

OIL AND GAS CONSERVATION COMMISSION
3110 North 19th Avenue, Suite 190
Phoenix, Arizona 85015

Minutes of Meeting
January 15, 1988

Present

Dr. J. Dale Nations, Chairman
Mr. A. R. Bennett, Member
Mrs. Mary Ann Niccoli, Member
Mr. James E. Warne, Jr., Member
Mrs. Jan C. Wilt, Member
Dr. Daniel J. Brennan, Executive Director
Mr. Rudy A. Ybarra, Enforcement Director

The regular Commission Meeting of January 15, 1988 was called to order by Dr. J. Dale Nations, Chairman, at 10:00 A.M. in the Commission's office.

APPROVAL OF MINUTES OF MEETING OF NOVEMBER 6, 1987

Mr. Warne moved, seconded by Mrs. Niccoli:

THAT THE MINUTES OF THE REGULAR MEETING OF
NOVEMBER 6, 1987 BE APPROVED AS PRESENTED.

Motion carried unanimously.

REQUEST OF CAM-ROY RESEARCH CORP. FOR EXTENSION OF TIME TO
PLUG TWO WELLS

Mr. Bennett moved, seconded by Mr. Warne:

THAT EACH SPEAKER LIMIT HIS PRESENTATION TO TEN
MINUTES AND THAT THE TOTAL TIME NOT EXCEED THIRTY
MINUTES.

Motion carried unanimously.

Mr. Pomeroy requested another extension of time for the abandonment of the Power Ranch #1 and #2 geothermal wells (permits #605 and #611) because litigation is still pending for the title to the wells and the general rights. Mr. Turner, hydrologist, stated he does not believe there is any environmental threat. On January 11, 1988, he measured the static water level at 570' below ground surface in the No. 1 well. Local ground water level is about 280'. He said this demonstrates that the surface casing is intact. Everything at the surface was in good condition. No temperature measurements were taken.

Mr. Gilbert of the law firm, Beus, Gilbert, Wake & Morrill, represented the owners of the property known as the Powers Road Joint Venture. He expressed opposition to any further extension on the plugging of these wells. The court has issued a Summary Judgment Motion indicating that these leases are no longer valid. It is necessary to get the wells plugged in order to develop the property. Zoning hearings are now in process in the Town of Gilbert so that development of the property may be accomplished for industrial, commercial and residential purposes. A 2,000-acre project is involved.

Mrs. Niccoli requested the assistance of Mr. Muller, our counsel in the Attorney General's office, to provide us with information as to our position regarding the leases not being valid. This information should be available in two to four weeks.

Mr. Johnston, attorney for Mr. Pomeroy, commented on the delay encountered by Mr. Pomeroy being attributed to the lease rights and a question of expense. Mr. Turner responded that the cost for testing of these wells would average from \$7,000.00 to \$50,000.00. Due to the pending litigation, this testing has not been done. Mrs. Niccoli requested that the testing be done before the February 1988 meeting.

After a lengthy discussion regarding the integrity of the casing and testing for producing wells, ~~Dr. Nations~~ moved, seconded by Mrs. Wilt: *MR. WARNE (2-19-88)*

THAT WE WILL HOLD TO OUR LETTER OF AUGUST 21, 1987. WE WILL MEET OUR COMMITMENT TO GIVE THE EXTENSION UNTIL FEBRUARY 21, 1988, BUT PRIOR TO THAT TIME, WE MUST HAVE TEST RESULTS RELATIVE TO THE INTEGRITY OF THE WELL, THE CASING AND ALL THESE PARAMETERS THAT RUDY CAN LAY OUT, AND WE WANT TO HAVE SOME SENSE THAT THERE IS POTENTIAL FOR GEOTHERMAL PRODUCTION IN THESE WELLS AS WELL.

Motion carried unanimously.

Dr. Nations emphatically stated to Mr. Pomeroy that we must have results regarding the integrity of the well and the potential, or we cannot extend that again.

Mr. Warne moved, seconded by Mrs. Niccoli:

THAT WE HAVE THE INFORMATION BY OUR NEXT REGULAR MEETING WHO THE LEGAL OWNER OF THE WELL IS AND IF IT IS IN CONTENTION, THEN FROM THE AG'S OFFICE, ADVICE AS TO HOW WE SHOULD TREAT THE CONDITION.

Motion carried unanimously.

REPORT OF THE EXECUTIVE DIRECTOR

The Activity Report of Dr. Brennan was sent to the Commissioners, and has been made a part of these minutes. Dr. Brennan advised that on February 10, 1988 he and Rudy will be interviewed by the Arthur Young Company, the contractor, on the state's mini-Gracc Commission. He referred to a rough draft of a bill to establish a publications' revolving fund for the O&GCC to be introduced by Senator Todd, Representative Hawke and co-sponsored by Senator Hays. Dr. Brennan passed out reprints of his article on Oil and Gas Developments in the Four Corners Intermountain Area published in the Exploration Issue of the AAPG Bulletin.

REPORT OF ENFORCEMENT SECTION

The Activity Report of Mr. Ybarra was sent to the Commissioners, and has been made a part of these minutes. Mr. Ybarra updated his report on Cal Gas. On January 8, 1988, they installed a new flare system which is to be approved by the pollution people of Maricopa County. The old well will be plugged and a new one will be drilled, and the operations will be witnessed by the staff.

Mr. Ybarra reported that Central Oil is to be transferred to Contender Oil. The old bond will be released, and a cash bond will be provided. Another interval is to be tested, and if it is unsuccessful, the well will be plugged.

The specs and procedures for the annual inspection on Ferrellgas, Inc. should be available soon.

Ed Kaufman and the Bradshaws are vying for the grant money for the geothermal venture in Nutrioso. This amounts to about \$470,000.00, and will be announced in a few weeks who gets the money from the oil overcharge fund.

Mr. Ybarra reported that John Karabees and Petro Sun are going to be drilling several wells around the old Brooks #126. Salt Grass plans to drill another well near Springerville.

DISCUSSION OF BUDGET CUTS

Dr. Brennan explained that we met the 2.9% budget cut requested of all agencies by having a savings in the secretarial position which was vacant from September 28, 1987 to October 26, 1987. An additional 10% cut ordered by the Governor's Office for next year's budget request was met by the intended retirement of Mr. Ybarra in August 1988. A change in job title and grade will be done when Mr. Ybarra retires. The grade will be 19 for an Oil and Gas Specialist. Another consideration would be the eliminating of the \$3,000.00 dues and \$2,000.00 travel money for the IOCC.

DISCUSSION OF FIVE-YEAR REVIEW OF RULES

Dr. Brennan explained that every agency is required to review its rules every five years, and five questions are pertinent to each rule. A draft of this review was sent to each Commissioner. The review goes to the Governor's Regulatory Review Council.

ELECTION OF CHAIRMAN AND VICE CHAIRMAN

Mrs. Wilt nominated Dr. Nations for Chairman, seconded by Mr. Warne.

Mrs. Wilt moved, seconded by Mr. Warne:

THAT NOMINATIONS BE CLOSED.

The motion carried unanimously.

Mr. Warne nominated Jan Wilt for Vice Chairman of the Commission, seconded by Dr. Nations.

Mr. Warne moved, seconded by Dr. Nations:

THAT NOMINATIONS BE CLOSED.

The motion carried unanimously.

Dr. Nations and Mrs. Wilt were unanimously elected to the two positions.

MOTION TO AUTHORIZE EXECUTIVE DIRECTOR TO HIRE, DISCIPLINE, AND DISMISS STAFF ON BEHALF OF THE COMMISSION

After an explanation by Dr. Brennan of hiring, disciplining and dismissing employees, Mrs. Wilt moved, seconded by Mr. Bennett:

THAT THE EXECUTIVE DIRECTOR BE AUTHORIZED ON BEHALF OF THE COMMISSION TO HIRE, DISCIPLINE AND DISMISS EMPLOYEES.

An Order was signed by Dr. Nations to this effect and was placed in the Commission's Policies File.

MOTION TO SEND EXECUTIVE DIRECTOR TO ANNUAL MEETING OF AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS IN HOUSTON, MARCH 19 - 23, 1988

Mr. Bennett moved, seconded by Mrs. Wilt:

THAT THE EXECUTIVE DIRECTOR BE SENT TO THE AAPG
MEETING IN MARCH 1988 IN HOUSTON, TEXAS.

Motion carried unanimously.

CALL TO THE PUBLIC

John Haas of the Bureau of Land Management advised that the Bureau will be operating under a new Oil and Gas Leasing Act for onshore activity. Petroleum Technical Services is in the process of letting contracts to reclaim the two well sites south of Yuma. An application from Jay Shields is expected to deepen one of his wells near Fredonia. Mr. Haas reported on the filing of applications about 12 years ago for geothermal leases in the Coconino National Forest. No action was taken pending completion of the Forest Management Plan in the Fall of 1987. Hunt Oil does not plan to continue any interest in their leases, but Union Oil wishes to pursue their interests. The BLM plans to begin work on these leases shortly. Ms. Flo Wilhight, working with Mr. Haas, was introduced.

Mr. Jim Goff with the Department of Water Resources, Hydrology Division, introduced himself. Mr. Goff related how his department is in the process of revising their regulations on well drilling and licensing of drillers.

The next meeting was set for February 19, 1988.

ADJOURNMENT

Mr. Bennett moved, seconded by Mrs. Niccoli:

THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 12:11 P.M.

APPROVED


Dr. Dale Nations
Chairman

GUESTS IN ATTENDANCE:

Lloyd Canton	Switzenberg
Jim Goff, P.E.	Arizona Department of Water Resources
Don Switzenberg	Power Ranch Joint Venture
Mark Monserez	Beus, Gilbert, Wake & Morrill
Paul Gilbert	Beus, Gilbert, Wake & Morrill
John Haas	Bureau of Land Management
Flo Wilhight	Bureau of Land Management
Larry Fellows	Arizona Geological Survey
Ron Turner	Geothermal Synergy Corp.
Logan Johnston	Winston & Strawn
R. J. Pomeroy	Cam-Roy Research Corp.
Sheldon Muller	Attorney General's Office
Gary Davidson	D. M. & Associates