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 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. Welcome new Member
3. Approval of Minutes of Meeting of April 17, 2015
4. Conflicts of interest
5. Report of State Geologist and Director about administrative, budget, and staff support matters
6. Report of Oil & Gas Administrator about new permits and drilling activity
7. Request of Triomphe Energy Permit 1095 to extend temporary abandonment and confidentiality and possible action by the Commission
8. Status of the Kinder Morgan CO₂ project between St Johns and Springerville
9. Review of drilling performance bonds
10. 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.
11. Announcements
12. Adjournment

Items may be taken out of order to accommodate speaker or Commissioner schedules.

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 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
April 17, 2015

Present:
Dr. J. Dale Nations, Chairman (appeared by telephone)
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 April 17 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 16, 2015

Mr. Cooper moved, seconded by Mr. Thorwald:

THAT THE MINUTES OF THE MEETING OF JANUARY 16, 2015, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

None

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

Mr. Hanson, Deputy Director, reported that the 2016 budget was approved at the same level as the 2015 budget and there was no word on the decision package requesting additional funding to support the Commission. He reported there was a hiring freeze except for critical positions and that the Governor vetoed SB1200 that transferred the old mining museum from the Historical Society to the Geological Survey. Mr. Hanson said the Survey would do what it could to help move Commissioners’ appointments and reappointments forward.

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 permit was issued since the last meeting to Vision Energy for a well to test for helium south of Sanders. He reported that Kinder Morgan submitted application to plug and abandon 10 wells in its CO2 field and planned to start long term flow tests on four of the wells that were drilled last year.

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

Mr. Brugere reviewed current activity including recently completed seismic acquisition, plans to conduct long-term (30 day) flow tests in several wells, and plug and abandon 10 wells. He said Kinder Morgan has delayed St Johns development for two years but would require favorable market conditions to proceed with full development. Mr. Brugere indicated there was a possibility for drilling additional wells for data acquisition depending on results from well tests and seismic analysis.
CALL TO THE PUBLIC

None

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on July 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. Steve Brugere Kinder Morgan CO
Mr. Joe Dixon State Land Department
Ms. Louise Erickson Assistant Attorney General
Mr. Chris Hanson Arizona Geological Survey
Mr. Thomas White Kinder Morgan CO
July 10, 2015

To: Oil and Gas Conservation Commissioners
From: Steven L. Rauzi, Oil and Gas Administrator

Re: Report about permits and drilling activity for the July 17, 2015 Meeting

No new permits were issued since your last meeting on April 17. Vision Energy LLC has not yet started drilling its well south of Sanders to test for helium.

Kinder Morgan is conducting long-term, 30-60 day, flow tests on four wells and has plugged and abandoned 10 wells at its carbon dioxide field.

Triomphe Energy submitted a request to extend temporary abandonment (TA) and confidential status (CS) for its #1 Triomphe (Permit 1095) for two years. The well was drilled in June 2012 and granted TA and CS through July 2015. A.A.C. R12-7-125 allows TA up to five years. A.R.S. 27-522(B) allows CS up to three years (not more than two year extension). The Triomphwell will have been in TA and CS for three years in July 2015. I recommend extending TA and denying extension of CS.

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.
June 9, 2015

J. Dale Nations, Chairman
Stephen R. Cooper
Frank Thorwald
Robert L. Wagoner
Lisa Atkins, Ex-Officio
Steve L. Rauzi, Oil & Gas Administrator
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 one (1) to two (2) years. Triomphe Energy also requests to temporarily abandon Triomphe 1.

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.A.C. R12-7-125 states, "An operator may temporarily abandon or shut-in a well for up to 5 years if the operator demonstrates to a quorum of the Commission a future beneficial use of the well."

Triomphe Energy has significant lease holdings in Navajo County, Arizona for future development. Due to the size of this field, it will require (1) to two (2) years of reservoir studies and additional stratigraphic interpretations for development. Triomphe Energy respectfully requests the Commission grant an extension of time and a temporary abandonment status for Triomphe 1 for a confidential safeguard.

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
cc: Steve Rauzi, Oil and Gas Administrator (via email)
COUNTY    Navajo   AREA    Holbrook   LEASE NO. Fee - Sample

WELL NAME    Tromphee Energy #1 Triomphee Fee    LOCATION    NE NE SEC 27 TWP 20N RANGE 21E
FOOTAGE 449’ fl + 1221’ fl
ELEV 5266’ GR KB SPUD DATE 4-6-12 STATUS TA
TOTAL DEPTH 4581

CONTRACTOR    Aztec Drilling, PO Box 100, Aztec NM 87410

CASING SIZE    DEPTH    CEMENT    LINER SIZE & DEPTH
17”          40’     60sx
9 5/8”        593’    309sx
5 1/2”        3950’  1080sx

DRILLED BY ROTARY
DRILLED BY CABLE TOOL
PRODUCTIVE RESERVOIR
INITIAL PRODUCTION

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</table>

ELECTRIC LOGS     PERFORATED INTERVALS     PROD. INTERVALS     SAMPLE LOG
CNL - FDC porosity    CEMENT    PROD. INTERVALS
DLL - MSFL

SAMPLE DESCRIPT.    SAMPLE NO. 1930
CORE ANALYSIS
DSTS

REMARKS    TA extended through July 2015
Lateral extension approved Oct 2012
Jim Hosea, Vernal Contract Co. Man

APP. TO PLUG    PLUGGING REP.
COMP. REPORT

WATER WELL ACCEPTED BY
BOND CO. Cash Wire Transfer
BOND AMT. $10,000 CANCELLED
FILING RECEIPT 3187 LOC. PLAT
API NO. 02-017-20067 WELL BOOK
DATE ISSUED 3-26-2012 DEDICATION N2 NE
PERMIT NUMBER 1095

Ref: BOND NO. 120323184003
DATE 3-23-2012 ORGANIZATION REPORT

(over)
(H₂S) in excess of 10 ppm and in areas where the presence or absence of H₂S is unknown, the operator shall contract the services of an approved H₂S safety company to be on location at the known or expected depths.

B. A written contingency plan providing details of actions to be taken to alert and protect operating personnel and members of the public in the event of an accidental release of H₂S gas shall be submitted to the Commission as part of the initial application for a permit to drill or as a sunny day notice.

Historical Note
Former Rule 117; Former Section R12-7-118 renumbered and amended as Section R12-7-119, former Section R12-7-117 renumbered and amended as Section R12-7-118 effective September 29, 1982 (Supp. 82-5). Amended effective January 19, 1994 (Supp. 94-1).

R12-7-119. Wellhead and Lease Equipment
A. The operator shall install and maintain valves, fittings, and wellhead connections that
1. Have a rated working pressure equivalent to at least 100% of the calculated or known surface pressure to which they may be subjected from the producing zone;
2. Allow well production, productivity, deliverability, and transient pressure tests;
3. Permit pressures to be obtained on both casing and tubing; and
4. Control the flow of the oil, gas, or geothermal resources on a flowing well.
B. The operator shall produce flowing oil wells into tanks equipped with high-low pressure and high-low level shut-in controls and shall install a safety valve that automatically closes on the wellhead in the event of surface production equipment malfunctions.
C. The operator shall equip artificial lift wells with wellhead safety sensors to shut off the source of power in the event of abnormally high or low flowline pressures.

Historical Note
Former Rule 118; Former Section R12-7-119 renumbered and amended as Section R12-7-120, former Section R12-7-118 renumbered and amended as Section R12-7-119 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

R12-7-120. Notification of Fire, Leaks, Spills, and Blowouts
A. Each operator shall notify the Commission within 24 hours of any fire, break, leak, spill, overflow, or blowout that occurs at any oil, gas, or geothermal drilling, producing, or transportation facility, or at any injection, disposal, or storage facility.
B. Each operator shall file a final written report within 15 days of resolving incidents described in subsection (A) giving the location by quarter-quarter section, township, and range; date and time of occurrence; specific nature and cause of the incident; resultant damage; action taken to correct the situation and prevent its recurrence; and losses of hydrocarbons or geothermal resources.

Historical Note
Former Rule 119; Former Section R12-7-120 renumbered and amended as Section R12-7-121, former Section R12-7-119 renumbered and amended as Section R12-7-120 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

R12-7-121. Well Completion and Filing Requirements
A. An operator shall file a completion report with the Commission within 30 days after a well is completed. The completion report shall contain a description of the well and lease, the casing, tubing, liner, perforation, stimulation, and cement squeeze records, and data on the initial production. The operator shall submit other well data to the Commission within 30 days of the date the work is done, including any:
1. Lithologic, mud, or wireline log;
2. Directional survey;
3. Core description and analysis;
4. Stratigraphic or faunal determination;
5. Formation or drill-stem test;
6. Formation fluid analysis; or
7. Other similar information or survey.
B. An operator shall furnish samples of drilled cuttings, at a maximum interval of 10 feet, to the Commission within 30 days after drilling is completed. The operator may furnish samples of continuous core in chips at 1-foot intervals. The operator shall:
1. Wash and dry all samples;
2. For each sample, place approximately 3 tablespoons of the sample in an envelope with the following identifying information: the well from which the sample originates, the location of the well, the Commission’s permit number for the well, and the depth at which the sample is taken; and
3. Package sample envelopes in protective boxes and ship prepaid to:

Oil and Gas Administrator
Arizona Geological Survey
416 W. Congress, Ste. 100
Tucson, AZ 85701

C. Confidential records:
1. The Commission shall keep the completion report and all well information required by this Section for any well drilled for oil and gas in unproven territory confidential for one year after the drilling is completed unless the operator gives written permission to release the information at an earlier date. The Commission shall provide notice to the operator 60 days before confidential records become subject to public inspection and, at the operator’s request, extend the confidential period for six months to two years from the date of the request if the Commission finds that the operator has provided credible evidence that disclosure of the information is likely to cause harm to the operator’s competitive position with respect to unleased land in the vicinity of the well.
2. The Commission shall keep the completion report and all well information required by this Section for any well drilled in search of geothermal resources confidential for one year after drilling is completed upon operator request.

Historical Note
Former Rule 120; Former Section R12-7-121 renumbered and amended as Section R12-7-122, former Section R12-7-120 renumbered and amended as Section R12-7-121 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1). Amended by final rulemaking at 13 A.A.R. 4596, effective February 2, 2008 (Supp. 07-4).

R12-7-122. Recompletion and Routine Maintenance Operations
A. After a well has been completed, it shall not be deepened, redrilled, plugged back, reworked, or recompleted in a different zone, without prior approval by the Commission of a written application showing the character of the proposed work and the time it will begin. The Commission shall notify the
applicant in writing whether the proposed work is approved or disapproved.

B. In the case of an emergency, an application may be made by electronic communication, and the Commission may by electronic communication authorize the work; however, written application required in subsection (A) shall be filed with the Commission within 10 days after emergency authorization is given, even though the work has already been commenced or completed. The Commission shall confirm the emergency authorization in writing upon receipt of the written application.

C. Written approval from the Commission is not required on acidizing, fracturing, and reperforating, or other routine well operations designed to restore or maintain production.

D. Within 15 days following the completion of any work described in this Section, the operator shall file a written report with the Commission identifying the well and fully describing the work performed. If the well is recompleted, a completion report shall be filed as required by R12-7-121.

Historical Note
Former Section R12-7-121 renumbered and amended as Section R12-7-122 effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

R12-7-123. Reserved

R12-7-124. Reserved

R12-7-125. Temporarily Abandoned and Shut-in Wells
A. If drilling, injection, or production operations at a well are suspended, or have been suspended for 60 days, an operator shall plug the well under R12-7-127 unless the Commission permits the well to be temporarily abandoned or shut-in. The Commission shall not classify a well as shut-in until the operator submits a completion report under R12-7-121.

B. An operator may temporarily abandon or shut-in a well for up to 5 years if the operator demonstrates to a quorum of the Commission a future beneficial use of the well and submits a Sundry Notice to the Commission containing the following information:
1. Evidence of casing integrity as required in R12-7-112 including a complete description of the current casing, cementing, and perforation record of the well;
2. The stimulation and cement squeeze record and complete data on the results of any well tests performed to date; and
3. All other well data required in R12-7-121(A).

C. Before an approved time-frame for a temporarily abandoned or shut-in well expires, the operator shall return the well to beneficial use under a plan approved by the Commission, permanently plug and abandon the well, or apply for an extension to temporarily abandon or shut-in the well. If the integrity of the well casing is in question, the Commission may require the operator to:
1. Prove casing integrity in accordance with R12-7-112;
2. Plug any well that fails to meet the casing integrity required by R12-7-112; and
3. Re-test the well in accordance with R12-7-150 to continue shut-in status.

D. An operator shall ensure that no work begins on a temporarily abandoned or shut-in well until approved by the Commission. The operator shall give at least 24 hours’ notice to the Commission before any work begins. Within 15 days of completing the proposed work, the operator shall file a written report with the Commission fully describing the work performed including a copy of all test rates, pressures, and fluid analyses.

Historical Note
Adopted effective January 2, 1996 (Supp. 96-1). Amended by final rulemaking at 6 A.A.R. 4827, effective December 7, 2000 (Supp. 00-4).

R12-7-126. Application to Plug and Abandon
A. Before abandoning any well, the operator shall submit an application to plug and abandon to the Commission and obtain approval. The application shall set forth the name and location of the well, the mechanical condition of the well, the productive zone and latest production, and a complete description of the proposed work. The plan shall provide for the protection of all formations containing usable-quality water, oil, gas, or geothermal resources.

B. In the case of a drilling well or an emergency, the application may be made by electronic communication, and the Commission may by electronic communication authorize the work; however, the operator shall file a written application within 10 days after the emergency authorization is given even though the work has already been commenced or completed. The Commission shall confirm the emergency authorization in writing upon receipt of the written application.

Historical Note
Former Rule 201; Amended effective September 29, 1982 (Supp. 82-5). Amended effective January 2, 1996 (Supp. 96-1).

R12-7-127. Plugging Methods and Procedures
A. Before abandoning any well, the operator shall submit an application to plug and abandon to the Commission for approval as required in R12-7-126. All down-hole plugging shall be conducted through drill pipe or tubing, unless otherwise approved by the Commission.

B. Open hole
1. A cement plug shall be placed to extend at least 50 feet below the bottom, except as limited by total depth or plugged back total depth, to 50 feet above the top of any zone containing fluid with a potential to migrate, any zone of lost circulation, and any zone containing potentially valuable minerals, including noncommercial hydrocarbons, coal, and oil shale.
2. All freshwater zones shall be plugged with a continuous cement plug which shall extend from at least 50 feet below to at least 50 feet above the freshwater zone, or a 100-foot plug shall be centered across the base of the freshwater zone and a 100-foot plug shall be centered across the top of the freshwater zone.
3. Open hole below the shoe of cemented casing shall be plugged with cement which shall extend from at least 50 feet below to at least 50 feet above the shoe.

C. Cased hole
1. A cement plug shall be placed opposite all open perforations and extend to a minimum of 50 feet below, except as limited by total depth or plugged back total depth, to 50 feet above the perforated interval. In lieu of the cement plug, a bridge plug may be placed within 50 to 100 feet above the open perforations and followed by at least 50 feet of cement.
2. If any casing is cut and recovered, a cement plug shall be placed to extend at least 50 feet above and below the stub.
3. No annular space that extends to the surface shall be left open to the drilled hole below. If this condition exists, a minimum of the top 100 feet of each annulus shall be plugged with cement.

D. Plugging mud having the proper weight and consistency to prevent movement of other fluids into or within the bore hole shall be placed across all intervals not plugged with cement. In
27-522. Records

A. All rules and orders made by the commission shall be in writing and entered in full in a book kept by the commission. The book shall be a public record open to inspection at all reasonable times during office hours. A copy of any rule, order or other document on file in the office of the commission and certified by the commission shall be received in evidence in all courts of the state with the same effect as the original.

B. Well logs, casing records, compiled data and other information shall be properly indexed and suitably recorded in the permanent records of the commission and shall be open to inspection by the public at all reasonable times during office hours. The well records of a well drilled in unproven territory shall not be subject to inspection for a period of one year after drilling is completed. The commission shall provide sixty days' notice to the operator before records become subject to inspection. At the operator's request, the commission shall extend the confidential period 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. The director of water resources may inspect any well records at any time but shall keep confidential all information that is not subject to inspection as otherwise provided in this section.
### Cash Securities Held by Arizona Geological Survey in Agency Fund

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<th>Effective date</th>
<th>Operator</th>
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### Securities Held by the State Treasurer

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<td>Gruy Petroleum</td>
<td>RLI Insurance Co.</td>
<td>RLB0007431</td>
<td>P/N 920</td>
<td>$25,000.00</td>
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<td>Plains LPG Services LP</td>
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<td>RLB0010111</td>
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<td>Kinder Morgan CO2 Co., L.P.</td>
<td>Liberty Mutual Insurance</td>
<td>022-036-714</td>
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<td>$50,000.00</td>
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<tr>
<td>Ranger Development, LLC</td>
<td>Argonaut Insurance Company</td>
<td>SUR0028047</td>
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<tr>
<td>Vision Energy LLC</td>
<td>Liberty Mutual Insurance</td>
<td>15046523</td>
<td>P/N 1199</td>
<td>$25,000.00</td>
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<td></td>
<td>Total Amount Held in Surety Bonds Payable to State</td>
<td>$225,000.00</td>
</tr>
</tbody>
</table>

<p>| Total Amount Held in Agency Fund | $ 180,604.72 |
| 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 | $ 435,604.72 |</p>
<table>
<thead>
<tr>
<th>Name</th>
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</tr>
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<tbody>
<tr>
<td>Joe Dixon</td>
<td>AZ State Land Dept</td>
</tr>
<tr>
<td>Thomas White</td>
<td>Kinder Morgan</td>
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</table>