

OIL & GAS CONSERVATION COMMISSION
MINUTES OF MEETING (OCTOBER 16, 2015)
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 October 16, 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 July 17, 2015
3. Conflicts of interest
4. Report of State Geologist and Director about administrative, budget, and legislative 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 9th day of October 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
July 17, 2015

Present:

Mr. Robert L. Wagner, Vice-chairman
Mr. Stephen R. Cooper, Member
Mr. William C. Feyerabend, Member
Mr. Frank Thorwald, Member
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Mr. Wagoner, Vice-Chairman, called the regular Commission Meeting of July 17 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

WELCOME NEW MEMBER

Mr. Feyerabend introduced himself and described his background and interests.

APPROVAL OF THE MINUTES OF THE MEETING OF APRIL 17, 2015

Mr. Thorwald moved, seconded by Mr. Feyerabend:

THAT THE MINUTES OF THE MEETING OF APRIL 17, 2015, 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 no permits were issued since the last meeting. He reported that Kinder Morgan plugged 10 wells in its CO₂ field and was conducting flow tests on four of the wells that were drilled last year.

REQUEST OF TRIOMPHE ENERGY PERMIT 1095 TO EXTEND TEMPORARY ABANDONMENT AND CONFIDENTIAL STATUS

Mr. Rauzi reported that Triomphe Energy requested an extension of temporary abandonment (TA) and confidential status (CS), which expired this month, for two years. He reported that the well will have been in TA and CS for three years this month. Mr. Rauzi reported that A.A.C. R12-7-125 allows up to five years TA and A.R.S. § 27-522 allows up to three years CS. He recommended extending TA and denying CS.

Mr. Thorwald moved, seconded by Mr. Feyerabend:

TO EXTEND TEMPORARY ABANDONMENT OF PERMIT 1095 FOR TWO YEARS

Motion carried unanimously.

Mr. Thorwald moved, seconded by Mr. Feyerabend:

TO DENY EXTENDING CONFIDENTIAL STATUS OF PERMIT 1095

Motion carried unanimously.

Mr. Rauzi reported that he would send a certified return receipt letter notifying the operator that the records would become public in 60 days.

STATUS OF KINDER MORGAN CO2 PROJECT BETWEEN ST JOHNS AND SPRINGVILLE AND POSSIBLE REPORT FROM KINDER MORGAN

Mr. White reported that Kinder Morgan had concluded its testing program after testing two wells. He reported that the 10-27-31 State (Permit 1192) stabilized at 15 MMCFD and the 10-11-30 Fee (Permit 1190) stabilized at 20 MMCFD.

REVIEW OF DRILLING PERFORMANCE BONDS

Mr. Rauzi reviewed and discussed the bonds currently on file with the Oil and Gas Conservation Commission. He talked about the oldest bonds and that the Arizona Geological Survey was the agency responsible for keeping track of the bonds.

CALL TO THE PUBLIC

Ms. Lisa Atkins, State Land Commissioner and ex-officio member, introduced herself. Mr. Dixon reported that the Land Department signed a potash mineral lease with the Carlson Group.

ANNOUNCEMENTS

Mr. Rauzi announced that the Commission was scheduled to sunset July 1, 2016, and he was preparing a sunset review report. He reported that there would be a hearing this fall and he would let the Commissioners know when that was scheduled.

The Commission scheduled its next meeting at 10:00 a.m. on October 16, 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 10:25 a.m.

APPROVED



J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Ms. Lisa Atkins	State Land Commissioner and ex officio member
Mr. Joe Dixon	State Land Department
Ms. Louise Erickson	Assistant Attorney General
Mr. Thomas White	Kinder Morgan CO2 Company



Doug Ducey
Governor

State of Arizona
Arizona Geological Survey


416 W. Congress St, Suite 100
Tucson, Arizona 85701
(520) 770-3500



M. Lee Allison, Ph.D., P.G.
Director & State Geologist

October 9, 2015

To: Oil and Gas Conservation Commissioners

From:  Steven L. Rauzi, Oil and Gas Administrator

Re: Report about permits and drilling activity for the October 16, 2015 Meeting

No new permits were issued since your last meeting on July 17. Vision Energy LLC requested an extension for its permit to drill a well south of Sanders to test for helium.

Kinder Morgan plugged and abandoned 10 wells and concluded its long-term flow tests on two wells at its carbon dioxide field. Kinder Morgan reported stabilized flow rates of 15 MMCFD and 20 MMCFD on the two wells.

The confidential status for the Triomphe Energy #1 Triomphe (Permit 1095) expired on October 1, 2015. Temporary abandonment for the well was extended for two years through July 2017.

The Karlsson Group acquired all the assets of American West Potash in 2014. American West Potash concluded its stratigraphic drilling program in October 2013. The Karlsson Group requested release of the American West Potash performance bond in August 2015.

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. 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.

Steve Rauzi

From: Steve Rauzi
Sent: Wednesday, October 14, 2015 10:42 AM
To: Lee Allison
Cc: Chris Hanson; Jack Nations; daleaudrey@comcast.net; frankthorwald@thorwaldgroup.com; Lisa Atkins (latkins@azland.gov); rl.wagner@cox.net; src@centralazlaw.com; William C. Feyerabend (billfeyerabend@yahoo.com)
Subject: RE: OGCC permit fee

Thank you for the clarification.

From: Lee Allison
Sent: Wednesday, October 14, 2015 10:33 AM
To: Steve Rauzi <steve.rauzi@azgs.az.gov>
Cc: Chris Hanson <chris.hanson@azgs.az.gov>; Jack Nations <dalenations2@gmail.com>
Subject: OGCC permit fee

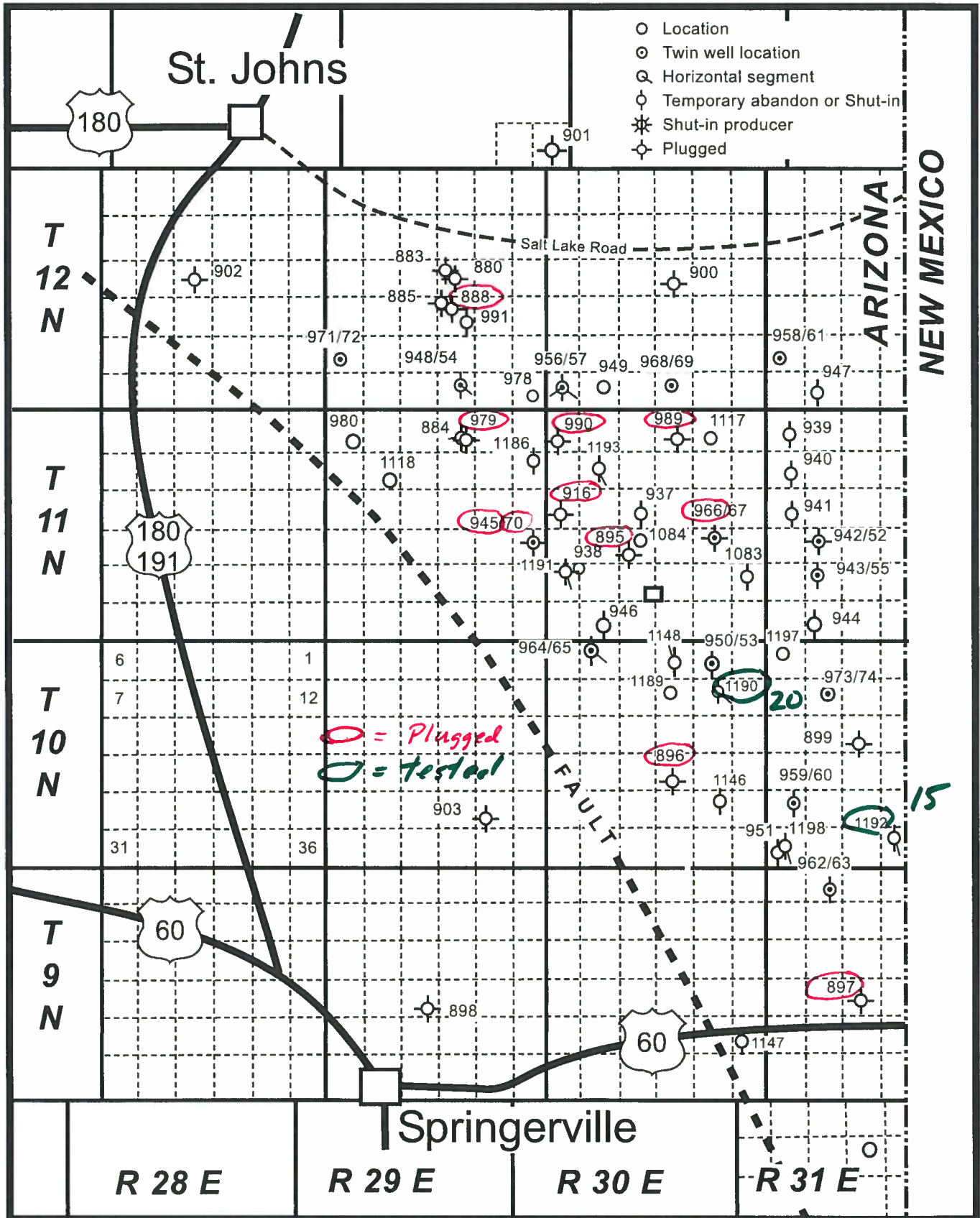
Steve, your report to the OGCC erroneously states that AZGS has proposed raising the permit fee from \$25 to \$500. That is not correct.

We only looked at that as one possible revenue option for the Governor's office to consider, and provide comparisons to other states.

LA

M. Lee Allison
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Kinder Morgan CO2 Company Wells



07/06/15



OGCC MTG October 16, 2015

<u>Name</u>	<u>Representing</u>
Thomas W. [Signature]	Amber Morgan
Joe Dixon	AZ State Land Dept.