

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING / JULY 15, 2011
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 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 April 15, 2011
3. Conflicts of interest
4. Hearing on Ridgeway Arizona Oil Corporation request for 160-acre spacing for carbon dioxide gas wells in the St. Johns Gas Unit
5. Report of Oil & Gas Administrator about new permits and drilling activity
6. Review of drilling performance bonds
7. Report about Interstate Oil & Gas Compact Commission mid-year meeting in North Dakota
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 July 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
April 15, 2011

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Wagner, Vice-chairman
Mr. Stephen R. Cooper, Member
Mr. Frank Thorwald, 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 April 15 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 21, 2011

Mr. Wagner moved, seconded by Mr. Cooper:

THAT THE MINUTES OF THE MEETING OF JANUARY 21, 2011, 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 SB 1002, a technical correction taking out old language about interim appointments, was still in the rules committee. He reported that the Arizona Geological Survey's budget was stable and sufficient to continue to provide the same level of support to the Commission as previously, to cover the Chairman's attendance to an annual meeting of the IOGCC, and to contribute about \$1000 of the \$6000 annual dues to the IOGCC. Dr. Allison discussed the elimination of the Arizona Department of Mines and Mineral Resources and how it would be incorporated into the Geological Survey. He reported that all of the oil and gas well records and logs would be available online sometime this summer on an interactive, user-friendly map viewer linked to the Oil and Gas Conservation Commission website.

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 23 new permits were issued and ten wells were drilled since the January meeting. He noted that HNZ Potash was drilling for potash southwest of Petrified Forest National Park and Southwest Exploration/Passport Potash was drilling west of the park. Dr. Allison noted that the U.S. Geological Survey was finishing a global assessment of potash resources and that their calculations of the potential potash resources in the Holbrook Basin were very close to those in the potash report the Arizona Geological Survey put out three years ago. Mr. Rauzi reported that Plains LPG completed a pressure test and sonar survey of its well #3 and that Arizona Natural Gas Storage requested the Federal Energy Regulatory Commission to temporarily hold its pre-filing application to store natural gas in the Picacho Basin because cut backs at ADWR and ADEQ had slowed those agencies ability to review its applications.

DRILLING PERFORMANCE BOND RELEASE PROCEDURE AND CHECK LIST

Mr. Rauzi discussed a new internal procedure and checklist to release an operator's performance bond. He suggested that the Commission move to authorize him to sign the bond release checklist after an operator had fulfilled all of its drilling, plugging, and reporting obligations.

After discussing the procedure, checklist, and monitoring bonding companies, and concurrence by Mr. Cox, the Commissioners expressed appreciation of the checklist to insure that a bond doesn't get inadvertently released but concluded that the procedure and signing the checklist were administrative tasks that did not require a motion by the Commission.

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

Mr. Rauzi reported that this was an agenda item from January that he forgot to remove.

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

Mr. White reported that there was no new activity to report.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

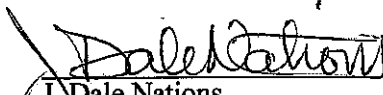
Dr. Nations announced that the American Institute of Professional Geologists was planning a field to the Holbrook area on May 21. The Commission scheduled its next meeting at 10:00 a.m. on July 15, 2011, in room 321 at the State Land Department Building in Phoenix.

ADJOURNMENT

Mr. Thorwald moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:41 a.m.

APPROVED

J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Mr. Curtis Cox
Mr. Joe Dixon
Mr. Thomas White

Assistant Attorney General
State Land Department
Ridgeway Arizona Oil Corporation



Ridgeway

Arizona Oil Corporation

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

June 13, 2011

Arizona Oil & Gas Commission
416 West Congress, Suite 100
Tucson, AZ 85701

Attn: Mr. Steve Rauzi
Administrator

RE: Request for Hearing before the Arizona Oil & Gas Conservation Commission regarding
Application for 160 acre spacing for the St Johns Gas Unit, located in Apache County, Arizona.

Dear Mr. Rauzi:

Please consider this Ridgeway's formal application before the Arizona Oil & Gas Conservation Commission for an exception to Rule (R12-7-107) to change the well spacing in the field, from 640 acre spacing to 160 acre spacing. This request covers all or portions of the following townships:

Apache County, Arizona

Townships 9, 10, 11, and 12 North, Ranges 28, 29, 30, and 31 East,
Apache County, Arizona

This makes up the total lands covered in the St. Johns Gas Unit, Apache County, Arizona. Ridgeway is requesting the spacing exception only on the leases that are currently held by Ridgeway Arizona Oil Corp.

Ridgeway is requesting the spacing exception based on William Cobb & Associates 2008 Helium and CO₂ Resource Evaluation Report. The data used in this report was based on all wells drilled including data from the 2008 drilling program.

Based on well data 640 acre spacing would not adequately drain the reservoir, resulting in decreased production and waste. See Cobb report "Type Curve Revisions" section. This application if granted will have the effect of preventing the waste of gas while at the same time protecting the correlative rights of all concerned.

Included are the following Exhibits

- A. Copy of William M. Cobb & Associates 2008 Helium and CO₂ Resource Evaluation.
- B. Certified Surveyor's map, which includes Ridgeway Wells & outline of the St Johns Gas Unit.

If you have any questions, please feel free to contact me 928-337-3230.

Respectfully submitted,

Thomas White
Field Operations Manager

Enclosures

cc: ASLD-Joe Dixon

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

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

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WILLIAM M. COBB & ASSOCIATES, INC.

Worldwide Petroleum Consultants

12770 Coit Road, Suite 907
Dallas, Texas 75251

(972) 385-0354
Fax: (972) 788-5165
E-Mail: office@wmcobb.com

June 12, 2008

Mr. Barry D. Lasker
Enhanced Oil Resources, Inc.
One Riverway, Suite 610
Houston, Texas 77056

spacing request

Re: St. Johns Field Evaluation

Dear Mr. Lasker:

As requested by Enhanced Oil Resources, Inc. (EORI), William M. Cobb & Associates, Inc. (Cobb & Associates) has prepared this report describing our analysis of the in-place and potentially-recoverable volumes of Helium (He) and carbon dioxide (CO₂) within the Unit boundary associated with the St. Johns Field (the Field), based on all well and test data made available to us. This report does not address project economics or a development plan to recover these gas volumes.

Evaluation Stipulations

This report describes the estimation of the in-place and potentially-recoverable He and CO₂ gas volumes in the St. Johns Field. Because these gases are not hydrocarbons, they are not subject to the SEC's, the Canadian Securities regulators', or the petroleum industry's hydrocarbon reserves definitions.

This evaluation was based on well log and production test data supplied by EORI. No review has been made of the agreements, if any, under which the St. Johns Field Unit would operate. No on-site field inspection or review of the title to the properties has been carried out. No review has been made of the permitting requirements of this project, nor of the ability of EORI to obtain any such needed permits or approvals.

The results presented in this report are based on engineering judgment, and as such are estimates. There are uncertainties in the analysis of the available engineering and geologic data. The estimated recoverable volumes may or may not, in fact, be recovered. In any case, estimates of recoverable volumes may increase or decrease as a result of future operations. Therefore, these results are not warranted or guaranteed as to their accuracy, but represent opinions based on the interpretation of technical data.

Summary

The new well log, production, and composition data has allowed Cobb & Associates to make several improvements to our previous analyses of this resource. The changes and improvements include the following:

1. Low, Medium, and High cases have been created to address different potential outcomes regarding the gas-water contacts, formation pressures, and development scope
2. Additional zone tops and well log data has been gathered and analyzed in 16 new wells
3. Additional well test data has been gathered and analyzed in eight new wells, resulting in revised average zone pressures and lowest known gas values
4. The gas composition data was used to map He and CO₂ concentration
5. The production type curves were revised based on the new, by-zone approach to field development and the tests' results
6. Based on the above analyses, new by-zone maps have been created for each case, and in-place and potentially-recoverable volumes have been estimated for total gas, He, and CO₂

Table 1 summarizes the results of this analysis.

Low, Medium, and High Case Description

The Low, Medium, and High cases better address some of the major uncertainties associated with the Field: the depth to water, the productivity of the Ft. Apache and the basal Amos Wash (also known as Basal Raven) zones, and the pressure in the Ft. Apache zone. The terms Low, Medium, and High relate to the resulting amount of original gas in place (OGIP). The uncertainty in recoverable gas volumes was addressed for each case by using two different well skin factors (6 and 20) and two potential values for project life (20 and 40 years).

The gas accumulation at St. Johns appears to be underlain by water, based on distant wet tests. Estimating the location of the gas-water contact (GWC) is critical to the calculation of OGIP because the assumed contact depths determine how much of each zone in the reservoir contains gas. Because no GWC has been observed in wells, the lowest known gas (LKG) information has been combined with the observed pressure data, resulting in a set of assumed GWCs for the three cases, as described in the "Lowest Known Gas Values" section, below.

The Amos Wash and Granite Wash zones are now the primary targets, and are assumed to be developed with separate wells in the Low case. The Ft. Apache zone OGIP (behind casing under current drilling plans) is added in the Medium and High case OGIP values as a potential longer-term development target. Having on occasion tested water, the Basal Raven zone OGIP is added to the High case OGIP value, based on the assumption that the

water flows will be found to result from communication with shallower wet zones, rather than water in the Basal Raven.

There is limited pressure data for the Ft. Apache zone. While the data appears to be on-trend with the Amos Wash data, as described below, there is the possibility (based on the data) that the Ft. Apache is at lower pressure. Therefore, the Medium case uses a gas formation volume factor (Bg) corresponding to that lower pressure, while the High case uses the same Bg as is used for the Amos Wash zone.

Geologic Setting

The St. Johns CO₂ Field structurally trends Northwest-to-Southeast in Apache County of northeastern Arizona and Catron County of northwestern New Mexico. The field area is located on the southern edge of the Colorado Plateau, northeast of the Mogollon Rim and north-northeast of the White Mountains. Ridgeway has conducted productive CO₂ tests in three separate Permo-Pennsylvanian aged zones: the Ft. Apache, the Amos Wash, and the Granite Wash (also known as "Basal Oak Creek" or "Riggs"). *

Lithologically, the Ft. Apache Member of the Yeso Formation is categorized as dominantly dolomite with subordinate amounts of anhydrite, sandstone, and siltstone. The Amos Wash Member is dominantly sandstone with subordinate amounts of siltstone, dolomite, and anhydrite. Although less significantly covered with core control, the Granite Wash Zone of the Abo Formation currently appears to be a lithologically complex granite wash comprised of highly variable amounts of quartz sandstones and siltstones; dolomites; and reworked, mineralogically-variable Precambrian granites.

All three zones are further complicated by various heavy minerals, particularly hematite. For the purposes of this report, all productive horizons were lumped into two dominant lithologies for petrophysical characterization. Zones with Photoelectric Factor (Pe in barns/electron) values of 2.8 or greater are classified as dolomites (includes anhydrite), and samples with a Pe less than 2.8 are classified as quartz sandstones (and siltstones). The theoretical half-way, or average, Pe value between pure quartz and pure dolomite is 2.475 (pure quartz with a Pe of 1.81 and pure dolomite with a Pe of 3.14). The presence of hematite and other heavy minerals skews the observed Pe range in the dolomite direction such that the 2.8 value is the appropriate lithology discriminator in St. Johns CO₂ Field.

Well Log Analysis

Many of the wells have severe borehole rugosity, causing difficulty in accurate porosity and Sw determination. Estimated porosity and water saturation (Sw) values used in this study are derived from only the part of each zone without severe borehole rugosity.

The porosity values used in this report are derived from cross-plotting the neutron and density curves to resolve lithology variations and gas effects. The resultant porosity values compare favorably to the available core porosity values. Once a petrophysical porosity model was established and verified against core porosity, water saturation (Sw) was determined.

A key unknown in the Sw evaluation for St. Johns is formation water resistivity (R_w). The minimal produced formation water is likely contaminated from much fresher shallow Glorieta Zones or condensation. With Archie Sw parameters assumed at reasonable values of $a=1$, $m=2$, and $n=2$; a cross-plot of resistivity (R_t) versus porosity for all 11 available wells yields an R_w of 0.03 ohm-ms. For this report, an Archie Sw for all zones was calculated with the neutron-density porosity and an R_w of 0.03 with the "a", "m", and "n" parameters set to 1, 2, and 2 respectively.

Table 2 lists all zone structural elevations and petrophysical results for all wells. Table 2 is subdivided into parts "A", "B", and "C". Table 2A lists Ft. Apache data, Table 2B-1 lists Amos Wash data excluding the Basal Raven, Table 2B-2 lists only the Basal Raven data, and Table 2C lists Granite Wash data. On Table 2, IGPT (Industrial Gas Pore Thickness) is equal to Net Pay Feet * Porosity * (1-Sw). The net pay cutoffs used were porosity > 8% if P_e is > 2.8 (dominantly dolomite), or porosity > 12% if P_e < 2.8 (dominantly sandstone).

Lowest Known Gas Values

The recent production tests were directed at the Amos Wash and Granite Wash zones, reflecting EORI's development strategy of focusing on these two zones while maintaining the Ft. Apache, Basal Raven, and Granite Basement zones as potential longer-term resources. The tests have been water-free, further supporting EORI's theory that previous water-producing tests (such as some of those from the Basal Raven) have resulted from unintended communication with up-hole water-bearing zones. The tests have also demonstrated that the Granite Wash zone is capable of high rates. Table 3 summarizes the pressure data results of these tests. The fact that the new pressure data is on trend with the previous pressure data supports the assumption that these gas resources are contained in reservoirs that are continuous over long distances.

The tests have also supplied additional pressure data. Exhibit 1 is a plot of pressure versus elevation above sea level for all available pressure data (the new data points are in brown). The data has been divided into two groups: Granite Wash and the shallower zones (Raven, Amos Wash, and Ft. Apache). The large symbols are the average values for each data group, and the lines through those symbols are the gas gradients for each group.

* To date, no clearly-defined gas-water contact has been observed within the field. Therefore, LKG and inferred GWC values are used to define the limits of the accumulation for each zone. Exhibit 2 is the same pressure plot, with the LKG for the two zones posted, along with a water gradient curve through the PLCC #1 data point. This data point serves as the shallow zones' LKG value for all cases, because no other data is available for those cases indicating the potential for a deeper GWC. For the Granite Wash zone the LKG value of 4,328' from the 11-6-31 test is used in the Low case maps. The water gradient line supplies a potentially deeper value for the Granite Wash zone (4,298' ASL) than that LKG. This value is used in the Medium case. An even-deeper Granite Wash LKG value can be inferred from the fact that the apparently fractured Basal Granite has been open to production down to 4,209' ASL in the 11-6-31 well, which tested water-free. This value is

used in the High case. Table 4 presents the LKG/GWC assumptions for the three cases, and compares them to the assumptions used in the 1999 report.

Concentration Maps

The gas composition data from all wells was examined, and spurious data was eliminated. Both He and CO₂ compositions were found to vary aurally, rather than by zone, as previously assumed. Table 5 lists the composition data for wells with more than one tested zone. The valid He and CO₂ composition data (Table 6), averaged by zone for those wells with multiple tests, resulted in the He and CO₂ compositions (Table 7). The deleted data is presented in Table 8, and the maps are presented in Exhibits 3 and 4. The He concentration is highest in the north, while the CO₂ concentration is highest in the south. These variations in composition, if confirmed through additional drilling, may permit optimization of the development plan by allowing initial field development and facilities to be designed for the relatively He-rich gas in the northern part of the field. Later development and facility additions would then handle the leaner gas in the south.

Type Curve Revisions

The type curves used to forecast production for a given 640-acre area of the field have been revised for several reasons. First, EORI has revised their development plans in two ways. Initial development wells will independently target the Amos Wash and Granite Wash zones. This is appropriate given the different pressures and productivities of the two zones. Therefore, separate type curves have been developed for each zone. Also, development plans were changed from the previous 640-acre development with optional 320-acre wells to field-wide application of 160-acre well spacing. This evaluation assumes the 320-acre wells are drilled four years after the 640-acre well, and the 160-acre wells are drilled four years after the 320-acre wells. Further review may indicate that more-rapid development is justified. The model, which contains geologically continuous layers, does not by itself demonstrate the benefit of 160-acre drilling^a in the Granite Wash. However, Cobb & Associates considers the use of 160-acre drilling to be a reasonable assumption, because it accounts for the likely presence of reservoir heterogeneity that will eventually justify well spacing tighter than either 640 acres or 320 acres. The tighter well spacing also maximized deliverability to the facility for a given developed area, and accelerates the ultimate recovery of the field's gas.

Next, the models' reservoir descriptions were modified to better match our current understanding of field geology. The Granite Wash tests have demonstrated extremely high productivities, with wells routinely testing at over 1.0 MMCF/D. The Granite Wash model was adjusted to the permeability-thickness values obtained from these high productivity tests, and to the higher initial Granite Wash zone pressure, and both models were adjusted to the higher average porosity-thickness values. These changes result in more-rapid production and higher percent depletion of the Granite Wash zone than the Amos Wash zone.

Finally, simulated well productivity has been adjusted to account for potential improvements in completion efficiency, and for changes in planned production tubing diameter. Two cases were run for each zone, a skin equals 20 case (damaged), based on the supplied analyses of the pressure buildup tests, and a skin equals 6.0 case (less damaged), based on the assumption that completion practices will continue to improve. The impact of large-diameter casing was evaluated by creating tubing curves for both small (3.0-inch ID) and the currently-planned large (6.366-inch ID) tubing. Exhibits 5 and 6 show that, while pressure drop is a factor with the small tubing, it is insignificant with the large tubing.

Exhibits 7 through 12 summarize the rates and cumulative recovery simulation results, and Exhibit 13 shows the new type curves for the two zones. As seen in Exhibit 11, the lower-permeability Amos Wash zone shows greater infill rate benefits than the higher-permeability Granite Wash, but, as previously noted, the models assume 100 percent continuity. As shown in Exhibit 13, the higher permeability in the Granite Wash zone results in significantly higher percent depletion after 20 and 40 years of production.

Zone and Field Maps

Nine separate maps were created for each of the three zones to effectively delineate IGPT spatially and result in reasonable estimates of OGIP in the Unit area. These maps were: structure top, gross thickness, net-to-gross ratio, net thickness, porosity, Sw, total IGPT, Helium (He) IGPT, and Carbon Dioxide (CO₂) IGPT. All nine maps for each individual zone are included in Appendix A. Large scale versions of the maps have been transferred separately to EORI and are not included in this report. Previously, a structure map of the shallow Glorieta aquifer was also constructed to incorporate the large number of the water wells in the field area into the sparse structural control at the CO₂ bearing levels. The deeper structure was tied to shallow Glorieta control by subtracting the gross interval between the Glorieta and Ft. Apache; subsequent interval isopach maps were used to generate all three CO₂ zone structures and allow appropriate placement of individual GWCs.

The GWCs were used to constrain the lateral extent of each final individual IGPT map. Areal locations of the GWCs were used as vertical "cookie-cutters" on initial unconstrained IGPT maps based on the petrophysical input from Table 2. No attempt was made to significantly model a GWC-wedge thinning since the GWCs contain a fair amount of uncertainty at the current level of control. Two additional GWC levels were used to estimate the Middle and High Cases for the Granite Wash Zone.

In-Place and Recoverable Gas Volumes

Based on the maps described above and the appropriate Bg factors, the OGIP volumes of total gas, He, and CO₂ at standard conditions were calculated. The 20-year and 40-year recovery factors from the type well simulations were then applied against these volumes to estimate the volumes of gross recoverable total gas, He, and CO₂ within the Unit. Note that this approach does not account for the time required to develop the field. Also, no economic evaluation has been made to determine if all the gas can be economically

recovered, and no estimation of net volumes to EORI has been made. Table 1 summarizes these results, and Appendix B contains the by-zone and by-case detailed results.

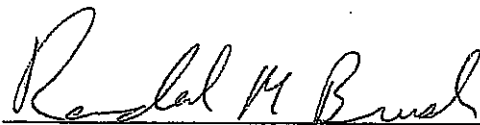
Conclusions

The recent data gathered by EORI continues to support the presence of an extremely large, geologically continuous, and productive He and CO₂ development target at the St. Johns Field, as illustrated by the volumes shown in Table 1.

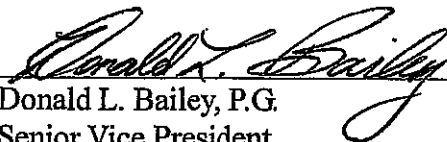
Cobb & Associates appreciates this opportunity to be of service to EORI. Please let us know if you have any questions regarding this evaluation.

Sincerely,

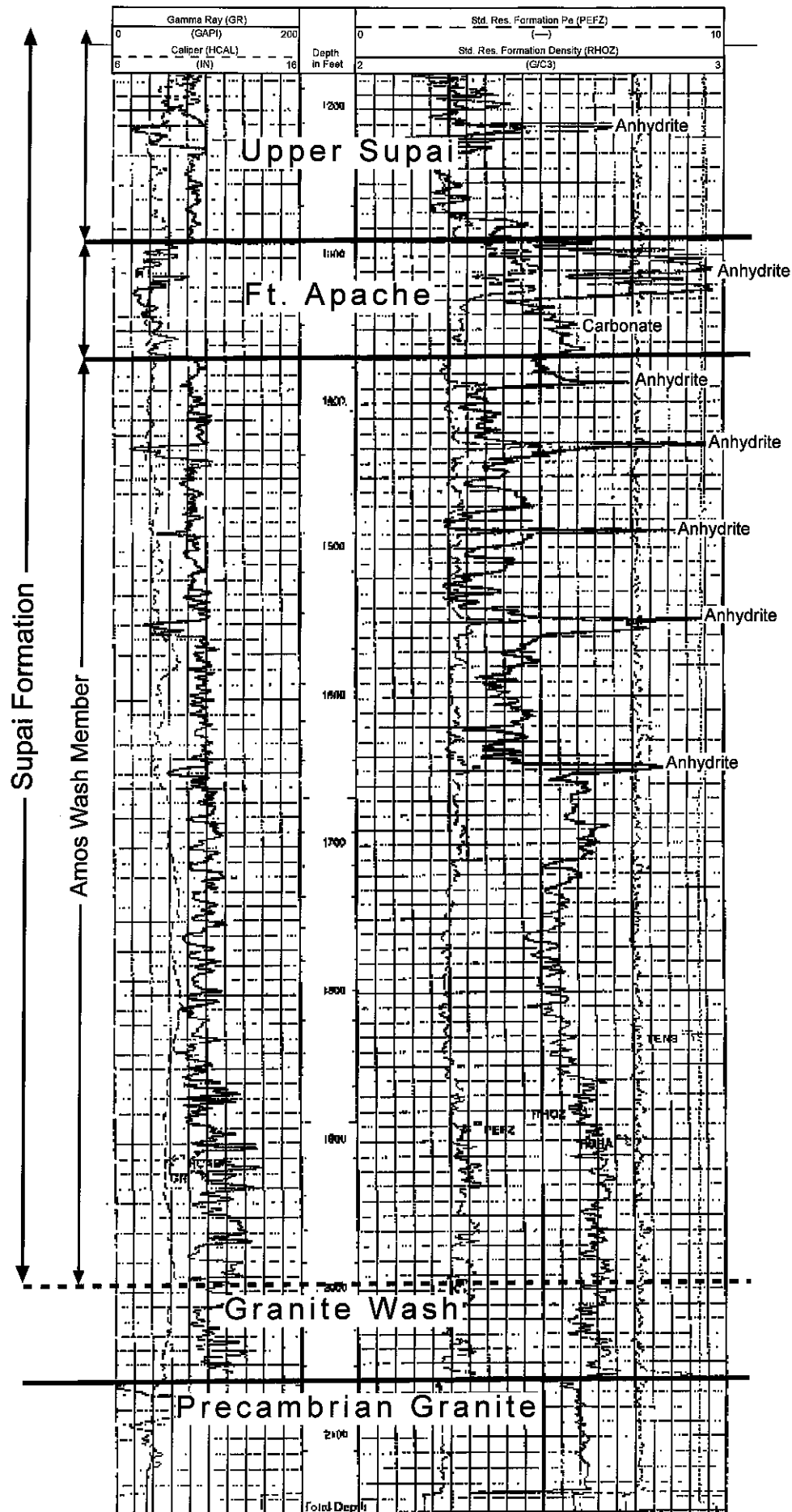
WILLIAM M. COBB & ASSOCIATES, INC.



Randal M. Brush, P.E.
Senior Vice President

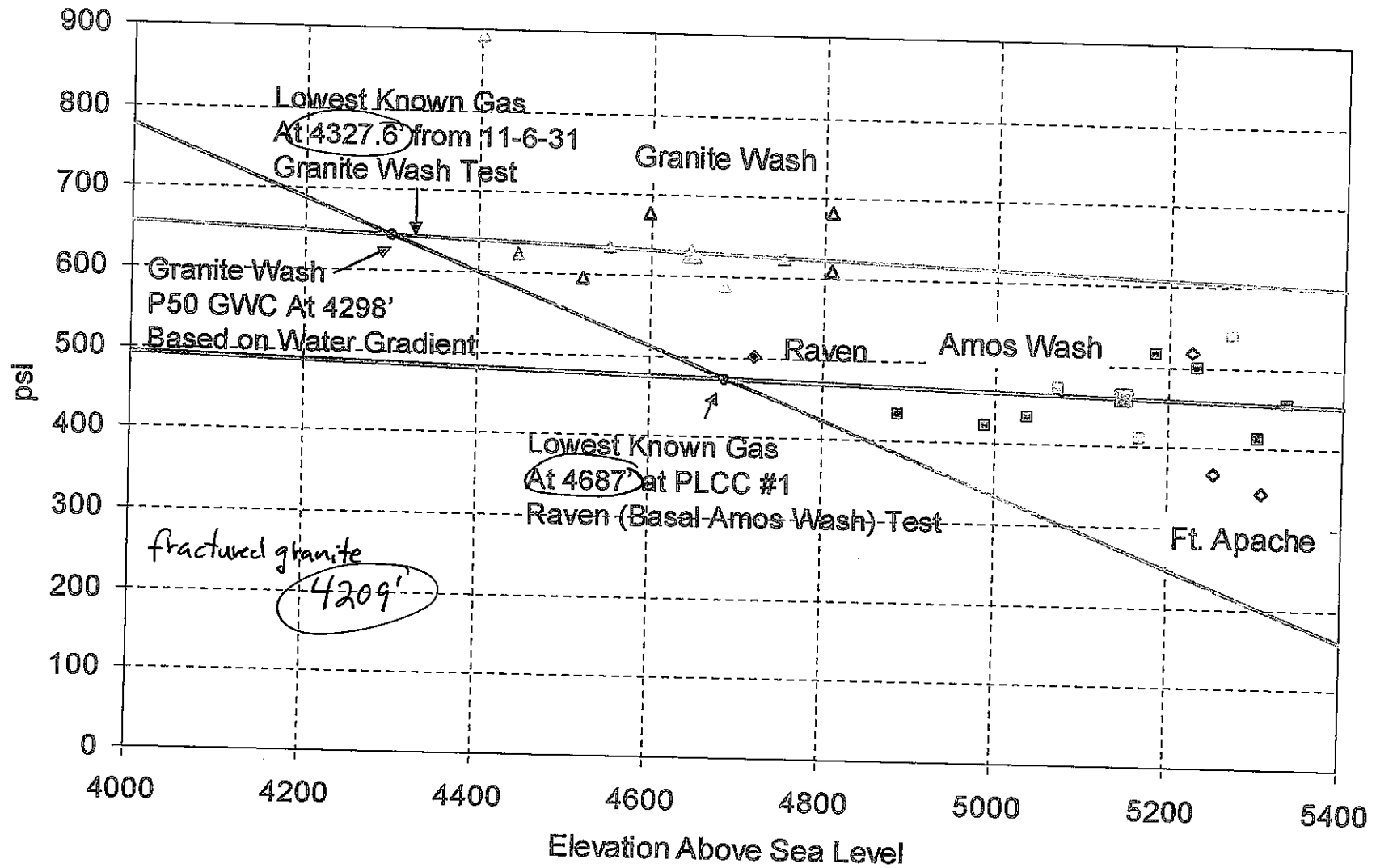


Donald L. Bailey, P.G.
Senior Vice President



Supai Formation and underlying Granite Wash as depicted on the gamma-ray density log, Ridgeway Arizona Oil Corporation, 22-1X State well in Sec. 22, T. 12 N., R. 29 E., Apache County, Arizona

St. Johns Reservoir Pressures



$$y = -0.44x + 2534.4$$

Arizona State Legislature

Bill Number Search:



Fiftieth Legislature - First Regular Session

[Email a Member](#) | [Email Webmaster](#)[change session](#) | [printer friendly version](#)[Senate](#) [House](#) [Legislative Council](#) [JLBC](#) [More Agencies](#) [Bills](#) [Committees](#) [Calendars/News](#)[ARS TITLE PAGE](#) [NEXT DOCUMENT](#) [PREVIOUS DOCUMENT](#)★ 27-504. Drilling units; rules and regulations; exceptions

A. For the prevention of waste, to protect and enforce the correlative rights of owners in a pool, and to avoid augmentation and accumulation of risks arising from drilling an excessive number of wells, or reduced recovery which might result from too small a number of wells, the commission shall, after a hearing, establish a drilling unit or units for each pool. The establishment of a unit for gas shall be limited to the production of gas.

B. Each well permitted to be drilled on a drilling unit shall be drilled under the applicable rules and regulations and in accordance with the applicable spacing pattern prescribed by the commission. Exceptions to the rules and spacing pattern may be granted where it is shown, after notice and hearing, that the unit is partly outside the pool or, for some other reason, a well so located on the unit would be non-productive. Exceptions permitting a proposed well to be drilled on an unorthodox location may be granted on the basis of topography or terrain without notice or hearing.

C. If an exception is granted, the commission shall take action which will offset any advantage which the person securing the exception may have over other producers by reason of drilling the well as an exception, and so that drainage from developed units to the tract with respect to which the exception is granted will be prevented or minimized, and the producer of the well drilled as an exception will be allowed to produce no more than a just and equitable share of the oil and gas in the pool.

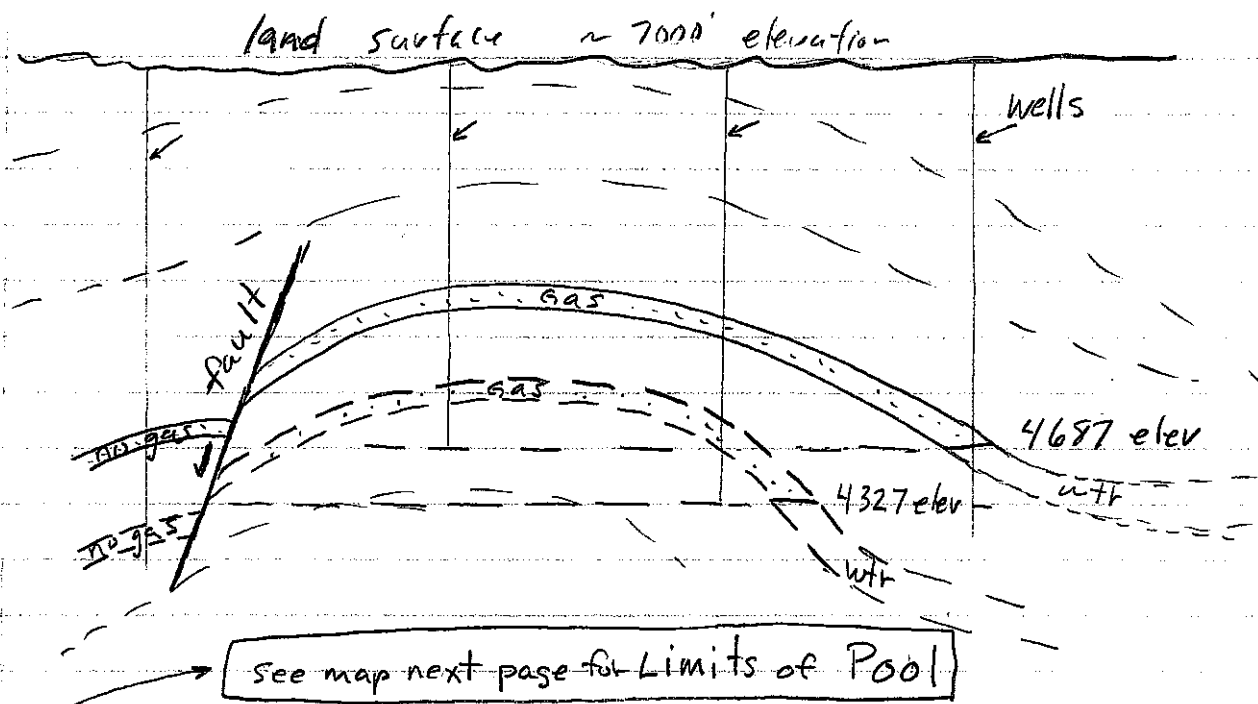
27-501. Definitions

In this article, unless the context otherwise requires:

6. "Drainage unit" or "drilling unit" means the maximum area in a pool which may be drained efficiently by one well to produce the reasonable maximum amount of recoverable oil or gas in the area.

16. "Pool" means an underground reservoir containing a common accumulation of oil or gas, or both, and includes each zone of a general structure completely separated from any other zone in the structure.

Simplified cross-section across geologic structure



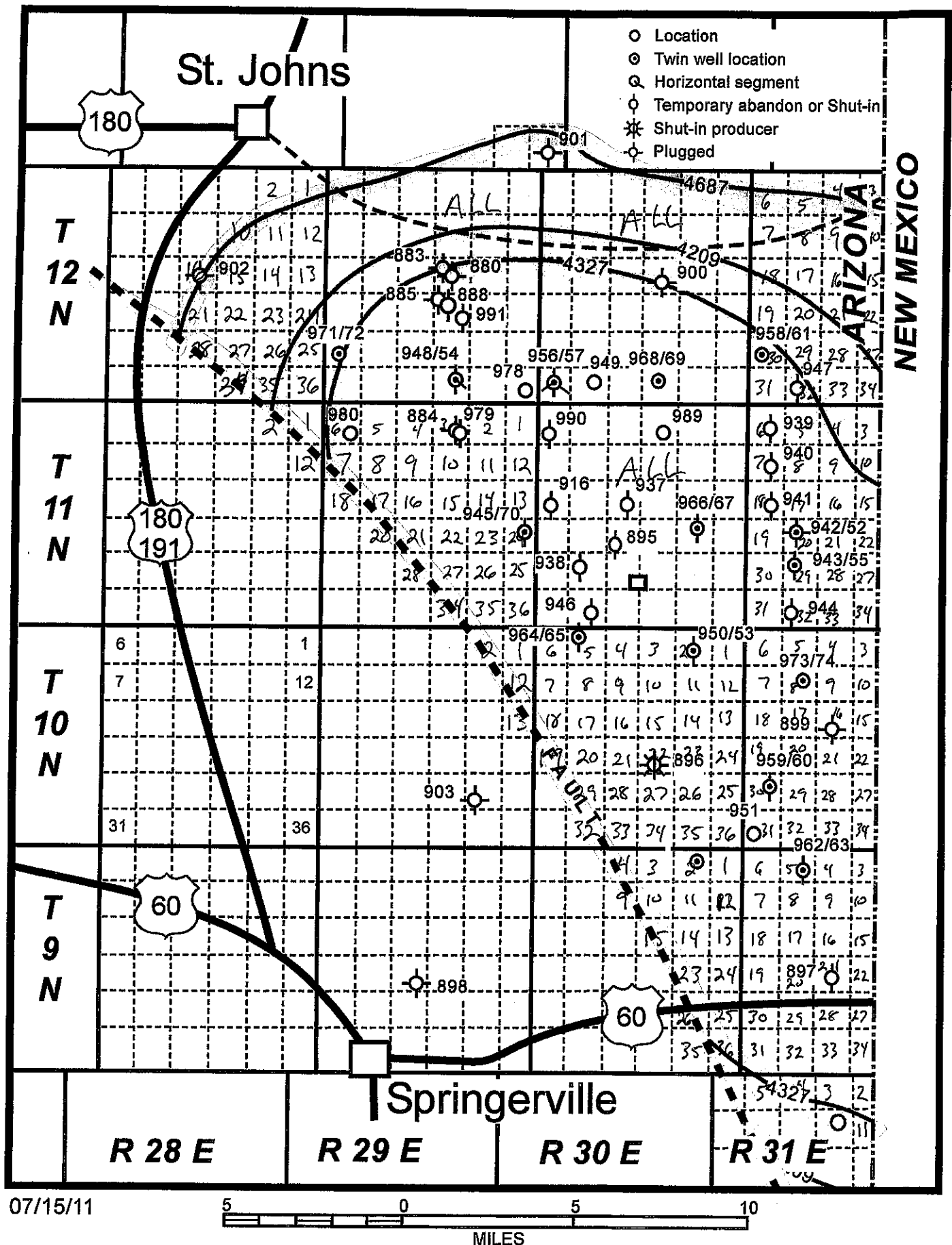
- Limit of pool to SW = fault
- Limit of pool to N = 4687' = LKG* or GWC*
- Limit of pool to E = NM state line
- Limit of pool to S = 4327' = LKG or GWC

LKG = lowest Known gas

GWC = gas water contact

ARS 27-501(16) "Pool" means an underground reservoir containing a common accumulation of oil or gas, or both, and includes each zone of a general structure completely separated from any other zone in the structure

Ridgeway Arizona Oil Corporation Wells



Land description for 160-acre spacing units for the production of carbon dioxide and helium gases in the following area (Gila and Salt River Base Line and Meridian):

Township 12 North, Range 28 East: All of Sections 1, 2, 10, 11, 12, 13, 14, 15, 16, 21, 22, 23, 24, 25, 26, 27, 28, 34, 35, and 36

Township 12 North, Range 29 East: All

Township 12 North, Range 30 East: All

Township 12 North, Range 31 East: All of Sections 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, and 34

Township 11 North, Range 28 East: All of Sections 1, 2, and 12

Township 11 North, Range 29 East: All of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 34, 35, and 36

Township 11 North, Range 30 East: All

Township 11 North, Range 31 East: All of Sections 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, and 34

Township 10 North, Range 29 East: All of Sections 1, 2, 12, and 13

Township 10 North, Range 30 East: All of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 32, 33, 34, 35, and 36

Township 10 North, Range 31 East: All of Sections 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, and 34

Township 9 North, Range 30 East: All of Sections 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 23, 24, 25, 26, 35, and 36

Township 9 North, Range 31 East: All of Sections 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, and 34

Township 8 North, Range 31 East: All of Sections 2, 3, 4, 5, and 11

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 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

04/15/2011



Ridgeway

Arizona Oil Corporation

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

June 29, 2011

Arizona Oil & Gas Commission
416 West Congress, Suite 100
Tucson, AZ 85701

120 6-30-11

Attn: Mr. Steve Rauzi
Administrator

RE: Affidavit of Publication
& Notices to Other Lessees

Dear Mr. Rauzi:

Enclosed please find you copy of the Affidavit of Publication for Ridgeway's request for a hearing regarding our Application for 160 acre spacing within the St Johns Gas Unit.

I have also enclosed copies of the letters and Delivery Confirmation Receipts for the other three Lessees of record, within the St Johns Gas Unit.

If you have any questions, please feel free to contact me at 928-337-3230.

Respectfully submitted,

Carmen Tanner
Office Manager

Enclosures

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

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

LEGAL NOTICE: NOTICE OF HEARING CASE NO. 70

Posted: Tuesday, June 21, 2011 5:00 am

Oil and Gas Conservation Commission, State of Arizona; 416 West Congress Street, Suite 100; Tucson, Arizona 85701; Phone 520-770-3500.

Notice is hereby given to all interested parties that the Oil and Gas Conservation Commission will hold a hearing open to the public beginning at 10:00 a.m. on July 15, 2011, in room 321 of the State Land Department Building located at 1616 West Adams Street, Phoenix, Arizona 85007.

The Commission will consider the Application of Ridgeway Arizona Oil Corporation to drill and produce carbon dioxide gas wells on 160-acre spacing units in the St. Johns Gas Unit, located in Townships 9, 10, 11, and 12 North, Ranges 28, 29, 30, and 31 East, Apache County, Arizona. The Producing zones to be spaced are within the Permian Supai Formation and underlying Granite Wash.

Authority for this action is contained in A.R.S. § 27-516(A)(12) and A.A.C. R12-7-107. The public may review materials submitted in support of this request at the office of the Oil and Gas Program Administrator, Arizona Geological Survey, 416 W. Congress Street, Suite 100, Tucson, Arizona 85701.

Interested parties will have the opportunity to be present and to be heard during the hearing.

OIL AND GAS CONSERVATION COMMISSION

/s/ Steven L. Rauzi

Steven L. Rauzi

Oil and Gas Program Administrator

Dated this 15th day of June 2011 at Tucson,

Arizona

Published in the White Mountain Independent June 21, 2011 (WMI 5468 T, 1x, 6/21/11)

State of Arizona)
)ss.
County of Navajo)

Affidavit of Publication

White Mountain Independent

I, Diane R. Janot being first duly sworn, depose and say: I am the agent of the White Mountain Publishing Company, publisher of the White Mountain Independent, a semi-weekly newspaper of general circulation published at Show Low, County of Navajo, Arizona and that the copy hereto attached is a true copy of the advertisement as published in the White Mountain Independent on the following dates:

June 21, 2011

LEGAL NOTICE
NOTICE OF HEARING
CASE NO. 70
Oil and Gas Conservation Commission, State of Arizona, 416 West Congress Street, Suite 100, Tucson, Arizona 85701; Phone 520-770-3500.
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Interested parties will have the opportunity to be present and to be heard during the hearing.
OIL AND GAS CONSERVATION COMMISSION
/s/ Steven L. Rauzi
Steven L. Rauzi
Oil and Gas Program Administrator
Dated this 15th day of June 2011 at Tucson, Arizona

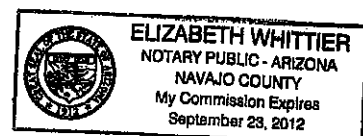
Published in the White Mountain Independent
June 21, 2011
(WMI:6488 T:1X:6/21/11)

White Mountain Independent
Diane R. Janot

Sworn to me this day of

June 22, 2011, A.D

Elizabeth Whittier
Notary Public



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Ridgeway Arizona Oil Corp.

Attn: Carmen Tanner

P.O. Box 1110

St. Johns, AZ 85936

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Legal # 5468

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Ridgeway

Arizona Oil Corporation

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

June 29, 2011

Hunt Oil U.S.A.
1445 Ross AT Field
Dallas, TX 75202

Delivery Confirmation Receipt
03101230000128083893

Attn: Mr. Bill Rex

RE: Amended Application for 160 acre spacing for the St Johns Gas Unit

Dear Mr. Rex:

Pursuant to Arizona Rule 12-7-107, please be advised that Ridgeway Arizona Oil Corp. has formally amended it's application to the Arizona Oil & Gas Commission for 320 acre spacing to 160 acre spacing, within the St Johns Gas Unit.

Enclosed please find a copy of our application for your records. If you have any questions, please feel free to contact this office at 928-337-3230.

Sincerely,

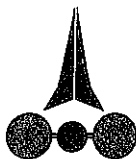
Thomas White
Field Operations Manager

Enclosure

cc: Arizona Oil & Gas Commission

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

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



Ridgeway

Arizona Oil Corporation

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

June 29, 2011

Ms Elaine Rogers
P O Box 701
Alpine, AZ 85920

Delivery Confirmation Receipt
03101230000128083886

Attn: Ms. Rogers

RE: Amended Application for 160 acre spacing for the St Johns Gas Unit

Dear Ms. Rogers:

Pursuant to Arizona Rule 12-7-107, please be advised that Ridgeway Arizona Oil Corp. has formally amended it's application to the Arizona Oil & Gas Commission for 320 acre spacing to 160 acre spacing, within the St Johns Gas Unit.

Enclosed please find a copy of our application for your records. If you have any questions, please feel free to contact this office at 928-337-3230.

Sincerely,

Thomas White
Field Operations Manager

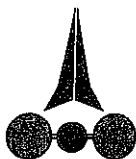
Enclosure

cc: Arizona Oil & Gas Commission

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

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

Email: ridgewayaz@frontiernet.net



Ridgeway

Arizona Oil Corporation

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

June 29, 2011

SPO Land & Cattle Co LLC
26602 West Hwy 85
Buckeye, AZ 85326

Delivery Confirmation Receipt
03101230000128083862

Attn: Ms. Sidney Maddock

RE: Amended Application for 160 acre spacing for the St Johns Gas Unit

Dear Ms. Maddock:

Pursuant to Arizona Rule 12-7-107, please be advised that Ridgeway Arizona Oil Corp. has formally amended it's application to the Arizona Oil & Gas Commission for 320 acre spacing to 160 acre spacing, within the St Johns Gas Unit.

Enclosed please find a copy of our application for your records. If you have any questions, please feel free to contact this office at 928-337-3230.

Sincerely,

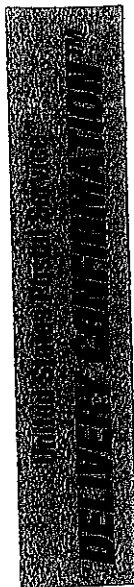
Thomas White
Field Operations Manager

Enclosure

cc: Arizona Oil & Gas Commission

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

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Fax: 928-337-3162
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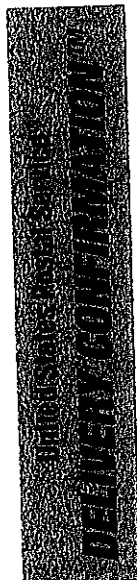
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MS Elaine Rogers
PO Box 701
Alpine AZ 85920

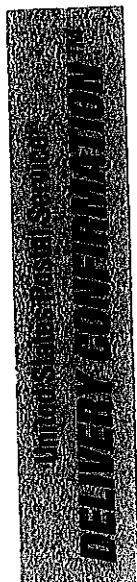
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SP Land & Cattle Co. LLC
26602 West Hwy 85
Buckeye AZ 85329

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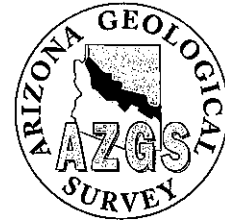
PS Form 3800, June 2009 85938-9998



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

July 7, 2011

To: Oil and Gas Conservation Commissioners

From: *SLR* Steven L. Rauzi, Oil and Gas Administrator

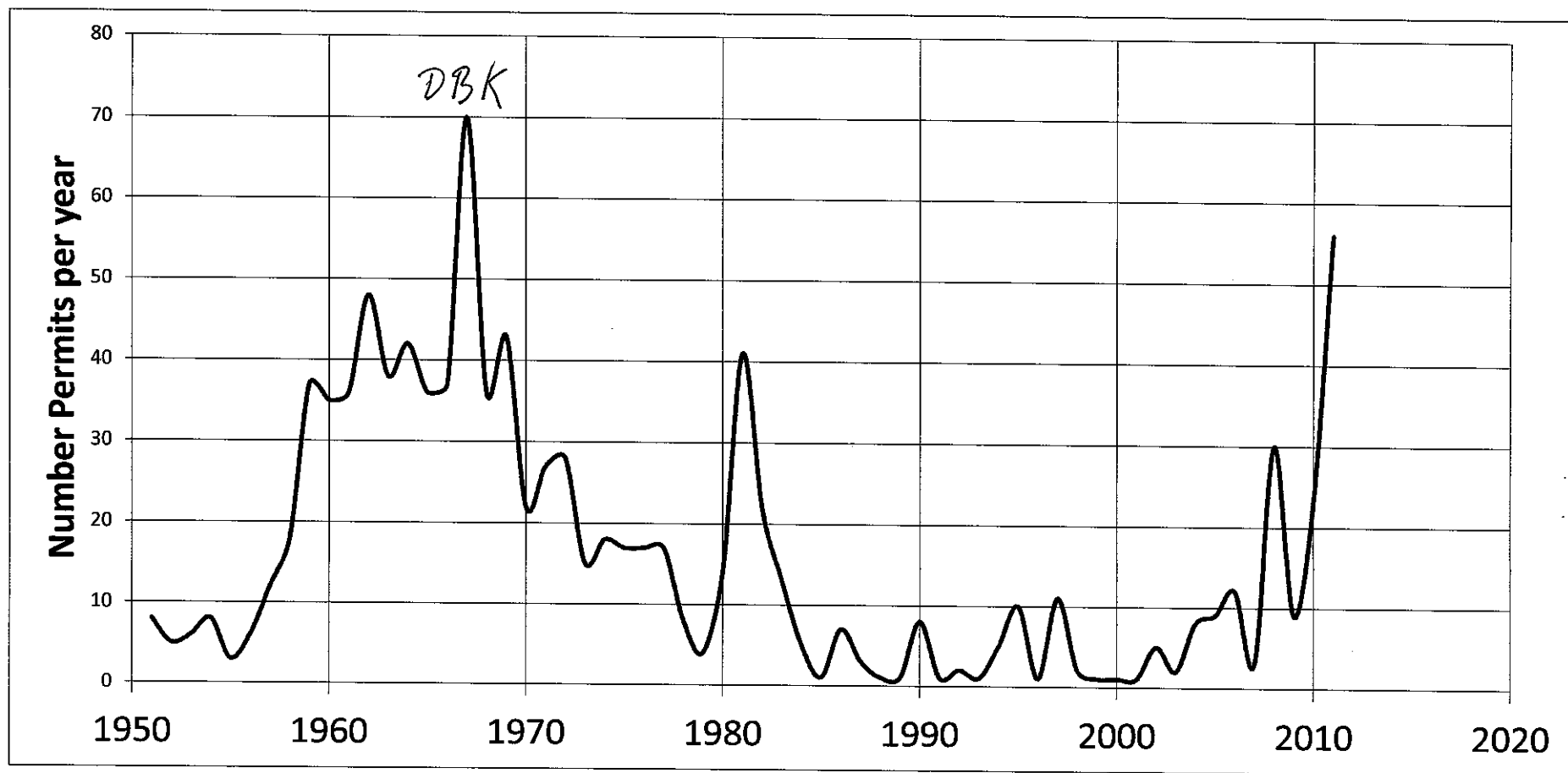
Re: Report about permits and drilling activity for the July 15, 2011, Meeting

Thirty three new drilling permits were issued and 31 wells were drilled since your last meeting on April 15, 2011. Three companies have drilled a total of 41 stratigraphic wells since the beginning of the year. Southwest Exploration/Passport Potash drilled 19 wells at its potash project west and southwest of Petrified Forest National Park near Holbrook. Passport has two rigs working in its ongoing drilling program. HNZ Potash drilled 15 stratigraphic wells southwest and east of Petrified Forest National Park. HNZ has one rig working in its ongoing drilling program. American West Potash drilled seven wells at its potash project east of Petrified Forest National Park. American West has two rigs working in its ongoing drilling program. A permit is required from the Oil and Gas Conservation Commission for the potash test wells because the holes penetrate the Coconino sandstone, a potential helium reservoir in the area of the Petrified Forest National Park.

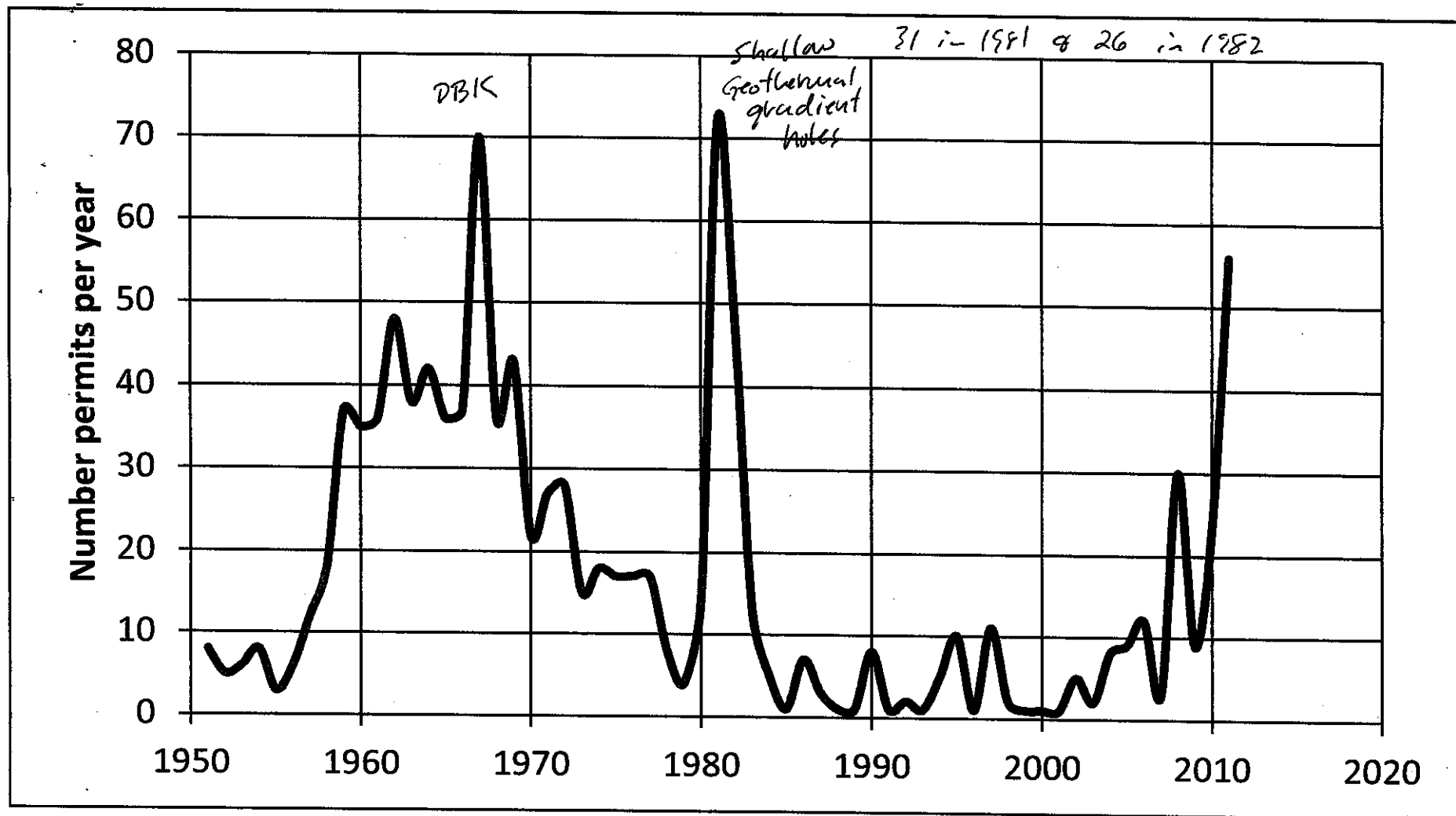
All three companies are setting surface casing above the salt to shut off and protect water in the upper Coconino Sandstone. They are setting a cement plug across the casing shoe and up into the lower Coconino to isolate the underlying salt section after abandonment. Either the ranch manager or representative of the ranch manager is preparing and reclaiming the roads and locations. The drilling is having minimal impact.

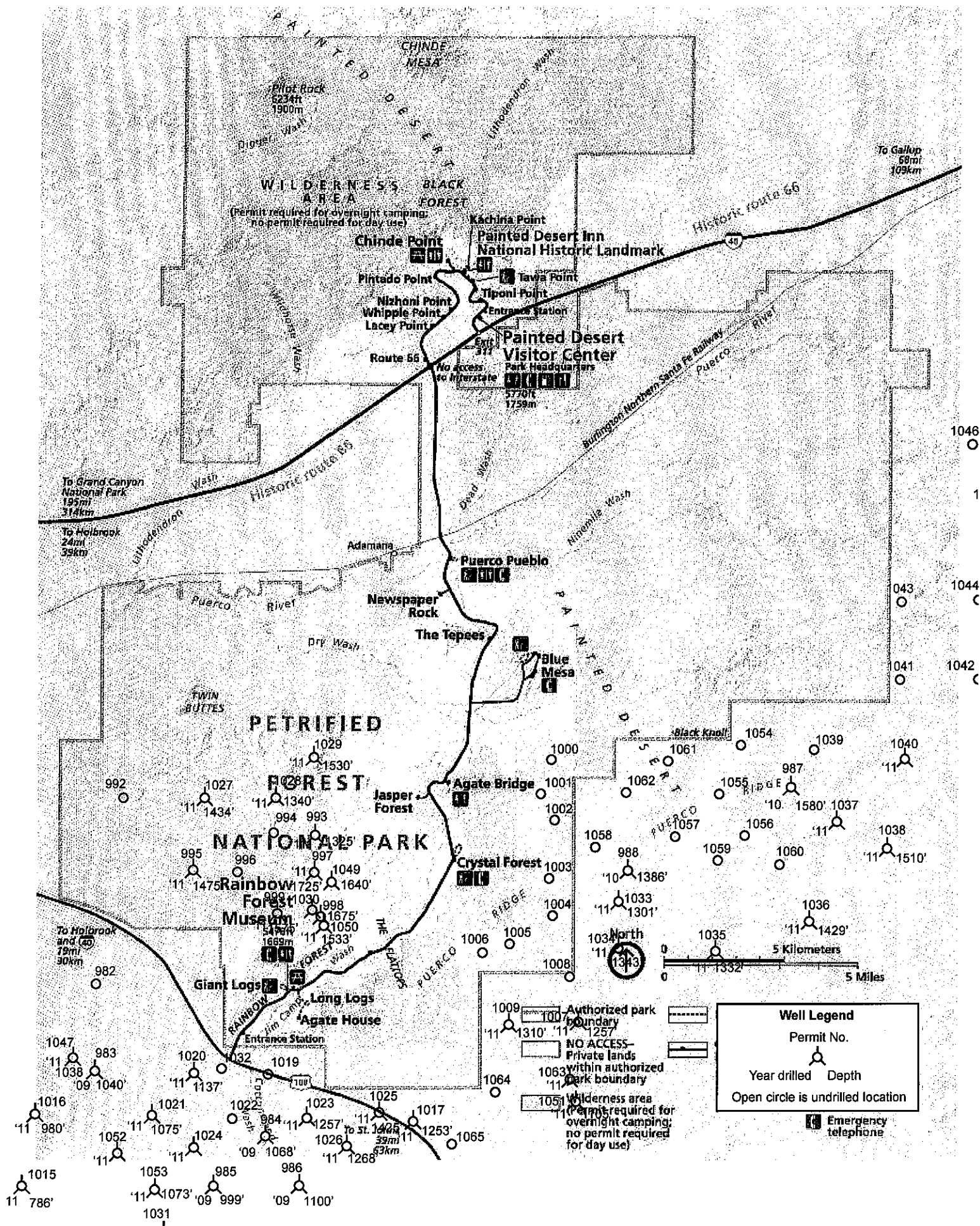
Arizona Natural Gas Storage (ANGS) requested the Federal Energy Regulatory Commission (FERC) to terminate its pre-filling review process regarding its proposed natural gas storage facility in the Picacho Basin. ANGS determined that the financial viability of the project is questionable at this time.

Ridgeway Arizona Oil Corporation has requested 160-acre spacing for its wells in the St. Johns-Unit. The hearing is scheduled under agenda item 4 of the July 15 meeting.



Excludes shallow seafloor gradient holes in 1981 & 1982





6-28-11

Cash Securities Held by Arizona Geological Survey in Agency Fund

Date	Effective date	Operator	Org. Amount	Forfeited Bond	Amount
5/21/1973		American Fuels	\$ 25,000.00		25,000.00
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
4/17/2002		Aquila	\$ 10,000.00		10,000.00
5/24/2004	6/18/2004	Salt Grass	\$ 10,000.00		10,000.00
3/20/2009	3/31/2009	Wilcox Oil & Gas Bond	\$ 10,000.00		10,000.00
5/5/2009	5/11/2009	SW Exploration	\$ 25,000.00		25,000.00
1/28/2011	1/28/2011	SW Exploration	\$ 25,000.00		25,000.00
4/19/2011	4/19/2011	American West Potash LLC	\$ 50,000.00		50,000.00
Total Amount in Agency Fund			\$ 165,000.00	\$ 5,604.72	\$ 170,604.72

Securities Held by the State Treasurer

Date	Operator	Bank	CD Number	Amount
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
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	\$50,000.00
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				\$200,000.00

Total Amount Held in Agency Fund		\$ 80,000.00
Total Amount Held by State Treasurer		\$ 170,604.72
Total Amount Held in Surety Bonds Payable to State		\$ 200,000.00
Total Active Surety + Non-Surety Bonds Held September 2010		\$ 450,604.72

AOGCC Meeting 7-15-11 ✓

Name

Thom White

Joe Dixon

Carmen Tanner

Jamie HOGUE

Representing

Ridgeway

AZ State Land Dept

Ridgeway

Ridgeway