

OIL AND GAS CONSERVATION COMMISSION
845 North Park Avenue #100
Tucson, Arizona 85719

Minutes of Meeting
September 6, 1991

Present:

Mrs. Jan C. Wilt, Chairman
Mr. J. E. Warne, Jr., Vice-Chairman
Dr. J. Dale Nations, Member
Mrs. Barbara H. Murphy, Member
Dr. Larry Fellows, State Geologist
Mr. Steven L Rauzi, Oil and Gas Program Administrator

The regular Commission Meeting of September 6, 1991 was called to order by Mrs. Jan C. Wilt, Chairman, at 10:01 A.M. in the Conference Room, 845 North Park Avenue #100, Tucson, Arizona 85719.

APPROVAL OF MINUTES OF MEETING OF MAY 31, 1991

Dr. Nations moved, seconded by Mrs. Murphy:

THAT THE MINUTES OF THE MEETING OF MAY 31, 1991
BE ACCEPTED AS PRESENTED.

Motion carried unanimously.

APPROVAL OF MINUTES OF MEETING OF JUNE 28, 1991

Mr. Warne moved, seconded by Dr. Nations:

THAT THE MINUTES OF THE MEETING OF JUNE 28, 1991
BE ACCEPTED AS PRESENTED.

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows welcomed the Commission members to Tucson and introduced them to Ms. Pam Lott, the new secretary on the staff. He reported on the reorganization of the Survey staff to accommodate the oil and gas function and described the changes in the facility to make room for the sample cuttings from Phoenix. He noted that an article on the oil and gas move will be included in the winter issue of "Arizona Geology."

REPORT OF THE OIL AND GAS PROGRAM 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 United Gas Search had prepared the surface location for their well in Mohave County even though they have not yet received a permit to drill from the State. He learned of the location work from Becky Hammond of the Bureau of Land Management in St. George, Utah, and reported that she would require United Gas Search to obtain the State permit before they drill. Mr. Warne requested that Mr. Rauzi write to United Gas Search and advise them not to commence drilling until they have obtained a permit from the State.

Mr. Rauzi informed the Commission that both TranAm Energy and Sphinx Mining continue to maintain interest in building natural gas storage caverns in the Red Lake salt deposit near Kingman. The TranAm plan is to use water piped in from Lake Mead to leach the caverns and collect the brine in evaporation ponds on the surface. They intend to sell the salt so recovered. The Sphinx plan is to use local ground water to leach the caverns and reinject the brine back into the subsurface. Mr. Rauzi indicated that the Sphinx plan could create a problem with the aquifers in the area.

Mr. Rauzi reported on the status of the revision of the oil and gas rules. He pointed out that due to the recent merger and reduction of staff we were granted a six-month extension to file the revisions with the Governor's Regulatory Review Committee and indicated that the rules should be submitted to GRRC by December 1991. Mr. Rauzi recommended that the Commission submit the revisions prepared by Dr. Brennan and Mrs. Mead advised that the Commission should approve the rules before submitting them to GRRC.

Mr. Warne moved, seconded by Dr. Nations:

THAT THE COMMISSION REVIEW THE RULES AT THE NEXT
REGULAR MEETING BEFORE SUBMITTING THEM TO GRRC.

Motion carried unanimously.

Mr. Rauzi reported on the number of oil and gas related inquiries received in August and the first of September.

OIL AND GAS BUDGET

Dr. Fellows passed out copies of the oil and gas budget to the Commissioners and pointed out that all agencies were instructed to ask for no increase over the current year's budget. He noted that the oil and gas publication revolving fund had a \$5,000 dollar limit over which all funds went into the general fund and recommended that the fund be merged into the Survey's publication revolving fund. The Commissioners agreed that merging the two funds would be a beneficial move.

Dr. Nations moved, seconded by Mrs. Murphy:

THAT THE OIL AND GAS BUDGET BE APPROVED AS PRESENTED.

Motion carried unanimously.

Dr. Fellows indicated that a possible source of funding for the oil and gas program would be the revenue from oil and gas leases and noted that this lease revenue currently goes into the general fund. This matter was discussed with Leslie Schwalbe of the Executive Budget Office and Joe Lane of the Governor's Office in the informal meeting which followed the special Commission meeting on June 28, 1991. The Commissioners requested that Dr. Fellows follow-up on that meeting and contact Leslie Schwalbe at the Executive Budget Office to see about earmarking these funds to the oil and gas program.

RULE 12-7-121.4 RELATING TO WELL SAMPLES

Mr. Rauzi reported that due to the merger, two sets of oil and gas well cuttings are now required to be shipped to the Arizona Geological Survey and questioned the desirability of storing two separate sets of well samples. He recommended that one set would be adequate provided that enough sample was received to overfill the vials currently used for storage by the Survey. Any remaining sample could be stored in the original sample envelopes used in shipping.

Dr. Wes Peirce discussed the utility of storing well samples in vials and recommended that the practice be continued in any event. He noted that using vials was efficient and greatly facilitated sample analysis. He emphasized the difference of looking at samples in vials and looking at envelopes where the sample cannot be seen.

Mr. Warne stressed the need to collect an adequate volume of sample to accommodate any future studies on the samples and expressed concern about the possible adverse effect of washing on sample quality. Mr. Rauzi did not feel that sample quality was adversely affected by washing and pointed out the difficulty of collecting and storing wet, unwashed samples. Dr. Nations recommended that two sets of samples continue to be collected and that the matter be taken up at the next meeting.

CONTENDER OIL 1 AMAN, SEC 5, T10S-R23W, YUMA CO

No Report

GEOHERMAL WELLS, SEC, 1, T2S-R6E, MARICOPA CO.

No Report.

CALL TO THE PUBLIC

None.

Minutes of Meeting
September 6, 1991
Page 4

ANNOUNCEMENTS

The next meeting was scheduled for November 1, 1991, at the Capitol building in Phoenix.

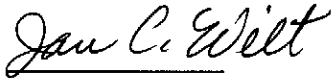
ADJOURNMENT

Dr. Nations moved, seconded by Mrs. Murphy:

THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 12:00.

APPROVED



Mrs. Jan C. Wilt
Chairman

GUESTS IN ATTENDANCE:

Kate Mead
Rose Ellen McDonald
Dr. Wes Peirce

Attorney General's Office
Arizona Geological Survey
Arizona Geological Survey