

OIL & GAS CONSERVATION COMMISSION
—MINUTES OF MEETING / APRIL 19, 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 April 19, 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 January 18, 2013
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. Request by Triomphe Energy to extend confidential status of its Triomphe #1 Fee (Permit 1095)
7. Status of the Kinder Morgan project between St Johns and Springerville
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

Members of the Oil and Gas Conservation Commission will attend either in person or by telephone conference call.

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 11th day of April 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
January 18, 2013

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Wagner, Vice-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 January 18 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 19, 2012

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MINUTES OF THE MEETING OF OCTOBER 19, 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 18 new permits were issued and 12 wells were drilled since the October 2012 meeting and that 53 wells were permitted and 42 wells were drilled in 2012. Mr. Rauzi noted that all but three permits and wells drilled were stratigraphic tests for potash and passed out a map showing the location of the wells drilled in 2012.

FIVE-YEAR REVIEW OF OIL AND GAS RULES

Mr. Rauzi reported that the Governor extended the rulemaking moratorium from June 30, 2012 to December 31, 2014. He noted this would delay the rulemaking to include exception to the spacing of horizontal wells after notice and hearing approved in the five-year-review report in January 2012.

STATUS OF THE KINDER MORGAN PROJECT BETWEEN ST JOHNS AND SPRINGVILLE

Mr. Rauzi reported that Kinder Morgan drilled the 11-3-30 Fee (Permit 989), 11-25-30 Fee (Permit 1083), and the lateral extension in the 10-5-30 State (Permit 964) and had submitted all the required paperwork for the wells. Mr. White reported that the lateral extension flowed 9 million cubic ft of gas a day from fractures in the granite and that Kinder Morgan would be taking a close look at the relationship of fractures to production.

KINDER MORGAN REQUEST TO TEMPORARILY ABANDON THE 11-3-30 FEE (989) AND 11-25-30 FEE (1083) AND FUTURE PERMITTED AND DRILLED WELLS WITHIN THE ST JOHNS UNIT

Mr. Rauzi reported that Kinder Morgan submitted a request to temporarily abandon its 11-3-30 Fee (Permit 989), 11-25-30 Fee (Permit 1083), and all future wells permitted and drilled for the duration

of the St Johns Unit. He reviewed the Commission's motion in the January 21, 2011 meeting to approve temporary abandonment for wells within the St. Johns Unit for the duration of the St. Johns Unit Agreement and noted that both the State Land Department and the Commission's counsel agreed with the motion of January 2011. He discussed the need to shut-in productive wells until a pipeline was built and the unit was in operation. Mr. Rauzi recommended approval of the request.

Mr. Dixon reported that the State Land Department had extended the term of the St Johns Gas Unit through January 2017 and that the unit would remain in force as long thereafter as long as there was production.

Mr. Thorwald moved, seconded by Mr. Wagner:

TO GRANT TEMPORARY ABANDONMENT TO PERMITS 989 & 1083 AND FUTURE PERMITTED AND DRILLED PRODUCTIVE WELLS FOR THE DURATION OF THE ST JOHNS UNIT

Motion carried unanimously.

CALL TO THE PUBLIC

Ms. Conrath reported that four Arizona parcels would be auctioned at the February 14, 2013 oil and gas lease sale in Denver, Colorado. She indicated that the four parcels were near Gray Mountain.

ANNOUNCEMENTS

Dr. Nations reported that he had contacted Ms. Linda Stiles at the Governor's Office of Boards and Commissions. He reported that there had been no action about appointments or re-appointments and for the Commissioners to continue serving until replaced or reappointed as long as they were willing.

The Commission scheduled its next meeting at 10:00 a.m. on April 19, 2013 in room 321 at the State Land Department Building in Phoenix.

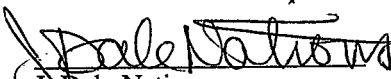
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:21 a.m.

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Ms. Karen Conrath
Mr. Joe Dixon
Mr. Thomas White

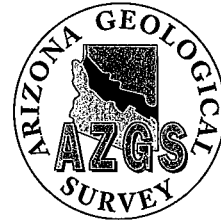
U.S. Bureau of Land Management
Arizona State Land Department
Kinder Morgan



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 11, 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 April 19, 2013, Meeting

Seven new drilling permits were issued and 4 wells were drilled since your last meeting on January 18. Passport drilled three potash wells south and west of the Petrified Forest National park. Kinder Morgan drilled one carbon dioxide well at the St Johns Gas Unit.

Kinder Morgan drilled the 10-31-31 State in March. Kinder Morgan tested the well and now plans to drill a lateral extension for comparison with the flow rates obtained in the vertical hole.

Triomphe Energy requested an extension of confidentiality for its Triomphe #1 Fee well that it drilled north of Holbrook in June 2012. Statute provides an operator one year of confidentiality so the confidential period for the Triomphe well will expire in June 2013. Triomphe's requested extension of confidentiality would therefore be from June 2013.

I completed an inspection of both the Plains LPG storage facility near Luke and the Enterprise Products LPG storage facility near Holbrook. All wellhead valves, pneumatic controls, and emergency shut down and flare systems were in good condition. Plains LPG operates three wells with a total sonar capacity of 166 million gallons. Enterprise operates 11 wells with a total sonar capacity of 93 million gallons. Enterprise recently finished working over and testing the mechanical integrity of its wells #1, #2, #7, #8, #9, and #10. The integrity of a cavern and casing is tested by applying and measuring pressure over a period of time. Caverns and casing have good integrity if they hold pressure. The volume of a cavern is measured by lowering a sonar tool down the hole to measure the radius and calculate the incremental and total capacity of the cavern.

TRIOMPHE ENERGY

Energy Exploration in Alliance with the Environment

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Todd Clement

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February 26, 2013

J. Dale Nations, Chairman
Stephen R. Cooper
Frank Thorwald
Robert L. Wagoner
Vanessa Hickman, Ex-Officio
Arizona Oil and Gas Conservation Commission
416 West Congress Street, Suite 100
Tucson, Arizona 85701-1381
steve.rauzi@azgs.az.gov

Re: Request for Confidential Treatment of Well Information per A.R.S. §27-522(B)

Dear Chairman and Commissioners,

Triomphe Energy, LLC ("Triomphe Energy") respectfully requests that the Commission grant an extension of time to Triomphe Energy for confidential status of casing records, well logs, completion reports, and other well information submitted to the Commission by Triomphe Energy for two years.

Per Arizona Revised Statute section 27-522(B), the Commission is authorized to grant the requested extension "for not more than two years from the date of the request if the operator can provide credible evidence that disclosure of the information is likely to cause harm to the operator's competitive position." *See also* A.A.C. R12-7-121.

A premature release of raw drilling data from Triomphe #1 to the public has the potential to impact Triomphe Energy's project in the initial stages, including pursuit of nearby land holdings from worldwide competition. Triomphe Energy respectfully requests the Commission grant an extension of time for a confidential safeguard as authorized in A.R.S. §27-522(B).

If additional information from Triomphe Energy is needed regarding this confidential request, please contact me at (208) 313-5908.

Respectfully,


Todd Clement

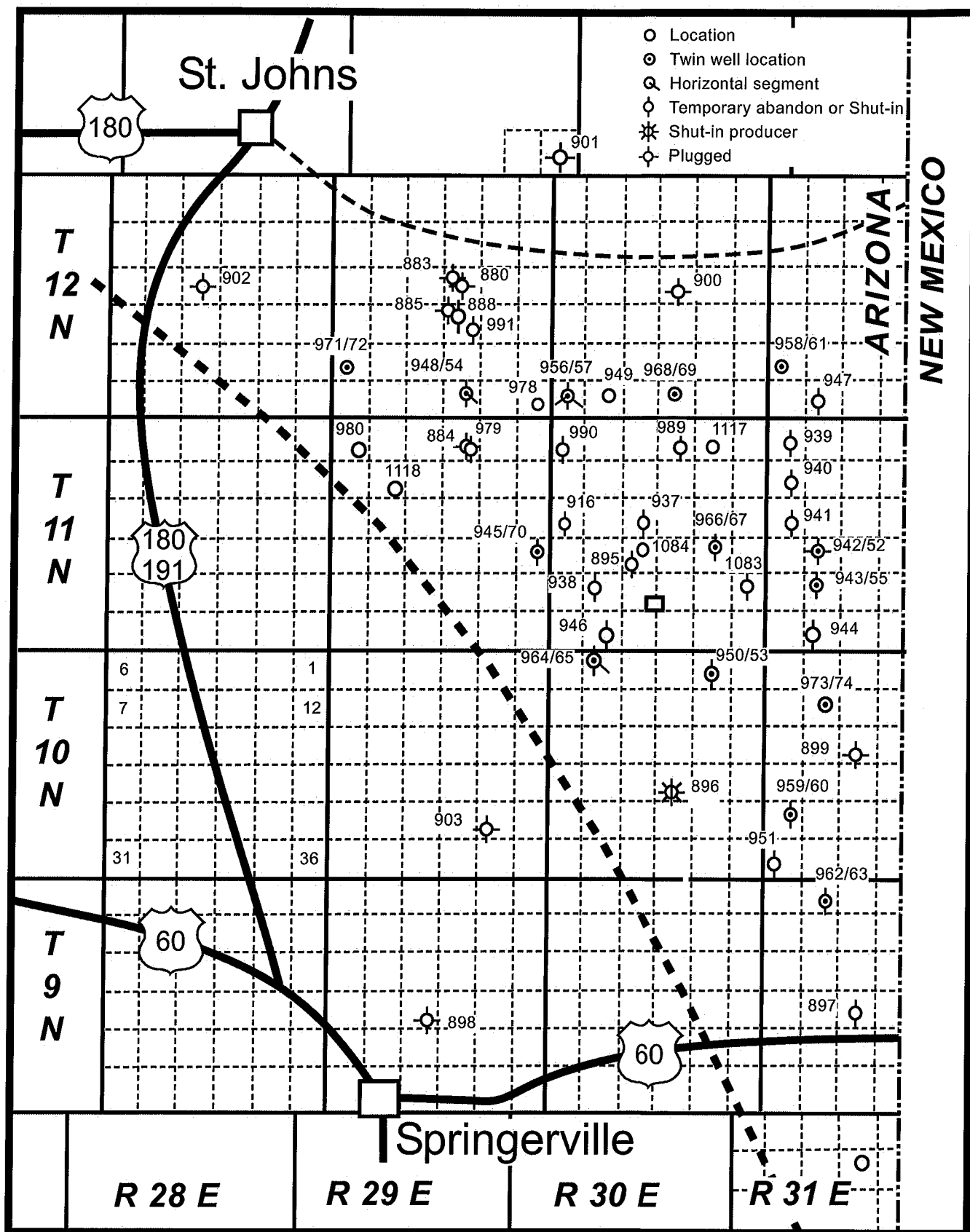
Triomphe Energy, LLC

c: Steve Rauzi, Oil and Gas Administrator (via email)

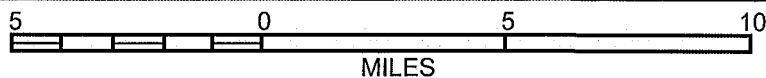
Location and status of Kinder Morgan wells in east-central Arizona

<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	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	1937 ft	Drilled 3/2013, temporarily abandoned
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 expired 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	Permit expired 12/25/2012
1118	11-08-29 State	se se 08-11n-29e	not drilled	Permit expired 12/25/2012

Kinder Morgan CO2 Company Wells



03/22/13



AZ OGCC MAG 4-19-2013

<u>Name</u>	<u>Representing</u>
Dennis Hall Thomas White	Montgomery & Associates KM
Joe Dixon	AZ State Land Dept.
Rebecca Price	Vertex
Terri Luck	Vertex
Kim Morey	ASCD