | 80 ft | Spudded 2/2009, temporarily abandoned |
| 980 | 11-06-29 State | se se 06-11n-29e | not drilled | Permit extended to 2/2011 |
| 989 | 11-03-30 Fee | n2 se 03-11n-30e | not drilled | Permitted 8/23/2010 |
| 990 | 11-06-30 State | ne sw 06-11n-30e | not drilled | Permitted 8/23/2010 |
| 991 | 12-22-29 State | ne se 22-12n-29e | not drilled | Permitted 8/23/2010 |

10/5/2010

Ridgeway Arizona Oil Corporation Wells



OGCC MTG

10-15-2010

Name

Joe Dixon
Thomas White

Representing

AZ State Land Dept
RAZO