

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

Minutes of Meeting
November 18, 1988

Present:

Dr. J. Dale Nations, Chairman
Mrs. Jan C. Wilt, Vice-Chairman
Mr. A. R. Bennett, Member
Mrs. Mary Ann Niccoli, Member
Mr. J. E. Warne, Jr., Member
Dr. Daniel J. Brennan, Executive Director
Mr. Steven L. Rauzi, Oil and Gas Specialist

The regular Commission Meeting of November 18, 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 JULY 14, 1988

Mr. Warne moved, seconded by Mr. Bennett:

THAT THE MINUTES OF THE REGULAR MEETING OF
JULY 14, 1988 BE ACCEPTED AS PRESENTED.

Motion carried unanimously.

INTRODUCTION OF NEW STAFF MEMBER

Dr. Brennan introduced Steven L. Rauzi to the Commissioners. He is the new Oil and Gas Specialist.

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 outlined the activity involved in a blow out of Cal Gas Corporation on October 11, 1988. After approximately 15 days on the job, Dr. Brennan advised that the well was finally plugged. Chuska Energy Company is planning to re-enter and test three shut-in gas wells in the Black Rock area in Apache county. This is under contract with the Navajo Tribe, and if they can't be completed, they will be plugged. There is a possibility of a fourth well being drilled. Dr. Brennan reported he has started writing letters to companies which incorporate in Arizona doing business in oil, gas, helium or geothermal exploration to invite them to contact the Commission if assistance is required especially involving the many laws in the business. Copies of reprints of the article in the Four Corners Oil and Gas Developments of 1987 were given

to the Commissioners. Dr. Brennan reported on two wells formerly permitted to Southwest Salt Company and taken over by Morton Salt Company which need to be plugged. They are located near the Cal Gas operation. The EPA does not have authority over these wells, and it is up to the Oil and Gas Conservation Commission to get the injection wells plugged. Morton Salt will incur a big expense in plugging the wells. Bonding is provided for this endeavor. Dr. Brennan is to speak at the Litchfield Chamber of Commerce next month at the request of Cal Gas Corporation. He spoke at the Luke School regarding the concern of the Cal Gas wells.

John Haas of the Bureau of Land Management advised that the Federal Government is required to offer all lands on a competitive basis. Exxon had 21 offers of noncompetitive leases in the Fredonia area, and Shields Exploration got two parcels in the same locale. Another parcel was in the White Tanks' area and one out of Kingman. Mr. Haas explained that lands put up for competitive sale are leases which have terminated and the annual rental has not been paid. If a lease has expired, this means there has been no production in a ten-year period. These lands must be offered for sale. If lands are relinquished, that is if part of the acreage is removed within the lease, those lands must be offered on a competitive sale. Cancelled leases must be offered for a land sale. The Bureau can put up its own parcels if it wishes or if someone expressed an interest, the Bureau could offer the land. On a competitive sale, the lease is for five years; on a noncompetitive basis, there is a two-year window to be picked up. The term is for ten years. Mr. Haas also stated that he received an advance request from Jay Shields to drill to 11,000' in the Spring of '89.

Dr. Nations reported that there is a possibility that Mitch Reynolds may give a talk to the Commission relative to the oil and gas potential in Arizona, and he will pursue this contact.

CONSIDERATION OF BUDGET REQUEST FOR FY 1990

After a detailed explanation by Dr. Brennan for increases in the budget for FY 1990, Mrs. Wilt moved, seconded by Mr. Warne:

THAT THE BUDGET REQUEST FOR FY 1990 BE ACCEPTED.

Motion carried unanimously.

MOTION TO AUTHORIZE EXECUTIVE DIRECTOR TO ACT ON BEHALF OF THE COMMISSIONERS

Our legal counsel, Sheldon Muller, suggested that it should be

on record that the executive director is authorized to act on behalf of the Commission. A motion was requested by Dr. Brennan to this effect. Mr. Muller gave an explanation of this request. After a lengthy discussion, it was decided to table this matter until the next meeting. Mr. Muller and Dr. Brennan were asked to bring a revised recommendation to the next meeting. Mrs. Wilt expressed a desire to see a comparison with other agencies regarding authority for the directors. Copies of the rules and laws of the Commission are to be sent to the Commissioners.

LEGISLATION WHICH MAY AFFECT OIL AND GAS CONSERVATION COMMISSION

Dr. Brennan advised that Senator Todd has agreed to sponsor a bill for the Commission. The Legislative Council drew up a bill to allow the Commission to accept gifts and donations of materials to enhance our library. We will be permitted to make agreements with other government agencies, state and Federal, and with Indian tribes to enforce the oil, gas and geothermal laws. Copies of this drafted bill are to be sent to the Commissioners.

Mr. Haas reported that the BLM had issued ten geothermal leases to Union Oil of California (Unocal). Recently Unocal made an application for another 11,000 acres in the San Francisco Peaks' area concerning the geothermal potential. Bradco Oil also requested four geothermal applications in the Yuma area. Mr. Haas stated that Trans Am Energy, gas brokers, in Tulsa made application for a sodium prospecting permit application. This is in the Red Lake Salt Cavern Gas Storage Project located approximately 35 miles north of Kingman. It is the intent to create gas storage reservoirs in this area which would necessitate a gas pipeline to transport gas to the storage area or railroad. A water line would be needed from Lake Mead to put the salt into the solution. The gas which would be purchased would hook into the El Paso Natural Gas pipeline.

Mrs. Wilt moved, seconded by Mrs. Niccoli:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION.

Motion carried unanimously. When the meeting reconvenes, it will be open again to the public.

At 12:12 P.M., the Regular Meeting resumed with all the Commissioners present as well as Dr. Brennan, Mr. Rauzi and Mr. Muller.

Mrs. Wilt moved, seconded by Mr. Bennett:

THAT THE MINUTES OF THE EXECUTIVE SESSION OF JULY 14, 1988 BE AMENDED AS DISCUSSED IN THE EXECUTIVE SESSION OF NOVEMBER 18, 1988.

Motion carried unanimously.

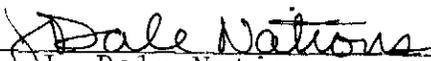
The next meeting is scheduled for January 20, 1989.

Mr. Bennett moved, seconded by Mr. Warne:

THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 12:20 P.M.

APPROVED



Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE:

John Haas
Sheldon Muller
Steve Powers

Bureau of Land Management
Attorney General's Office
State Land Department