

OIL & GAS CONSERVATION COMMISSION  
MINUTES OF MEETING / OCTOBER 17, 2014  
STEVEN L. RAUZI, OIL & GAS ADMINISTRATOR

**Steve Rauzi**

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**Subject:** FW: Oct 17 meeting background material  
**Attachments:** OGCC MTG OCT 17.pdf

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**From:** Steve Rauzi  
**Sent:** Tuesday, October 14, 2014 9:22 AM  
**To:** daleaudrey@comcast.net; frankthorwald@thorwaldgroup.com; rl.wagner@cox.net; src@centralazlaw.com  
**Cc:** John.Hestand@azag.gov; 'vhickman@azland.gov'  
**Subject:** Oct 17 meeting background material

Dear Commissioners, I am sending the attached background material electronically this time instead of by regular mail. Please let me know that you received it and will be attending the meeting this Friday. Thanks, Steve

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 October 17, 2014, 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 July 18, 2014
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. Discussion of permit application fee
7. Status of the Kinder Morgan CO<sub>2</sub> 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 14th day of October 2014

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  
July 18, 2014

Present:

Dr. J. Dale Nations, Chairman

Mr. Robert L. Wagner, Vice-chairman

Mr. Stephen R. Cooper, Member (appeared by telephone)

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 July 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 18, 2013

Mr. Wagner moved, seconded by Mr. Thorwald:

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

Motion carried unanimously.

CONFLICTS OF INTEREST

Mr. Thorwald noted a conflict with Soneera Water.

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

Dr. Allison reaffirmed Arizona Geological Survey's (AZGS) commitment to support the Commission. He reported the AZGS role in building the NGDS (National Geothermal Data System), which is a catalog of geothermal records across the country. He reported it contained about 3 million well records including digital records in Arizona.

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 47 permits were issued and 30 wells were drilled in 2013. He reported that eight permits were issued and two wells were drilled in 2014. He described the potential for subsurface storage of CO<sub>2</sub> beneath the Navajo Generating Station near Page.

STATUS OF TRIOMPHE ENERGY #1 WELL (PERMIT 1095)

Mr. Rauzi reported that Triomphe Energy requested an extension of temporary abandonment and confidentiality which expired this month. He reported that Triomphe wanted to stimulate the well and needed an Aquifer Protection Permit from ADEQ to do that. Mr. Rauzi noted that it would take about six months to obtain an Aquifer Protection Permit from the ADEQ.

Mr. Cooper moved, seconded by Mr. Thorwald:

TO EXTEND TEMPORARY ABANDONMENT AND CONFIDENTIALITY THROUGH JULY 2015

Motion carried unanimously.

SONEERA WATER PRESENTATION ABOUT TREATMENT OF WASTE WATER

Mr. Behan handed out an informative brochure and described the water treatment system of Soneera Water. He noted the cost advantage of Soneera to other treatment systems.

COORDINATION WITH ADEQ FOR WELLS WITH PROPOSED ARTIFICIAL STIMULATION

Mr. Rauzi reported that he discussed coordination with Maribeth Greenslade at ADEQ. He reported that both agreed that the Oil and Gas Conservation Commission would advise operators that an APP from ADEQ is required for any wells that are hydraulically fractured.

STATUS OF KINDER MORGAN DRILLING PROGRAM BETWEEN ST JOHNS AND SPRINGERVILLE

Ms. Hartman described the status of Kinder Morgan's drilling schedule and reported that 14 more wells were planned later this year and into 2015.

REVIEW OF DRILLING PERFORMANCE BONDS

Mr. Rauzi reviewed the status of bonds currently on file with the Oil and Gas Conservation Commission. He reported that the only change from the July 2013 bond list was the addition of a \$25,000 blanket bond for Gusher State LLC.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

Dr. Nations reported that he had contacted the Governor's Office of Boards and Commissions about Commission membership after the two previous meetings were cancelled because of a lack of quorum. The Commission scheduled its next meeting at 10:00 a.m. on October 17, 2014, in room 321 at the State Land Department Building in Phoenix.

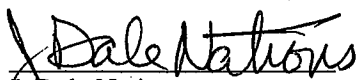
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

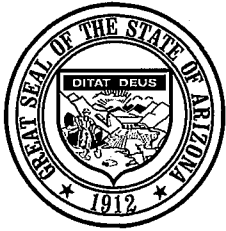
Motion carried unanimously. Time of adjournment was 10:40 a.m.

APPROVED

  
J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE

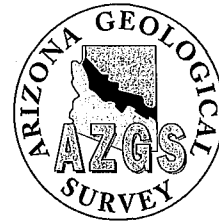
Mr. Darrell Behan	Soneera Water	Ms. Carrolette Winsread	GES
Mr. Joe Dixon	State Land	Ms. Michelle Van Quathem	Ryley Carlock
Ms. Corrie Hartman	Kinder Morgan	Mr. Rick Zeise	Attorney General
Mr. Thomas White	Kinder Morgan		



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

October 17, 2014

To: Oil and Gas Conservation Commissioners

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

Re: Report about permits and drilling activity for the October 17, 2014 Meeting

Three new permits were issued since your last meeting on July 18. Two permits were issued to Ranger Development for exploration holes in the old helium producing area east of Holbrook. The other permit was issued to Leonard Hafley for an exploration well on his property north of Kingman. There has been no activity on any of the new permits.

Kinder Morgan has drilled four wells and is currently drilling a fifth well this year. One well was drilled horizontally and a lateral segment is being drilled in one of the vertical holes. Kinder Morgan has permitted seven wells.

The Arizona Geological Survey has submitted a decision package to the legislature requesting funding of about \$50,000 to help cover the cost of administration for the Oil and Gas Conservation Commission. The decision package includes a proposal to raise the permit application fee from its current \$25, which is set in statute, to \$500. I have included a table of permit fees in other states. The average for the other states is \$472.47. The BLM has proposed to raise its permit fee from \$6,500 to \$9,000.

**CO<sub>2</sub> Sequestration.** The AZGS joined the Rocky Mountain Carbon Capture and Sequestration partnership (RMCCS) to study CO<sub>2</sub> sequestration potential across the Colorado Plateau region. The AZGS determined that the Cedar Mesa Sandstone of Permian age has the capacity to store 0.70 billion metric tons of CO<sub>2</sub> in northern Arizona. The Cedar Mesa Sandstone underlies the Navajo Generating Station near Page, Arizona. The AZGS also digitized oil and gas well logs into computer usable LAS (Log ASCII Standard) format to aid subsurface investigations using well logs and developed a user-friendly web application to make the digitized well data available online. The online search and download map, the Arizona Oil and Gas Well Viewer, is hosted under the Online Data tab on the State of Arizona Oil and Gas Conservation Commission (AZOGCC) website. The AZGS released OFR-14-03, which describes the results of its investigation of the sequestration potential of the rock units in northeastern Arizona.

**Steve Rauzi**

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**Subject:** Arizona Oil & Gas Conservation Commission

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**From:** Fritz Schellenberg  
**Sent:** Wednesday, August 20, 2014 7:51 AM  
**To:** Steve Rauzi  
**Subject:** Arizona Oil & Gas Conservation Commission

Steve,

When you get a chance, can you stop by my office?

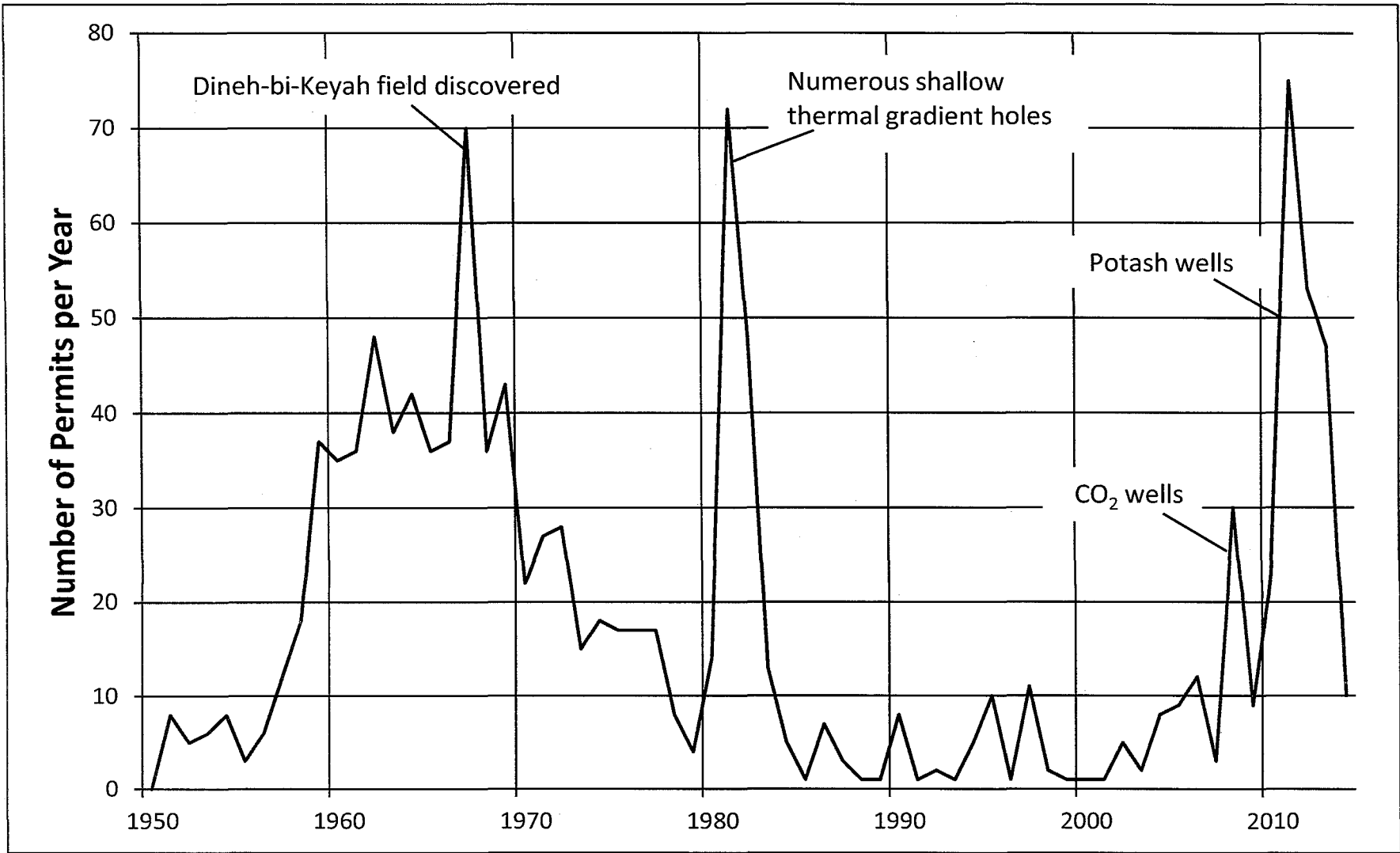
*Fritz Schellenberg  
Budget & Accounting Officer  
Arizona Geological Survey  
416 W. Congress St. – Suite 100  
Tucson, Arizona 85701-1381  
520-209-4126  
[fritz.schellenberg@azgs.az.gov](mailto:fritz.schellenberg@azgs.az.gov)*

*Discuss decision package FY 2016  
Raise permit fee to cover OG position  
give Fritz: OGCC background: 27-514 & 27-515  
permit fee in statute: 27-513 (\$25)  
List of fees in OGCC States  
discuss possibility of \$500/well fee*

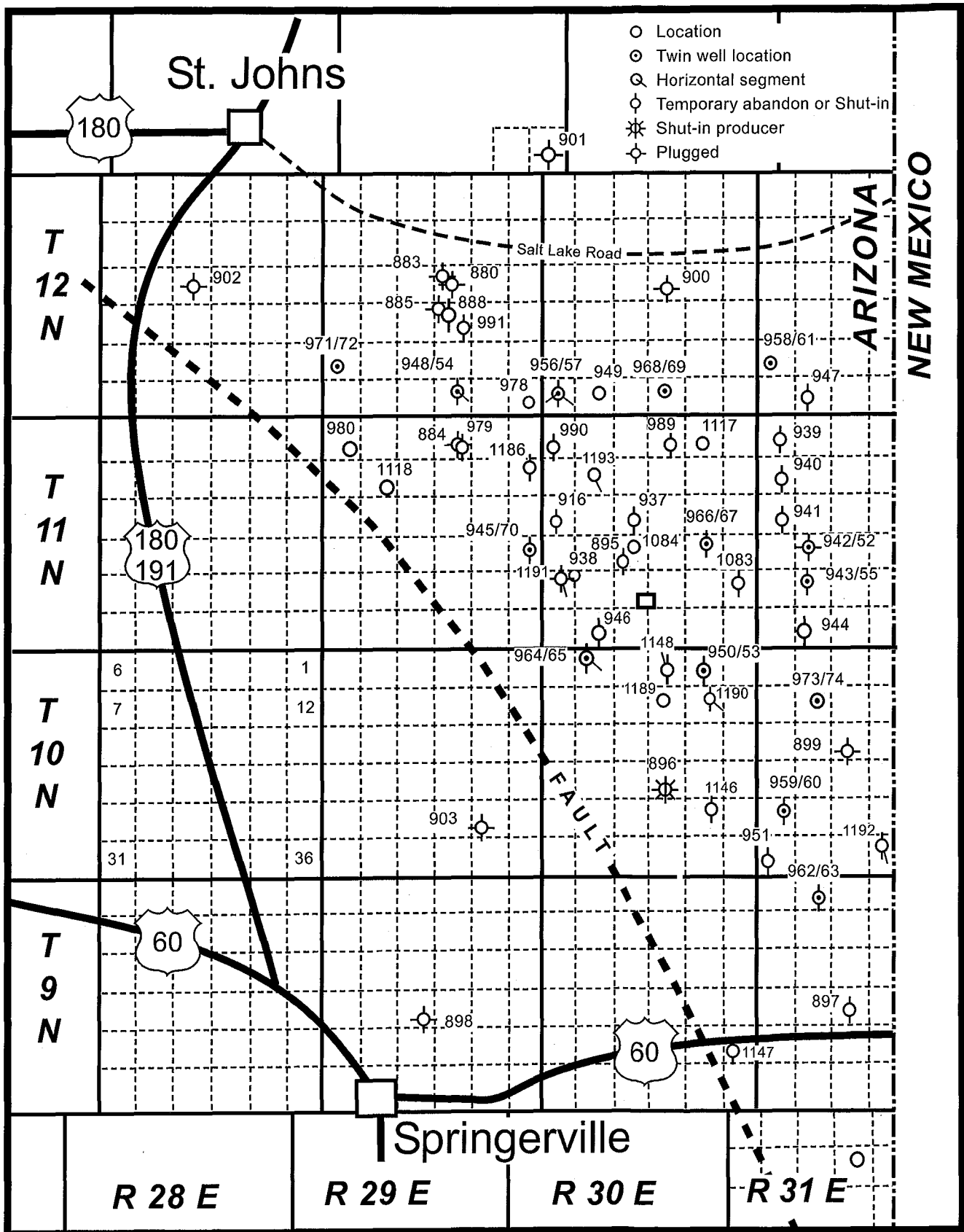
## Permit Fees

State	Permit Fee		
Alabama	300.00		
Alaska	none		
Arizona	25.00		
Arkansas	300.00		
California	none		
Colorado	no link		
Florida	2,000.00		
Georgia	25.00		
Idaho	2,000.00		
Illinois	100.00		
Indiana	250.00		
Kansas	none		
Kentucky	350.00		
Louisiana	631.00		
Maryland	n/a		
Michigan	300.00		
Mississippi	no link		
Missouri	none		
Montana	no link		
Nebraska	200.00		
Nevada	200.00		
New Mexico	none		
New york	100.00		
North Carolina	no link		
North Dakota	100.00		
Ohio	500.00		
Oklahoma	175.00		
Oregon	2,000.00		
Pennsylvania	variable		
South Carolina	no link		
South Dakota	100.00		
Tennessee	500.00		
Texas	250.00		
Utah	no link		
Virginia	600.00		
Washington	500.00		
West Virginia	400.00		
Wyoming	50.00		
BLM	6,500.00	9000 proposed	
Average not counting BLM: (472.47)			
Average counting BLM: (709.85)			





# Kinder Morgan CO2 Company Wells



10/14/14



**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	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

**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>
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, temporarily abandoned
1147	09-25-30 State	nw nw 25-09n-30e	3000 ft	Drilled 7/2013, temporarily abandoned
1148	10-03-30 HZ Fee	ne sw 03-10n-30e	2540 ft	Drilled 7/2014, temporarily abandoned
1186	11-12-29 State	ne ne 12-11n-29e	2860 ft	Drilled 6/2014, temporarily abandoned
1189	10-10-30 State	se nw 10-10n-30e	not drilled	Permitted 03/2014 to 09/2014
1190	10-11-30 Fee	sw ne 11-10n-30e	2704 ft	Drilled 10/2014, drilling lateral segment
1191	11-30-30 HZ State	nw ne 30-11n-30e	700 ft	Drilled 8/2014, temporarily abandoned
1192	10-27-31 MRHZ State	ne nw 27-10n-31e	4953 ft	Drilled 9/2014, temporarily abandoned
1193	11-08-30 MRHZ Fee	ne sw 08-11n-30e	not drilled	Permitted 03/2014 to 09/2014

10/14/14

OGCC MTS 10-17-14

<u>Name</u>	<u>Representing</u>
John Hegford	AGU,
Gordon Dudley	UNITED Helium
Sean Gueninger	Ryley, Carlock + Applewhite
Joe Dixon	AZ State Land Dept.