

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING / APRIL 17, 2015
STEVEN L RAURI 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 17, 2015, 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 16, 2015
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. Status of the Kinder Morgan CO₂ project between St Johns and Springerville
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 13th day of April 2015

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 16, 2015

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 January 16 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 17, 2014

Mr. Thorwald moved, seconded by Mr. Cooper:

THAT THE MINUTES OF THE MEETING OF OCTOBER 17, 2014, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

None

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

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 he issued two permits to Kinder Morgan on Wednesday. He reported that 11 permits were issued and 7 wells were drilled in 2014. He reported that Kinder Morgan drilled six of the wells in its CO2 field between St Johns and Springerville and Ranger Development drilled a well for helium in the Pinta Dome area.

STATUS OF KINDER MORGAN DRILLING PROGRAM BETWEEN ST JOHNS AND SPRINGERVILLE INCLUDING POSSIBLE REPORT FROM KINDER MORGAN

Mr. Rauzi noted that Kinder Morgan moved its field office from St. Johns to Springerville. Mr. White reported that Kinder Morgan's drilling program was proceeding as scheduled.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

Dr. Nations announced that he would send a letter to the new governor about the expired status of all of the commissioners. The Commission scheduled its next meeting at 10:00 a.m. on April 17, 2015, in room 321 at the State Land Department Building in Phoenix.

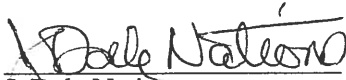
ADJOURNMENT

Mr. Thorwald moved, seconded by Mr. Cooper:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:15 a.m.

APPROVED



J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Mr. John Hestand

Mr. Joe Dixon

Mr. Thomas White

Assistant Attorney General

State Land Department

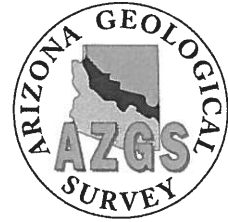
Kinder Morgan CO2 Company



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

April 13, 2015

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 17, 2015 Meeting

One new permit was issued since your last meeting on January 16 to Vision Energy LLC for a well south of Sanders to test for helium. Vision plans to start drilling in May. Gruy Petroleum drilled two wells in the area in 2005. Gruy reported shows of helium but plugged the wells after testing them.

Kinder Morgan submitted application to conduct long-term, 30-day, flow tests on four wells and to plug and abandon 10 wells at its carbon dioxide field. Kinder Morgan had contractors in the field in late March 23 collecting information to bid for the plugging work. Kinder Morgan plans to start long-term testing in April.

The Arizona Geological Survey 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. There has been no word back from the Governor's office yet on the decision package.

CO₂ Sequestration. The AZGS joined the Rocky Mountain Carbon Capture and Sequestration partnership (RMCCS) to study CO₂ 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 CO₂ 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.



AZOGCC Update – 4/17/15

Steve Brugere – Production Engineer
Tom White – Operations Supervisor

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Summary

- Review of Work 2014 - 2015
- 2015 Activity
- Looking Forward

KINDER MORGAN

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Review of Work 2014-2015

- 7 New Drills
 - 4 verticals, 3 horizontals
- 1 Re-entry to Deepen
 - 10-02-30 deepened to identify GWC, unable to run tools due to poor hole condition
- 3" Core
 - 11-12-29
- Sidewall Coring for SCAL
 - 10-31-31 and 11-30-30X
- Supai Water Sampling
 - 11-29-31x

KINDER MORGAN

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2015 Activity

- 30-Day Production & 60-Day Buildup
 - Testing includes 10-27-32HSE and 10-11-30HNW
 - Simultaneous interference test on 10-02-30
 - Data will be used to improve understanding of production profile and geologic model
- 2D Seismic
 - Completed acquisition, now analyzing data
- Plug and Abandon 10 AZ Wells
 - Expected to begin in next couple months

KINDER MORGAN

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1500 - 1800' laterals

Looking Forward

- KM has notionally delayed St. Johns development for 2 years, but will require favorable market conditions to proceed with full development
- Possibility for drilling additional wells for data acquisition pending results from well tests and seismic

KINDER MORGAN

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OGCC MTG APRIL 17, 2015

<u>Name</u>	<u>Representing</u>
Joe Dixon	AZ State Land Dept.
Steve Brugere	Kinder Morgan
Thomas White	Kinder Morgan