

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING / APRIL 15, 2011
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 April 15, 2011, 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 January 21, 2011
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. Drilling performance bond release procedure and checklist
7. Discussion of Ridgeway Arizona Oil Corporation wells within the St. Johns Unit boundary and possible decision concerning their status
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 7th day of April 2011

OIL AND GAS CONSERVATION COMMISSION



Steven L. Rauzi
Oil and Gas Program Administrator

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

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

Minutes of Meeting
January 21, 2011

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Wagner, Vice-chairman
Mr. Stephen R. Cooper, Member
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of January 21 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 OCTOBER 15, 2010

Mr. Cooper moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF OCTOBER 15, 2010, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

None

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

Mr. Rauzi reported that Dr. Allison was at the fiscal year 2012 budget hearing at the legislature. He talked about two bills that Dr. Allison wanted the Commissioners to be aware of: one cleaned up language about the Commissioners' terms of appointment and the other would prevent agencies from enacting rules that were stricter than federal rules.

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 HNZ Potash permitted ten new wells, Ridgeway drilled three wells in its St Johns Unit, and SunCor plugged its Kakerlee well at Luke since the October meeting. He noted that HNZ Potash submitted nine new applications to drill in addition to the ten they had already permitted and that Passport Potash also contacted him about permitting ten additional wells.

DISCUSSION OF RIDGEWAY ARIZONA OIL CORPORATION WELLS WITHIN THE ST JOHNS UNIT AND POSSIBLE DECISION CONCERNING EXTENSION OF CURRENT STATUS

Mr. Rauzi reported that Ridgeway submitted a written request to grant temporary abandonment to the three wells they drilled in November 2010 (Permits 979, 990, and 991) and retain the current status of either temporary abandonment or shut-in of all of their wells within the St. Johns Unit boundary for the term of the St. Johns Unit Agreement. He recommended approval of the request for temporary abandonment and the request to retain the current status of the wells for the term of the unit agreement.

Mr. White reported that the term of the St. Johns Unit was three years and that if Ridgeway was not actively in production or constructing a plant or pipeline in three years then the unit would go away.

Mr. Dixon stated that the State Land Department had no objection to retaining the current status to all the wells and pointed out that the three years extended from February.

Mr. Wagner moved, seconded by Mr. Cooper:

TO GRANT TEMPORARY ABANDONMENT TO PERMITS 979, 990, AND 991

Motion carried unanimously.

Mr. Wagner moved, seconded by Mr. Cooper:

TO RETAIN THE CURRENT STATUS OF ALL RIDGEWAY WELLS WITHIN THE ST JOHNS UNIT BOUNDARY FOR THE TERM OF THE ST JOHNS UNIT AGREEMENT

Motion carried unanimously.

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

Mr. White discussed the recent drilling and completion techniques and better helium shows than in previous wells. He noted that testing was done with the drilling rig and because of time constraints they were not able to plug three wells that needed to be plugged. Mr. White stated that Ridgeway would plug those wells when it brought in a completion rig to conduct longer-term flow tests.

CALL TO THE PUBLIC

Mr. Dixon talked about the bill to prevent agencies from enacting rules stricter than federal rules.

ANNOUNCEMENTS

Dr. Nations announced that the IOGCC annual meeting in Tucson in November was successful and described some of the speakers and topics discussed. The Commission scheduled its next meeting at 10:00 a.m. on April 15, 2011, in room 321 at the State Land Department Building in Phoenix.

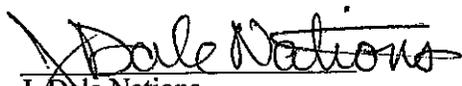
ADJOURNMENT

Mr. Cooper moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:24 a.m.

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

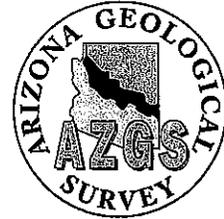
Mr. Curtis Cox	Assistant Attorney General
Mr. Joe Dixon	State Land Department
Mr. Thomas White	Ridgeway Arizona Oil Corporation



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

April 7, 2011

To: Oil and Gas Conservation Commissioners

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

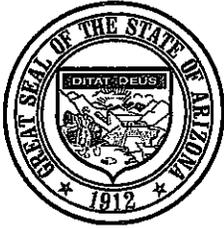
Re: Report about permits and drilling activity for the April 15, 2011, Meeting

Twenty three new drilling permits were issued, ten wells were drilled, and nine wells were plugged since your last meeting on January 21, 2011. HNZ Potash LLC permitted nine and drilled five wells to test for potash southwest of Petrified Forest National Park. Southwest Exploration/Passport Potash permitted 14 and drilled five wells to test for potash west of Petrified Forest National Park. HNZ has a total of 21 permits and Southwest Exploration/Passport has a total of 20 permits including the applications approved late last year. Both companies continue to drill additional wells in their current drilling program.

I inspected the potash drilling February 28 through March 2. HNZ Potash was drilling south of Highway 180 and Southwest Exploration/Passport was drilling north of Highway 180. HNZ is coring the potash zone whereas Southwest/Passport is rotary drilling the potash zone with air. HNZ and Southwest are setting surface casing above the salt to shut off and protect water in the upper Coconino Sandstone. They are setting a cement plug across the casing shoe and up into the lower Coconino to isolate the underlying salt section after abandonment. Either the ranch manager or representative of the ranch manager is preparing and reclaiming the roads and locations. The drilling is having minimal impact.

Plains LPG completed a mechanical integrity test and sonar survey of its well #3 in March. The mechanical integrity test indicated that the casing and washed cavern in well # 3 held the pressure applied during the test and has good integrity. The sonar capacity of cavern 3 was 68 million gallons. The total sonar capacity of all three caverns at the Plains facility is 166 million gallons.

Arizona Natural Gas Storage (ANGS) requested the Federal Energy Regulatory Commission (FERC) to place its pre-filling process on a temporary hold to provide several of the cooperating agencies additional time to review and process permit applications and associated information regarding its proposed natural gas storage facility in the Picacho Basin. ANGS hopes to resume its pre-filling process in May.



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

BOND RELEASE CHECK LIST

Company: _____

Bond amount: _____

Bond #: _____

Date bond received: _____

Date written release of bond received: _____

Permits covered by bond: _____

Permitted wells drilled and plugged: _____

Well sites reclaimed: _____

Any outstanding drilling, plugging, or reporting obligations: _____

Permits not drilled but expired: _____

The bond is now available for release: _____

Steven L. Rauzi, Oil and Gas Program Administrator

Date

M. Lee Allison, Director and State Geologist

Date

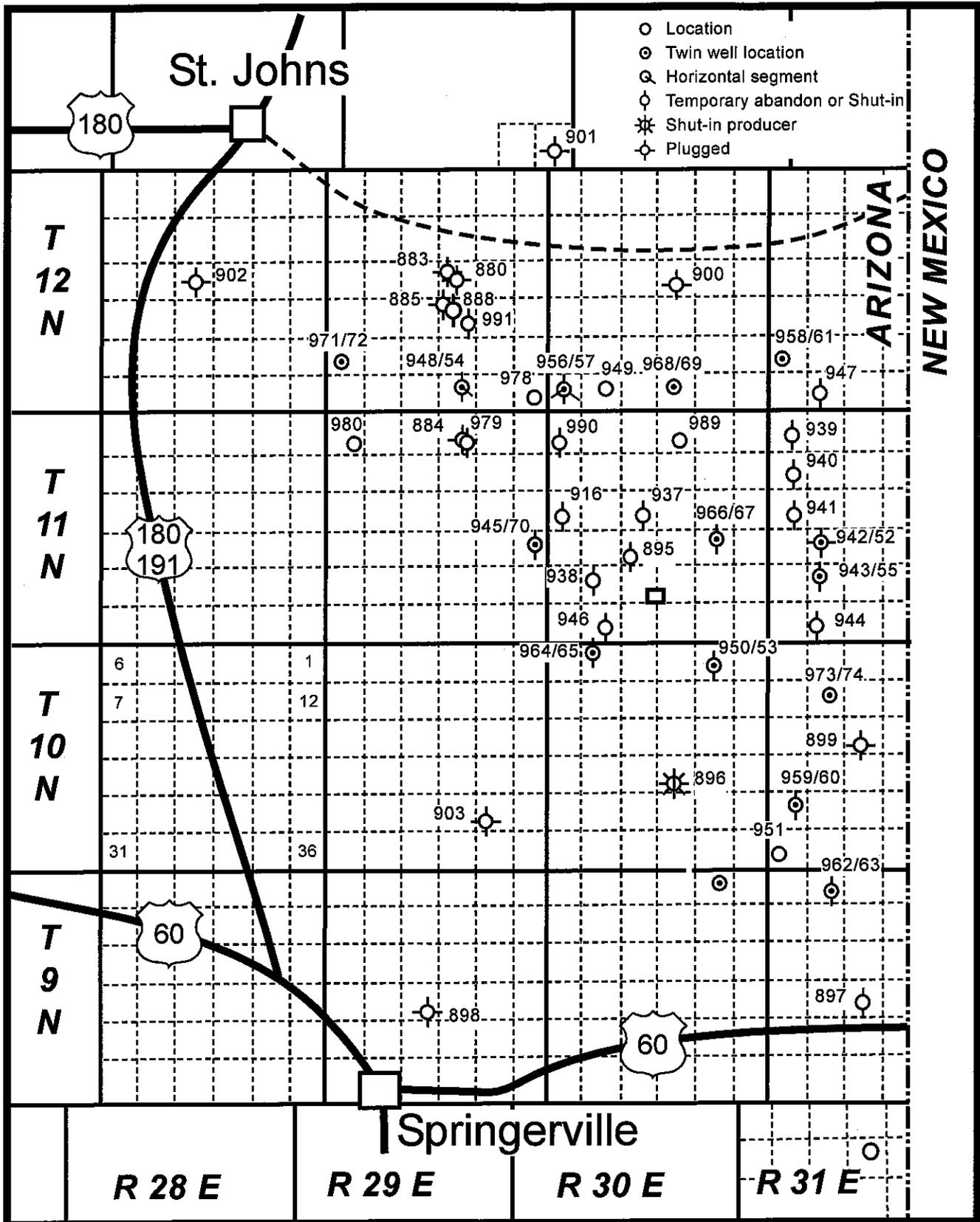
J. Dale Nations, Chairman Oil and Gas Conservation Commission

Date

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	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 ft	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 expired 2/10/2011
972	12-30-29x State	ne sw 30-12n-29e	not drilled	Permit expired 1/10/2009
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	1670 ft	Drilled 11/2010, temporarily abandoned
980	11-06-29 State	se se 06-11n-29e	not drilled	Permit expired 2/13/2011
989	11-03-30 Fee	n2 se 03-11n-30e	not drilled	Permit expired 2/23/2011
990	11-06-30 State	ne sw 06-11n-30e	1788 ft	Drilled 11/2010, temporarily abandoned
991	12-22-29 State	ne se 22-12n-29e	1690 ft	Drilled 11/2010, temporarily abandoned

Ridgeway Arizona Oil Corporation Wells



04/15/11



AOGCC MTG 4-15-11

<u>Name</u>	<u>Representing</u>
Joe Dixon Thm. White	AZ State Land Dept. RAOC