

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING / JANUARY 18, 2013
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 January 18, 2013, 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 October 19, 2012
3. Conflicts of interest
4. Report of Oil & Gas Administrator about new permits and drilling activity
5. Five-year review of oil and gas rules
6. Status of the Kinder Morgan project between St Johns and Springerville
7. Kinder Morgan request to temporary abandon the 11-3-30 Fee (989) and 11-25-30 Fee (1083) and future permitted and drilled wells within the St Johns Unit
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 10th day of January 2013

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
October 19, 2012

Present:

Dr. J. Dale Nations, Chairman
Mr. Stephen R. Cooper, Member
Mr. Frank Thorwald, Member
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of October 19 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 JULY 20, 2012

Mr. Thorwald moved, seconded by Mr. Cooper:

THAT THE MINUTES OF THE MEETING OF JULY 20, 2012, BE ACCEPTED AS
PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

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 one new permit was issued and 11 stratigraphic wells were drilled for potash since the July meeting. Mr. Thorwald asked about the proposed GreenFire geothermal test near Springerville. Mr. Rauzi responded that he was not aware of any activity.

TRIOMPHE ENERGY REQUEST TO DRILL A LATERAL EXTENSION IN ITS TRIOMPHE #1 FEE (PERMIT 1095) IN SECTION 27, TOWNSHIP 20 NORTH, RANGE 21 EAST, NAVAJO COUNTY

Mr. Rauzi reported that Triomphe Energy submitted a written request to drill a lateral extension in its Triomphe #1. He indicated that the request and planned lateral extension were in compliance with the requirements of A.A.C. R12-7-115(B) and R12-7-107(D) and recommended approval.

Mr. Cooper asked about protection of aquifers. Mr. Rauzi noted that three cemented strings of casing to the proposed kickoff point would protect the Coconino aquifer in this area.

Mr. Thorwald moved, seconded by Mr. Cooper:

TO APPROVE THE LATERAL EXTENSION IN THE TRIOMPHE #1

Motion carried unanimously.

TRIOMPHE ENERGY REQUEST TO TEMPORARILY ABANDON ITS TRIOMPHE #1 WELL

Mr. Rauzi reported that Triomphe Energy submitted a written request to temporarily abandon its Triomphe #1 well because it could not drill the lateral extension until about May 2013 because of limited access to qualified service providers who can or are available to provide these types of

services to this remote area. He reviewed the mechanical condition and integrity of the hole, indicated that the request was in compliance with A.A.C. R12-7-125(B), and recommended approval of temporary abandonment for one year.

Mr. Cooper moved, seconded by Mr. Thorwald:

TO GRANT TEMPORARY ABANDONMENT FOR ONE YEAR TO THE TRIOMPHE ENERGY #1 WELL

Motion carried unanimously.

STATUS OF THE KINDER MORGAN PROJECT BETWEEN ST JOHNS AND SPRINGVILLE AND POSSIBLE REPORT FROM KINDER MORGAN

Mr. White reported that Kinder Morgan started drilling the 11-3-30 Fee well (Permit 989) last week and that the remedial work announced last April was progressing nicely.

CALL TO THE PUBLIC

Mr. Dixon reported that the BLM planned a lease sale in February 2013 for 14 sections of land in the Gray Mountain area. He indicated that the minerals were federal and the surface was state on 13 of the 14 sections.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on January 18, 2013, in room 321 at the State Land Department Building in Phoenix.

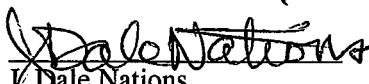
ADJOURNMENT

Mr. Cooper moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

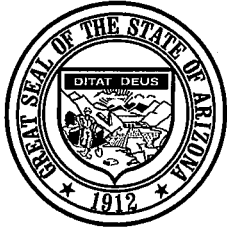
Motion carried unanimously. Time of adjournment was 10:20 a.m.

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

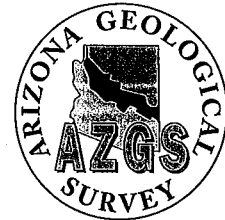
Mr. Scott Bowles	Triomphe Energy
Mr. Todd Clement	Triomphe Energy
Mr. Joe Dixon	State Land Department
Mr. Dennis Hall	Montgomery & Associates
Ms. Michele Van Quathem	Ryley Carlock & Applewhite
Mr. Thomas White	Kinder Morgan CO ₂ Company



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

January 10, 2013

To: Oil and Gas Conservation Commissioners

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

Re: Report about permits and drilling activity for the January 18, 2013, Meeting

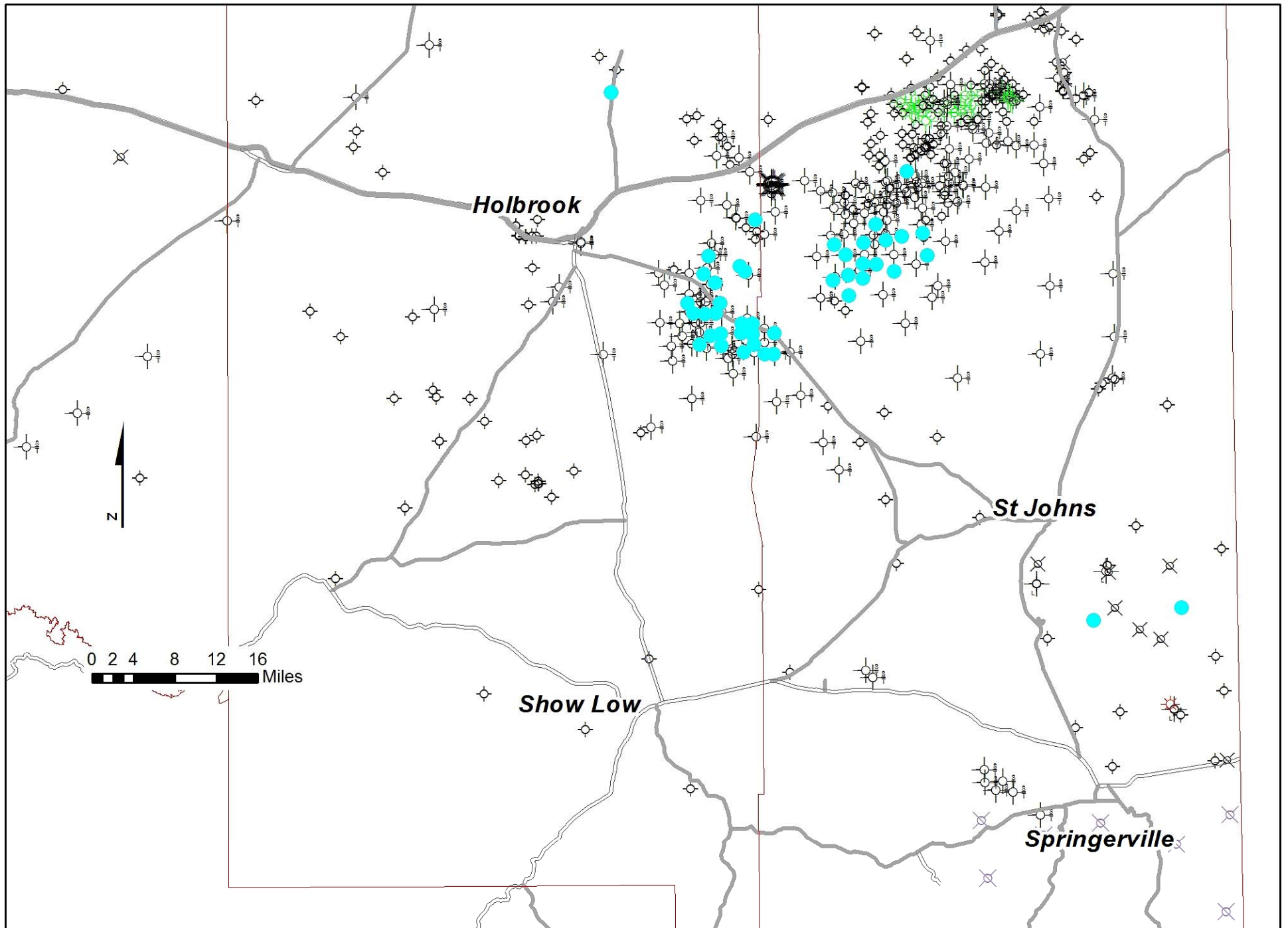
Eighteen new drilling permits were issued and 12 wells were drilled since your last meeting on October 19. For the year, 53 drilling permits were issued and 42 wells were drilled. All but three permits and wells drilled were stratigraphic tests for potash. The three non-potash related permits were for an exploration well near Holbrook and obligation wells at the St Johns Gas Unit.

Passport Potash drilled 24 wells west and southwest of Petrified Forest National Park. American West Potash drilled 15 wells east of Petrified Forest National Park. Triomphe Energy drilled an exploration well for oil and gas north of Holbrook; and Kinder Morgan drilled two wells in its St Johns Gas Unit.

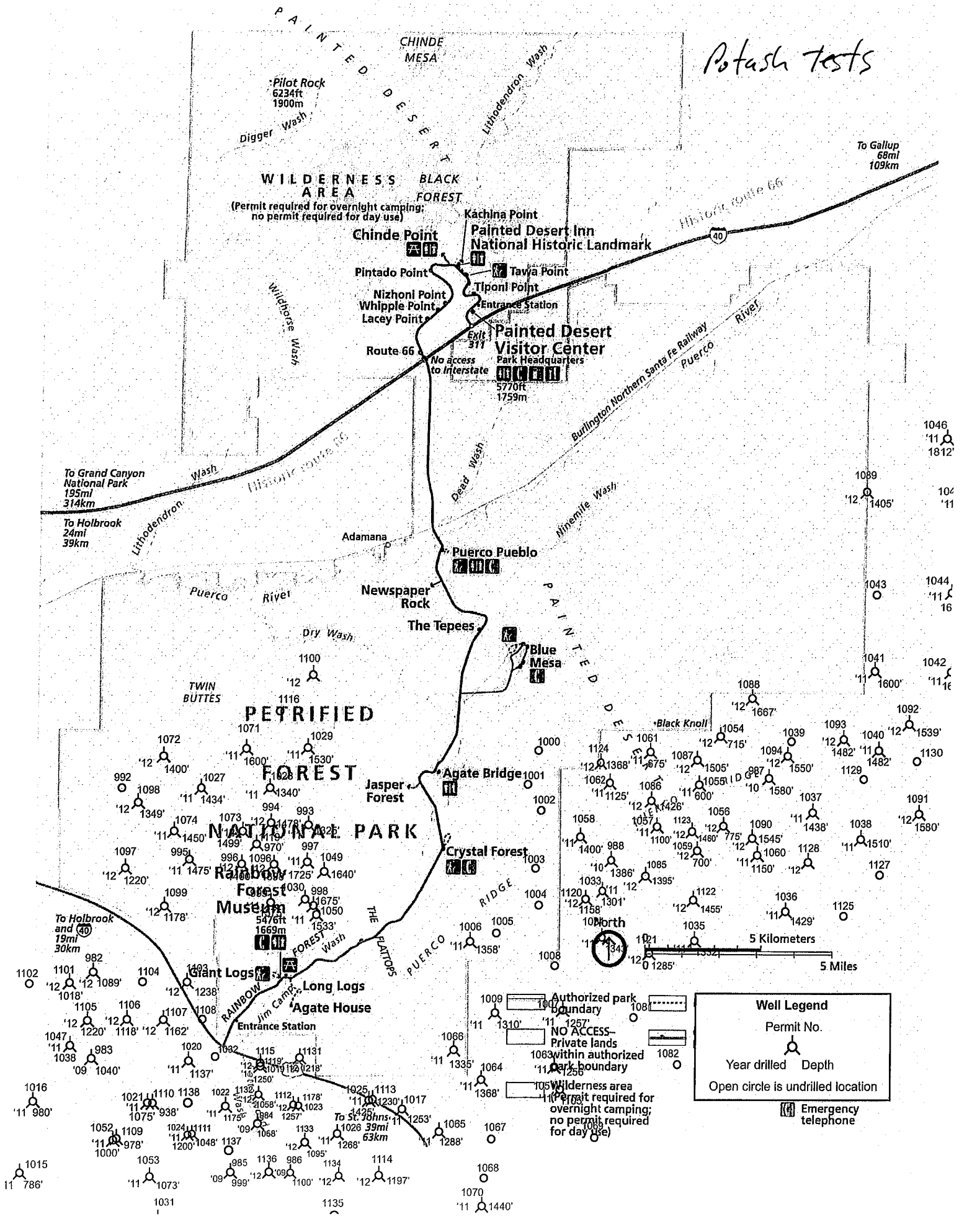
The rulemaking proposed in the Five Year Review Report that the Commission approved in January 2012 is delayed because Governor Brewer extended the moratorium on rulemaking through December 2014.

Kinder Morgan submitted a written request to temporary abandon its 11-3-30 Fee (Permit 989), 11-25-30 Fee (Permit 1083), and future permitted and drilled wells within the St. Johns Gas Unit. This request is in accord with the Commission's motion in the January 2011 meeting (minutes attached) to retain the current status of all wells in the St Johns Unit for the term of the St Johns Unit. The Land Department stated in the January 2011 meeting that it had no objection to retaining the current status for the term of the unit. Approval of this request will facilitate the orderly and efficient development of the St Johns Gas Unit. I recommend approval of the request.

Blue Dots Represent Wells Drilled in Arizona in 2012



Potash tests



WILDERNESS AREA
 (Permit required for overnight camping;
 no permit (required for day use))

Painted Desert Inn
 National Historic Landmark

Painted Desert
 Visitor Center
 Park Headquarters
 5770ft
 1759m

PETRIFIED
FOREST

NATIONAL PARK

Forest
 Museum

Long Logs
Agate House

Well Legend	
	Authorized park boundary
	NO ACCESS - Private lands
	Wilderness area
	Permit required for overnight camping; no permit required for day use
	Emergency telephone
	Permit No.
	Year drilled
	Depth
	Open circle is undrilled location

To Holbrook and (40) 19mi 30km

To Grand Canyon National Park 195mi 314km

To Holbrook 24mi 39km

To Gallup 68mi 109km

To Skutumpah 39mi 63km

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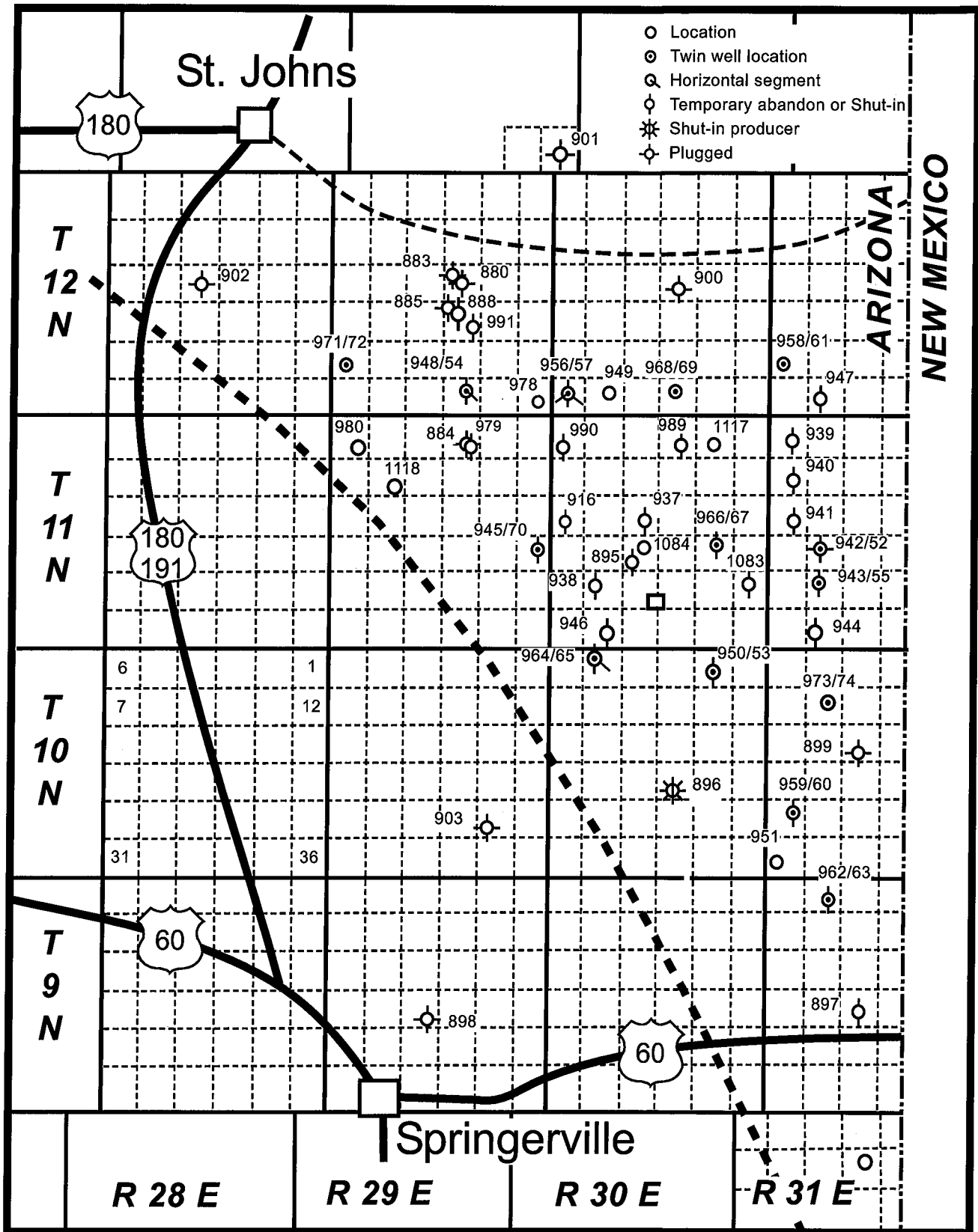
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Kinder Morgan CO2 Company Wells



11/30/12



Location and status of Kinder Morgan 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	Drilled 7/2002; completed, 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	Drilled 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	4202 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	2869 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 11/2012, 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 through 1/2013
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 Prize	n2 se 03-11n-30e	2600 ft	Drilled 11/2012, temporarily abandoned
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
1083	11-25-30 Prize	se nw 25-11n-30e	3027 ft	Drilled 11/2012, temporarily abandoned
1084	11-21-30 State	sw ne 21-11n-30e	not drilled	Permit expired 5/28/2012
1117	11-02-30 State	ne sw 02-11n-30e	not drilled	Permitted 6/25/2012
1118	11-08-29 State	se se 08-11n-29e	not drilled	Permitted 6/25/2012

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

reference for
agenda item
7

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

OGCC MTS

1-18-13

Name

Representing

Joe Dixon

AZ State Land Dept

Thomas White

K&W

Sam Connel

BLM