
OIL & GAS CONSERVATION COMMISSION
— MINUTES OF MEETING / JULY 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 July 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 April 19, 2013
3. Conflicts of interest
4. Report of Oil & Gas Administrator about new permits and drilling activity
5. Status of the Kinder Morgan CO₂ project between St Johns and Springerville
6. Review of drilling performance bonds
7. 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.
8. Announcements
9. 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 10th day of July 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
April 19, 2013

Present:

Dr. J. Dale Nations, Chairman

Mr. Robert L. Wagner, Vice-chairman

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 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 JANUARY 18, 2013

Mr. Wagner moved, seconded by Mr. Cooper:

THAT THE MINUTES OF THE MEETING OF JANUARY 18, 2013, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

None

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

Dr. Allison asked if the Survey was providing the staff and technical support the Commission needs. The Commissioners considered the current support excellent but did ask for help in getting members appointed to the Commission. Dr. Allison briefed the Commissioners on the Mancos Shale play in New Mexico, which would require horizontal wells and hydraulic fracturing if pursued in Arizona. He noted more interest, inquiries, and concerns from the public, news media, and local officials about hydraulic fracturing in Arizona. Dr. Allison suggested that the Commission invite operators to file information about materials they use in fracturing in Arizona on FracFocus, which is a national hydraulic fracturing chemical registry website, or to post the information on the Commission's website when it becomes public to help allay public concerns and provide open transparency.

The Commissioners approved of the suggestion to invite operators to voluntarily post hydraulic fracturing information on FracFocus or if they did not to post the information on the Commission's website. Mr. Rauzi indicated that he would add a link to FracFocus on the Commission's web page.

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 seven new permits were issued and four wells were drilled since the January 2013 meeting. He reported that three wells were drilled for potash and one was drilled for carbon dioxide.

Mr. Rauzi reported that he completed an inspection of both the Plains LPG and Enterprise Products LPG storage facilities near Luke and Holbrook respectively. He reported that both facilities were in good condition and that Enterprise was testing the integrity and measuring the capacity of six wells.

REQUEST BY TRIOMPHE TO EXTEND CONFIDENTIALITY IN TRIOMPHE 1 WELL (PERMIT 1095)

Mr. Rauzi reported that Triomphe requested an extension of confidentiality for its Triomphe #1 well. Triomphe's written request stated that disclosure of information would harm its competitive position while its project was in its initial stages including pursuit of nearby land holdings. He recommended approval of an extension. After discussing the continuing work and activity at the well,

Mr. Thorwald moved, seconded by Mr. Wagner:

TO GRANT TRIOMPHE ENERGY'S REQUEST TO EXTEND CONFIDENTIAL STATUS FOR ONE YEAR FROM JUNE 2013

Motion carried unanimously.

STATUS OF THE KINDER MORGAN PROJECT BETWEEN ST JOHNS AND SPRINGERVILLE

Mr. White reported that well work and testing were continuing and that Kinder Morgan planned to drill three additional wells.

CALL TO THE PUBLIC

Mr. Dixon reported that all four tracts near Gray Mountain were leased at the February BLM lease sale in Denver.

ANNOUNCEMENTS

Dr. Nations reported that he had contacted the Governor's Office of Boards and Commission about appointments or reappointments and that he has not received a reply.

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

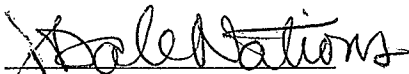
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:31 a.m.

APPROVED



Dale Nations
Chairman

GUESTS IN ATTENDANCE

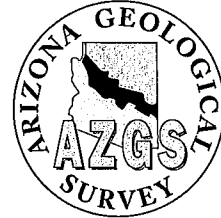
Mr. Joe Dixon	State Land Department
Dennis Hall	Montgomery & Associates
Terri Luck	Vertex
Kim Morey	State Land Department
Rebecca Price	Vertex
Mr. Thomas White	Kinder Morgan



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

July 11, 2013

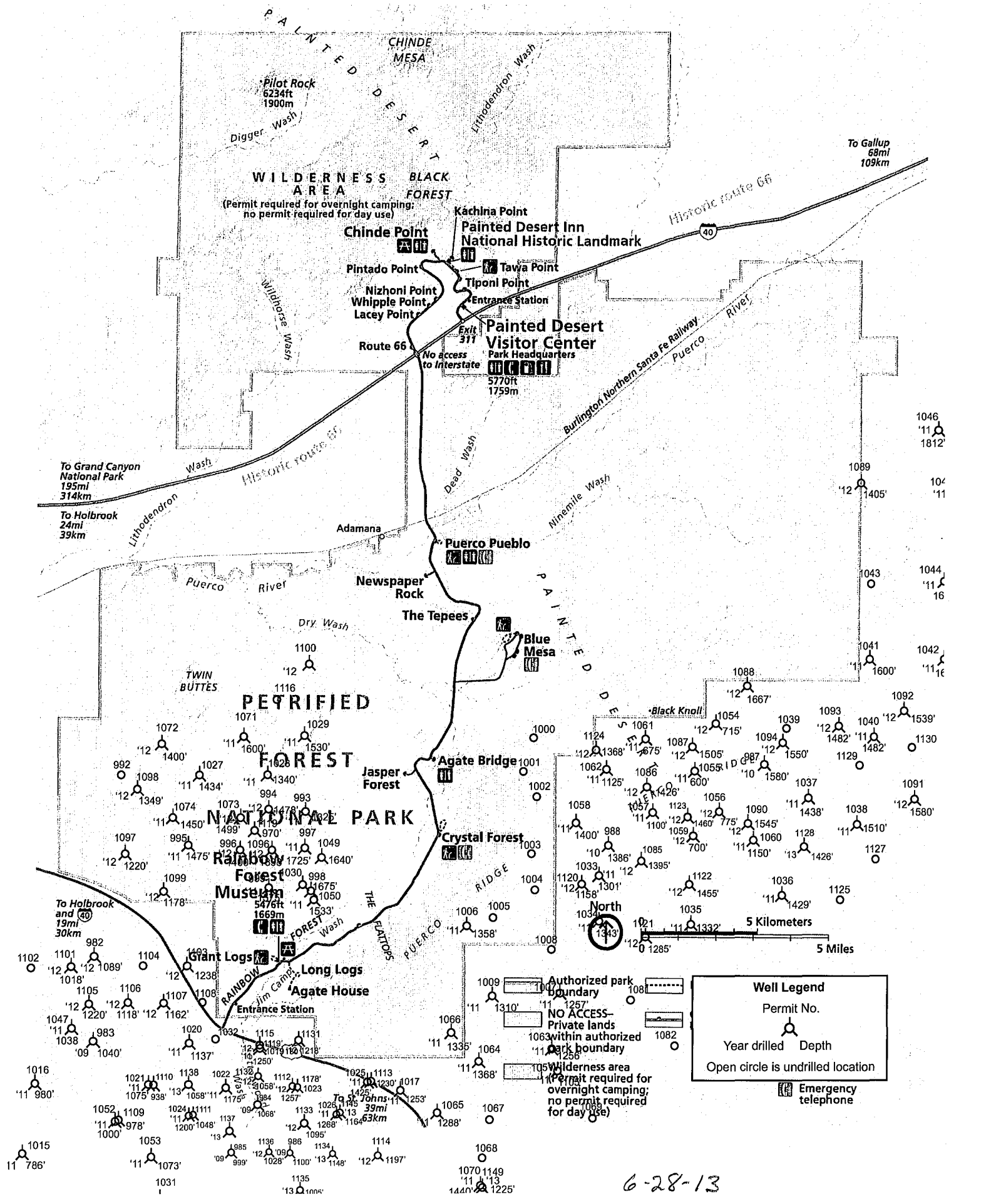
To: Oil and Gas Conservation Commissioners

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

Re: Report about permits and drilling activity for the July 19, 2013, Meeting

Three new drilling permits were issued and four wells were drilled since your last meeting on April 19. Passport Potash and HNZ Potash each drilled a stratigraphic well for potash information south and west of the Petrified Forest National Park. Passport drilled the Y State well to a depth of 1,164 ft in Section 30, Township 16 North, Range 24 East. HNZ drilled the Mine Shaft Core Well #1 to a depth of 1,225 ft in Section 2, Township 15 North, Range 24 East. HNZ cored through the rocks overlying the salt to obtain information relative to eventual construction of a mining shaft. Kinder Morgan drilled two carbon dioxide wells at the St Johns Gas Unit. Kinder Morgan drilled the 10-31-31 State to a total depth of 2,950 ft in Section 31, Township 10 North, Range 31 East and the 10-26-30 State to a total depth of 2,819 ft in Section 26, Township 10 North, Range 30 East.

There are two changes in the oil and gas bond report from July 2012. John Hestand, assistant attorney general at the July 2012 meeting, checked with the State Treasurer's Office and determined that there is no record of the \$25,000 cash bond posted by American Fuels Corporation, which filed for bankruptcy in July 1975. A letter to the Oil and Gas Conservation Commission from American Fuels' bankruptcy attorney dated December 20, 1978 notified the Arizona Oil and Gas Conservation Commission that any money due to American Fuels Corporation should be turned over to the Trustee in Bankruptcy. The American Fuels bond was likely turned over to the Trustee in Bankruptcy in late 1978 or early 1979. The bond was dropped from the report because the Arizona State Treasurer has no record of the money, the state no longer has the funds. The other change is that the \$50,000 bond posted by Ridgeway Arizona Oil Corporation was released back to Ridgeway because that bond was replaced by the \$50,000 blanket bond posted by Kinder Morgan CO₂ Company.



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

Well Legend

Permit No.

Year drilled Depth

Open circle is undrilled location

Emergency telephone

Authorized park boundary

NO ACCESS - Private lands within authorized park boundary

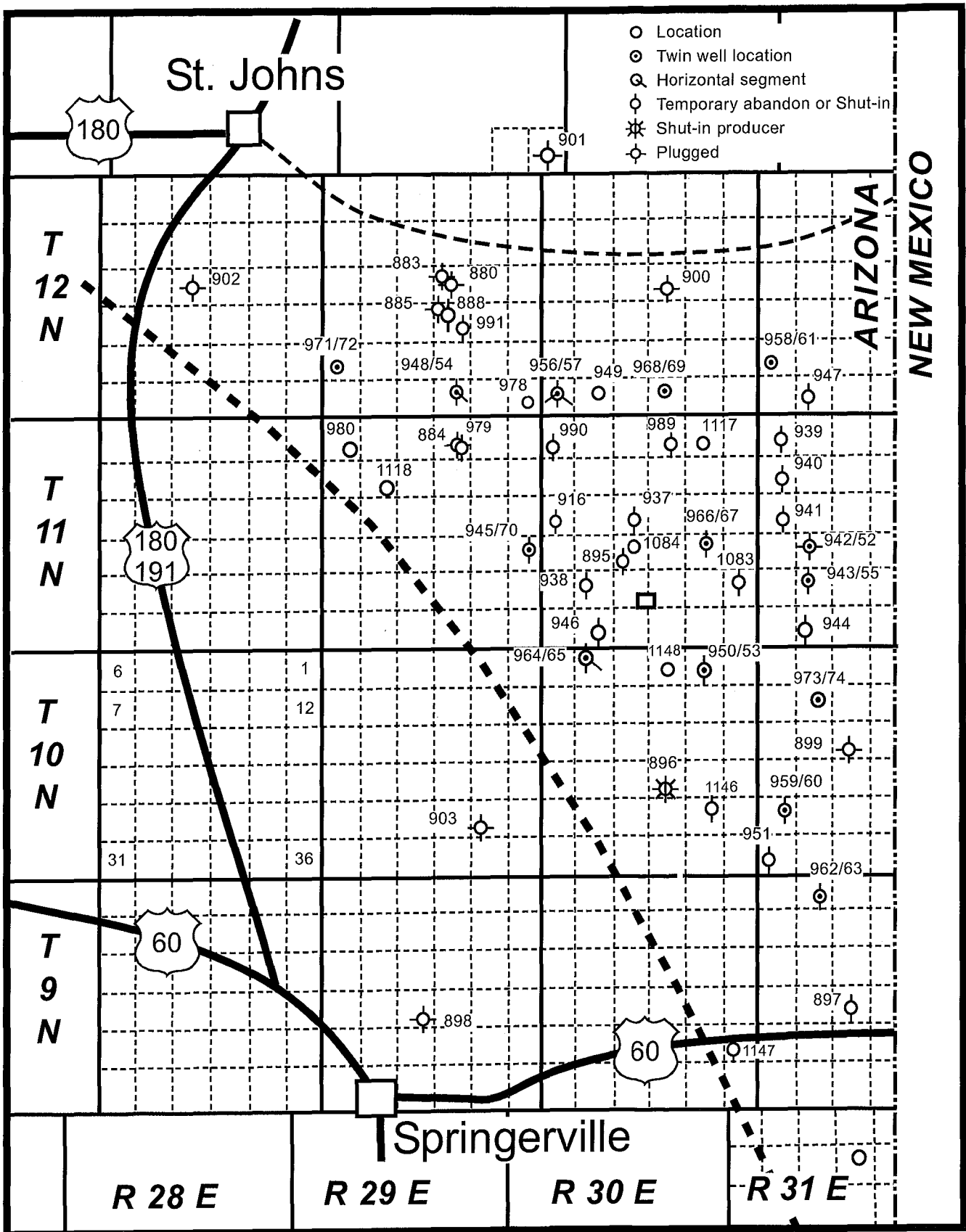
Wilderness area (Permit required for overnight camping; no permit required for day use)

6-28-13

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	2740 ft	Drilled 2/2008, temporarily abandoned
951	10-31-31 State	nw sw 31-10n-31e	2950 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	3007 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	3813 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
1146	10-26-30 State	sw ne 26-10n-30e	2819 ft	Drilled 6/2013
1147	09-25-30 State	nw nw 25-09n-30e	drilling	Drilled 7/2013
1148	10-03-30 Fee	ne sw 03-10n-30e	not drilled	Permitted 04/2013

Kinder Morgan CO2 Company Wells



- Location
- ⊙ Twin well location
- ⊖ Horizontal segment
- ⊕ Temporary abandon or Shut-in
- ★ Shut-in producer
- ⊗ Plugged

ARIZONA
NEW MEXICO

06/28/13



Cash Securities Held by Arizona Geological Survey in Agency Fund

Date	Effective date	Operator	Org. Amount	Forfeited Bond	Amount	Comments
8/1991		United Gas	\$ 5,000.00	\$ 4,395.28	604.72	
1/1994		Contender	\$ 5,000.00	\$ 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	
3/20/2009	3/31/2009	Wilcox Greenhouse	\$ 10,000.00		10,000.00	Producing Geothermal well
5/5/2009	5/11/2009	SW Exploration- Passport	\$ 25,000.00		25,000.00	Monies are currently on Oil and Gas Bond Fund
1/28/2011	1/28/2011	SW Exploration- Passport	\$ 25,000.00		25,000.00	Monies are currently on Oil and Gas Bond Fund
4/19/2011	4/19/2011	American West Potash LLC	\$ 50,000.00		50,000.00	Monies are currently on Oil and Gas Bond Fund
3/23/2012		Triomphe Energy LLC	\$ 10,000.00		10,000.00	Monies are currently in Oil and Gas Bond Fund
Total Amount in Agency Fund			\$ 150,000.00	\$ 9,395.28	145,604.72	

Securities Held by the State Treasurer

Date	Operator	Bank	CD Number	Amount	Comments
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	
Total Amount Held by State Treasurer				30,000.00	

Surety Performance Bonds

Operator	Bond Company	Bond Number	Remark	Amount	Comments
APS	Liberty Mutual Insurance	024-016-685	P/N 929	\$ 25,000.00	
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	
Plains LPG Services LP	RLI Insurance Co.	RLB0010111	Blanket	\$ 25,000.00	
Kinder Morgan CO2 Co., L.P.	Liberty Mutual Insurance	022-036-714	Blanket	\$ 50,000.00	
Total Amount Held in Surety Bonds Payable to State				\$ 225,000.00	
Total Amount Held in Agency Fund				145,604.72	
Total Amount Held by State Treasurer				30,000.00	
Total Amount Held in Surety Bonds Payable to State				225,000.00	
Total Active Surety + Non-Surety Bonds Held July 2013				400,604.72	

AZO GCC

MTG

7-19-13

<u>Name</u>	<u>Representing</u>
Thomas White	Kinder Morgan
Joe Dixon	AZ State Land Dept.
Carmen Bonanno	Arizona Oil & Gas Inc
Rebecca Price	Vertex
Terri Luck	Vertex