

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

Minutes of Meeting
July 21, 1989

Present:

Dr. J. Dale Nations, Chairman
Mrs. Jan C. Wilt, Vice-Chairman
Mr. A. R. Bennett, 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 July 21, 1989 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 MARCH 17, 1989

Mr. Warne moved, seconded by Mr. Bennett:

THAT THE MINUTES OF THE MEETING OF MARCH 17, 1989
BE ACCEPTED AS PRESENTED.

Motion carried unanimously.

REPORT OF EXECUTIVE DIRECTOR

The Activity Report of Dr. Brennan was sent to the Commissioners, and has been made a part of these minutes. Dr. Brennan has been searching for space in which to relocate the Commission's office upon expiration of the lease on the present space. An extension to the present lease was rejected by DOA due to a rent escalation clause. Several buildings are now under consideration.

Dr. Brennan reported on a meeting he attended on July 19, 1989 at the Governor's office concerning the upcoming budget. The rules have been revised this year for the 1991 budget preparation which is due the 31st of August 1989. By October 1, 1989, a reduced budget option is to be submitted to the Executive Budget Office. Optional reductions of 5% and 15% are to be presented.

Dr. Nations suggested that the Commissioners have a copy of the budget for review, and that this subject be on the agenda for the September 15, 1989 meeting.

Dr. Brennan advised the next administrative project will be the five-year review of the geothermal rules to be submitted in January 1990. The revisions of the Oil and Gas Rules will be due next summer, and they will be ready for the Commission's review in the spring.

Dr. Brennan stated that Morton Salt has two wells in west Glendale which need to be plugged. The EPA has approved the plugging plan for the #2 well, but forgot to approve the plan for the #1 well. As soon as the approvals are received by Morton, they will plug these wells.

An explanation of the recent purchase of software was given by Dr. Brennan. He explained that one program will be used for publishing a list of all the Commission's publications. Dr. Nations suggested having our publications in the various libraries and museums in the state.

REPORT OF OIL AND GAS SPECIALIST

The Activity Report of Mr. Rauzi was sent to the Commissioners, and has been made a part of these minutes. He said that oil companies are starting to express interest in the Precambrian Chuar as an exploration target. Jay Shields is trying to secure financing to test the Chuar by deepening one of his wells. Chuar Group Rocks extend from the Grand Canyon area northward into Utah.

He gave a report on a meeting he attended in Kingman involving TranAm Energy's solution salt mining project in the Red Lake salt deposit. Within three to five years they intend to convert each of the salt solution wells to natural gas storage wells.

CHUSKA ENERGY'S WORKOVER PROGRAM AT BLACK ROCK

Mr. Rauzi indicated that Chuska is producing about 600 barrels of water a day from the Akah Formation in the #1 Navajo A-C well. Chuska intended to plug this zone but could not due to the mechanical condition of the well. Because of the great expense of hauling the water to a disposal facility in Utah, Chuska has expressed interest in converting one of the wells in the field to a water disposal well. El Paso Natural Gas Company will purchase the gas.

Mr. Rauzi advised that a report carried in Petroleum Information about a well drilled by Chuska in the Walker Creek field was really an abandoned location. Chuska abandoned the proposed well after analyzing seismic data shot over the location.

Mr. Rauzi advised that USGS was to shoot a seismic line from Chino Valley to Klethla Valley on the Indian Reservation, but decided not to shoot the part on the Reservation due to permit problems.

Dr. Brennan reported on a call from Meridian Oil regarding coalbed methane resources in the Black Mesa Basin. Since we have no information on this subject, the caller was referred to the Department of Water Resources, the Indian Tribes and Professor Nations. Our rules cover methane since it is natural gas.

CAM-ROY RESEARCH CORPORATION VS. OIL AND GAS COMMISSION

Ms. Carol Lewin, legal counsel, stated Cam-Roy's attorneys filed a Motion to Set and Certificate of Readiness asking the court to set the case for a trial. Our counsel responded saying that the Motion was not properly filed because the list of witnesses was not submitted, and that all the issues are to be joined before the trial is set, and our counsel has not answered. In the absence of an answer, it is hard to say that all issues have been joined. A Controverting Certificate was filed by our counsel stating to the court that it was inappropriate to set this case for trial at thistime. Also a motion was filed to dismiss this case. An argument has been set in court next week, and Sheldon Muller will argue in the Commission's behalf. If the

court grants the Motion to Dismiss, that is the end of the case. If the court does not grant the Motion to Dismiss, it will later rule on the Motion to Set and on the Certificate of Readiness to decide whether to set it for trial or not. If the court doesn't grant a Motion to Dismiss, then an answer will have to be filed.

INTERSTATE OIL COMPACT COMMISSION MEETING IN ARIZONA

Dr. Nations reported that the IOCC Annual Meeting will be December 2 - 5, 1989, and that negotiations are being held with the San Marcos Sheraton in Chandler. Approximately 450 people will attend. Dr. Nations has requested that the registration fees be waived for the Arizona Oil and Gas Commissioners, and is awaiting a reply; otherwise the fee is \$160.00. If a field trip is to be held, Dr. Larry Fellows has offered to be in charge of it. Kerr-McGee has offered to host a dinner or reception.

MOTION TO AUTHORIZE EXECUTIVE DIRECTOR TO ACT FOR THE COMMISSION

Dr. Brennan passed out to the Commissioners a suggested list of subjects on which the director might act for the Commission and also a list of authorities reserved to the Commission. These lists will be reviewed by Ms. Lewin, and placed on the agenda for the next meeting. Ms. Wilt asked for a comparison of other agencies in respect to this list. Dr. Brennan will pursue this request.

CALL TO THE PUBLIC

Mike Buren, a graduate student at Northern Arizona University, was introduced as a guest. He was working on a problem in Chino Valley.

ANNOUNCEMENTS

The next meeting was set for September 15, 1989.

Mrs. Wilt moved, seconded by Mr. Bennett:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION.

Motion carried unanimously. At 11:00 A.M., the Commission went into Executive Session.

At 11:37 A.M., the regular meeting resumed after completion of the Executive Session with all original Commissioners being present.

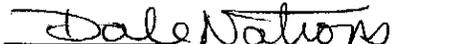
ADJOURNMENT

Mr. Warne moved, seconded by Mr. Bennett:

THAT THE MEETING BE ADJOURNED.

Motion passed unanimously. Time of adjournment was 11:45 A.M.

APPROVED



Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE:

Carol Lewin
Mike Shcolnik

Attorney General's Office
State Personnel