

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

Minutes of Meeting  
July 6, 1992

Present:

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

The regular Commission Meeting of July 6, 1992, was called to order by Dr. J. Dale Nations at 10:10 a.m. in Room 500, State Capitol Building, Phoenix, Arizona.

APPROVAL OF MINUTES OF MEETING OF MARCH 6, 1992

Mrs. Murphy moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING OF MARCH 6, 1992, BE  
ACCEPTED AS PRESENTED.

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that the Arizona Geological Survey had experienced a mid-year budget cut of 2%, which has had no impact on the oil and gas program. The Survey's budget for fiscal year 1993 is \$619,800, which is not expected to impact the oil and gas program, and he indicated that he will begin work on the fiscal year 1994 budget in August and that he expects it to be another tight budget year. He reported that Senate Bill 1055, which continues the Survey for another ten years, was passed and signed by the Governor.

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 TranAm Energy plugged and abandoned their well at Red Lake on June 17, that the semi-annual inspection at the Ferrellgas LPG facility indicated that their storage wells were in good condition, that Arrowhead Oil and Gas applied for a permit to drill a well in sec. 23, T. 2 N., R. 1 W., and that he had field checked the two geothermal wells near Higley. He obtained a cost estimate of \$104,000 to plug and abandon the two geothermal wells. The cost is high because a silica-blended cement is required to prevent its degradation at the higher temperatures present in these deep wells and because the nearest supply point for the necessary services and materials is Farmington, New Mexico. He added that the United Gas Search permit was extended to August 16, 1992, which coincides with the expiration of their Federal permit.

CONSIDERATION TO INITIATE RULE MAKING PROCEEDINGS

The proposed amendments to rules R12-7-102 through R12-7-118 were sent to the Commissioners and have been made a part of these minutes. Mr. Rauzi discussed the informative summary, the proposed changes to individual rules, and the format of the rule package.

Dr. Nations moved, seconded by Mrs. Murphy:

THAT THE OIL AND GAS CONSERVATION COMMISSION APPROVE THE RULES AS PRESENTED AND INITIATE THE RULE MAKING PROCEEDINGS.

Motion carried unanimously.

Mr. Warne signed Form R101, *Notice of Proposed Rule Making* and Mr. Rauzi indicated that he would forward the rules to the Governor's Regulatory Review Council for approval.

ORAL HEARING, CLOSE OF RECORD, AND DISCUSSION OF RULES PUBLISHED IN THE MAY 1992 ISSUE OF THE ARIZONA ADMINISTRATIVE REGISTER (A.A.R.)

Mr. Rauzi reported that no written comments were received on this set of rules, which were filed with the Secretary of State on April 16, 1992. Dr. Nations opened the floor for comments and discussion on these rules. No comments were received.

Mr. Warne moved, seconded by Mrs. Murphy:

THAT THE OIL AND GAS CONSERVATION COMMISSION CLOSE THE RECORD THIS JULY 6, 1992, ON THE RULES PUBLISHED IN THE MAY 1992 ISSUE OF THE ARIZONA ADMINISTRATIVE REGISTER

Motion carried unanimously.

The concise explanatory statement on this set of rules was sent to the Commissioners and has been made a part of these minutes. Mr. Rauzi explained that A.R.S. § 41-1027 requires a concise explanatory statement to be issued by the Commission at the time they adopt a rule.

Mr. Warne moved, seconded by Mrs. Murphy:

THAT THE OIL AND GAS CONSERVATION COMMISSION ADOPT THE CONCISE EXPLANATORY STATEMENT AS PRESENTED

Motion carried unanimously.

ADOPT THE RULES PUBLISHED IN THE MAY 1992 ISSUE OF THE A.A.R.

Mrs. Murphy moved, seconded by Mr. Veale:

THAT THE OIL AND GAS CONSERVATION COMMISSION ADOPT THE

RULES AS PUBLISHED IN THE MAY 1992 ARIZONA ADMINISTRATIVE REGISTER SUBJECT TO CERTIFICATION BY THE ATTORNEY GENERAL

Motion carried unanimously.

Mr. Warne signed Form R102, *Certification of Rules and Order of Adoption* and Mr. Rauzi indicated that he would forward the rules to the Attorney General for certification.

CONTENDER OIL WELL, SEC. 5, T. 10 S., R. 23 W., YUMA COUNTY

Mr. Rauzi reported that Ms. Kate Mead had resigned from the Attorney General's office and that Ms. Karen Clark would be taking over her cases. Ms. Clark reported that to avoid coming on board while a hearing is going forward, she will be filing the complaint prepared by Ms. Mead. She noted that the Corporation Commission had revoked the Corporate status of Contender Oil and indicated that they would still go forward with the complaint except that the name of the person to be served will need to be changed. In response to an inquiry by Dr. Nations, Ms. Clark indicated that this would be completed by their next meeting.

GEOHERMAL WELLS, SEC. 1, T. 2 S., R. 6 E., MARICOPA COUNTY

From her transitional briefing on these cases, it was Ms. Clark's understanding that the bonds on these wells were still a major issue and that another issue was whether an environmental lien could be placed on the property. Dr. Nations replied that the bonds on these wells are not the issue, that the Commission's concern is when will they get some legal action against these people. He questioned the need for an "environmental lien" and indicated that in addition to the environmental concerns, the failure to plug and abandon these wells is in violation of State law, namely the statutes on oil, gas, and geothermal development, which is why the Commission has asked the Attorney General's Office to file a lien on the property. He reemphasized to Ms. Clark that it was the Commission's intention, by filing a lien on this property, to tie up any future exchanges, sales, or development of this land until this problem is resolved.

Mr. Warne moved, seconded by Mr. Veale:

THAT THE OIL AND GAS PROGRAM ADMINISTRATOR DRAFT A LETTER TO THE ATTORNEY GENERAL, FOR CONSIDERATION AND APPROVAL BY THE COMMISSION AT THE NEXT MEETING, OUTLINING THE HISTORY OF THIS PROBLEM AND ASKING THEM TO TAKE DEFINITE ACTION AS SOON AS POSSIBLE

Motion carried unanimously.

CALL TO THE PUBLIC

None.

ANNOUNCEMENTS

The next meeting was scheduled for October 23, 1992, in room 500 of the State Capitol Building.

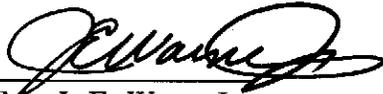
ADJOURNMENT

Mrs. Murphy moved, seconded by Mr. Warne:

THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 11:35 a.m.

APPROVED



Mr. J. E. Warne Jr.  
Vice-Chairman

GUESTS IN ATTENDANCE:

Karen Clark  
Tyrone Mitchell  
Leslie Schwalbe

Attorney General's Office  
Attorney General's Office  
OSPB