

OIL AND GAS CONSERVATION COMMISSION
1645 West Jefferson Street
Suite 420
Phoenix, Arizona 85007

Minutes of Meeting
November 18, 1983

Present:

Dr. J. Dale Nations, Vice-Chairman
Mr. L. A. Palmer, Member
Mr. Forrest R. Rickard, Member
Mr. Watson M. Tomerlin, Member

Guest: Mr. Hector Villalobos, Geologist
Mineral Resources
Bureau of Land Management

The regular Commission meeting of November 18, 1983 was called to order by Dr. J. Dale Nations, Vice-Chairman, in the absence of Ralph W. Bilby, Chairman.

Minutes of the September 23, 1983 meeting were approved as written.

A. K. Doss, Executive Director, reviewed his Activity Report.

BROOKS EXPLORATION

Mr. Doss and Mr. Ybarra visited well No. 1-27 Mohave Federal in the Cane Beds area in early October. Streamers of free oil were found in the samples taken from the shallow interval. No further word has been received from Brooks, and their future plans are unknown on the drilling of the second well, the No. 1-4 Mohave Federal.

DOWLING PETROLEUM

According to the vice-president, Mr. Sam Bakke, Dowling finally sold its deal, and is to begin work in the Yuma area soon (but still has not started.)

REDBIRD OIL COMPANY

The lands involved in this venture belong to Arizona, but are located on the California side of the present AZ/CA state boundary line (mid-channel of the Colorado River.) This

isolation of Arizona lands occurred when the course of the Colorado River changed in the Thirties. This area is known as The Island.

Mr. Joe Faull obtained a farm-out interest on some of these lands, but was uncertain in which state to file for an application to drill. He was advised to file in Arizona since the location is on Arizona State Trust Lands. He got a permit from us, and was also trying to get a permit to drill the well as a low-temperature geothermal hole from the State of California because lands in this area are zoned only for agriculture and geothermal. He thought he would get around that by getting a geothermal permit in California which is easier to get, but it will require all kinds of environmental statements and assessments. He may never get a permit from California. California can't zone an activity on Arizona State Trust minerals.

Mr. Ybarra interjected and said that while in California he learned that Mr. Faull's application to drill in Imperial County under the guise of a geothermal well was very near to being approved. The county is to have a meeting to change the zoning to include drilling for oil and gas. The projected depth of the Redbird well is 3500'.

ENERGY AWARENESS WEEK

The Commission prepared a display in the Capitol lobby for The Governor's Energy Awareness Week which attracted a lot of attention. Samples of Arizona crude oil were included in the exhibit.

Mrs. Sheila Burgan was welcomed as the new secretary with the Commission.

In response to Dr. Nations' inquiry about Shell Oil Company, Mr. Doss advised that Shell has taken out a large number of leases in the state. The largest block of land is in Mohave County from Lake Mead to the Bill Williams River. Over 40,000 acres have been secured in the Safford area. Leases have also been obtained in western Maricopa County, La Paz County, and in northern Yuma County. Numerous seismic crews are active in the Kingman area, indicating that exploration drilling is contemplated. No further information has been received from Bob Walker in the Tombstone area, so his intentions are not known.

GEOHERMAL KINETICS

Still no word from John Bannister in response to Mr. Doss' request for information on the two temporarily abandoned geothermal wells near Higby. Mr. Doss made a trip to this location to inspect the well sites, and showed pictures of them. He will continue to try to contact Mr. Bannister and give him a time limit. Our only recourse would be to issue an Order to Show Cause through the Attorney General's office. If this situation isn't resolved, it could prove very embarrassing to the Commission.

Mr. Doss advised he received a subscription from a new firm in Arizona called Galleria Energy. They are trying to sell 32 units in a drilling project in West Virginia.

R. A. Ybarra, Enforcement Director, reviewed his Activity Report.

He returned to the Brooks' well for drilling to 2500'. The deeper interval was tested without success and then the well was abandoned. Mr. Ybarra had a telephone call from Steve Trammel of Petroleum Information who had talked with Mr. Faulk of Redbird Oil. He was going to modify the location of the well to the Arizona side of the state line. Mr. Ybarra showed a map of this area. He also presented a map showing the portion of the Teec Nos Pos field where Mountain States Resources is operating. A sundry report received from MSR revealed that well No. 16 Navajo is capable of 2,300,000 cubic feet of gas a day and 125 barrels of condensate per day. Arrangements are being pursued to negotiate a gas contract with El Paso Natural Gas Company, but without success. New gas is costly, and there is ready access to lower-priced old gas. This situation has resulted from implementation of the Natural Gas Policy Act.

Mr. Ybarra advised that he attended an EPA hearing on October 11, 1983 on the proposed implementation of an Underground Injection Control (UIC) program for the State of Arizona. Arizona is one of 23 states without an approved program. According to Mr. Doss, the only rule that wasn't approved was the Natural Gas Policy Act of 1978. It is being held up by the Attorney General's office because of lack of knowledge regarding this subject.

On November 15, 1983 Mr. Ybarra advised of his tour to the geothermal field of Cerro Prieto in Baja, California, Mexico which is about 35 miles south of Calexico, CA. Since the plant was

down for maintenance repairs, the steam from about 30 wells was being vented instead of being shut in. Shutting in the wells affects adversely the productivity when the wells are returned to service. The well involved created a fantastic sight of steam clouds. The steam is used to generate electricity under normal circumstances. Two new 200MWe (mega watts) plants are under construction. One is scheduled for completion in June 1984, and the other will be ready a year later. The power from the last unit is scheduled for Southern California. Other geothermal-related projects include three large hydroponic greenhouses where zucchini squash was being grown and four fish ponds. The fish being raised include carp, novena and talapia. Langostina is in one of the ponds. Mr. Doss advised that talapia, which was imported from Africa, has taken over all the canals in the Yuma area. It survives strictly on vegetation. All of the game fish are being eliminated due to the production rate of the talapia. There are no environmental constraints in Cerro Prieto, and all the effluent goes into nearby evaporation ponds.

Dr. Nations inquired about our geothermal exploration and that of Phillips Petroleum. Mr. Doss advised that Phillips is shut down completely, and that they fired almost all of their geothermal group including the geologist who was working Arizona.

Mr. Palmer inquired about the geothermal endeavor in the Alpine area. Mr. Doss stated that this was Pan American's project, and there is no activity there. Mr. Doss reported that Phillips plans to continue its Roosevelt Hot Springs project in southwest Utah, but that their exploration group has been eliminated.

NEW BUSINESS

We have been notified by Russ Kolsrud, our Attorney General, that we do not have a rule calling for hearings and rehearings. A statute was passed in the early 1970's that required each agency adopt rules pertaining to hearings and rehearings. He sent a draft of rules for our consideration. Mr. Doss advised that he found two technical mistakes in the draft. He felt that the proposal could be adopted with proper format, since it is required by law. In other words, according to Mr. Palmer, we are making legal what we are already doing. A public hearing will have to be held for the adoption of this rule. Mr. Doss said that before our next meeting, this will be in final form and copies of the rule will be mailed to the Commission so that all may have the opportunity to understand it.

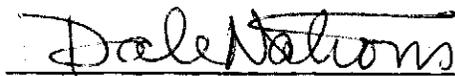
At the next meeting we will have a public hearing to adopt the rule. The members had copies of the rule which they are to review, and if there are questions before the next meeting, Mr. Doss would be happy to answer them.

It was moved by Mr. Palmer that the next Commission meeting be on Friday, January 20, 1984. Mr. Rickard seconded the motion. Motion carried. There is a possibility that the meeting would take place in Yuma if the Dowling well should be successful. The members will be contacted to determine if this arrangement would be agreeable.

Hector Villalobos expressed his gratitude for being permitted to attend the meeting on behalf of the Bureau of Land Management.

A motion was made by Mr. Rickard to adjourn the meeting at 11:05 a.m. It was seconded by Mr. Palmer. Motion carried.

APPROVED



Dr. J. Dale Nations
Vice-Chairman