

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

Minutes of Meeting  
March 12, 1993

Present:

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

The regular Commission Meeting of March 12, 1993, was called to order by Mrs. Jan C. Wilt at 10:00 a.m. in Room 500, State Capitol Building, Phoenix, Arizona.

APPROVAL OF MINUTES OF MEETING OF OCTOBER 23, 1992

Mr. Warne moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING OF OCTOBER 23, 1992, BE  
ACCEPTED AS PRESENTED.

Motion carried unanimously.

DISCUSSION ON PROPOSED STATUTORY CHANGES ON BEHALF OF WESTMARC

Mr. Jim Mitchell, speaking on behalf of the City of Avondale, stated that their major concern is the protection of the water aquifers under their city. After commending the Commission and the Arizona Geological Survey on their excellent service with regard to the oil and gas program, Mr. Mitchell stated that because mud is used in drilling oil wells and that since mud is a form of wastewater product discharged from a well, an Aquifer Protection Permit (APP) from the Department of Environmental Quality (DEQ) should be required in addition to the Commission's drilling permit to protect against potential problems to water aquifers. He also believed that the liability now set is grossly inadequate to correct any damages that could happen and requested the Commission to raise the bond to 100% of construction cost of a well or \$1 million, whichever is less. They want first, to be notified of the drilling in the area and secondly, to have the right to follow up and guarantee the interests of the people that their rights are being preserved.

Mr. Rauzi explained the drilling and casing procedure used to protect fresh-water aquifers and described how the casing is pressure tested after being cemented. He noted that the Commission requires a pressure test to make sure that the casing has no leaks before the drilling process is allowed to continue. He reported that the Commission's bond amount is consistent with surrounding states and noted that none of the surrounding states require a public hearing before drilling except that in California a county hearing is required before a well is drilled within city limits.

Dr. Fellows asked Mr. Mitchell to review the APP process and explain what they are normally issued for. Mr. Mitchell indicated that the APP is issued by DEQ to ensure that wastewater will not damage or harm an existing aquifer. He noted that DEQ lists 12 items that require an APP and they wanted oil and gas wells to be included. He indicated that aside from whether drilling mud is or is not toxic, it is a wastewater and wells drilled for oil should be required to obtain an APP. Mr. Rauzi indicated that DEQ had recently classified drilling mud as a solid waste and noted that the Commission's rules forbid the use of any toxic substance to be used in drilling mud. Mr. Mitchell replied that classification of the mud was beyond their expertise but it was their interest that the drilling process be permitted more than what the Commission has entertained in the past and that for the public safety, there needs to be additional regulatory control.

Dr. Fellows asked Mr. Mitchell if someone drilled a water well and used drilling mud is Mr. Mitchell concerned that they also should get an APP or if that is already done. Mr. Mitchell replied that water wells have an APP and are permitted through the Department of Water Resources. Dr. Fellows asked if a public hearing is required for water wells and why they were more concerned about an oil well being drilled, which uses drilling mud, than they were about water wells which penetrate the same horizons. Mr. Mitchell indicated they were not so much concerned about the product to be mined out of the aquifer as they were concerned about preserving the water in the aquifer. Dr. Fellows asked if, to be consistent, they would like to see a public hearing for water wells in addition to oil wells. Mr. Mitchell replied that that was true and indicated that the state has a process whereby notification is sent out to interested communities about any water well being drilled. Mr. Warne and Mrs. Murphy stated that public notice was not required for the numerous water wells their companies had drilled.

Mr. Warne asked Mr. Mitchell what purpose the APP would serve that the Commission's permit does not already serve. Mr. Mitchell believed they need protection when things go wrong, for instance if the casing test previously described had failed. Mr. Rauzi indicated that the Commission's rules would not allow the drilling to continue until the test was good. Mr. Mitchell noted that the well was drilled through the aquifer and asked what if they misjudged the location of the salt dome, what if the salt had dissolved into the aquifer? Mr. Warne again asked Mr. Mitchell what would the APP do to cause these things not to happen and noted that the Commission's rules do not allow the aquifer to be contaminated. Mr. Mitchell indicated that by requiring an APP a public notice and hearing would be required, guaranteeing their involvement in the permitting process before the rig goes up and the trucks move in. Mr. Warne asked if what they wanted then, was better communication and not different technology. Mr. Mitchell responded not just better communication but a direct input into the permitting process because they are in the business of protecting the public health and safety of the citizens of Avondale. Mr. Warne pointed out that that is also the business and obligation of the Commission.

Mrs. Wilt pointed out to Mr. Mitchell that the Commission's function is to protect the health and safety of individuals and that they have particular expertise in anything that has to do with oil well practices. She noted that having expertise in a field allows for better judgement as to what may go wrong and the kinds of things that have gone wrong in other states.

Mr. Veale indicated his sensitivity to Mr. Mitchell's concerns but noted that to involve too many people and organizations in things would result in a spreading of responsibility and may accomplish quite the opposite of what they have set out to accomplish. He noted that the

Commission has a program in place that is very effective as long as it is enforced and that as long as its guidelines or charge is working and is complete and total in its accomplishment, he could not see the justification for considering another level.

Mr. Warne noted that Houston, Tulsa, Midland, Odessa, Long Beach, Huntington Beach, and Los Angeles all have ground water they pump from and they all have many more oil wells than we do. He asked Mr. Rauzi if there was any difference in technology or care to preserve these waters. Mr. Rauzi indicated that the technology was the same, state of the art, and that the same care was taken to protect aquifers.

Mrs. Murphy reported that she reviewed the intent of the APP and the rules of the Commission and noted that both have the same goal in terms of protecting the aquifer. She was of the opinion that to require an APP would cause redundancy in the program. Mr. Mitchell indicated that the essence of their problem was that the well was being drilled and they were not made aware of it.

Mr. Warne suggested that the Commission adopt an attitude to inform communities within a certain distance for input, but that the Commission work within a legal framework to accept technical input and distinguish from other kinds of input that would preclude the Commission from going ahead and exercising their rules and regulations, which are based on technical expertise.

Mr. Veale noted that it made sense to notify interested parties just as a matter of courtesy but he was adamantly opposed to the Commission sharing its responsibility or authority in any way with another organization. He pointed out that the Commission has an obligation to listen to any presentation, as Mr. Mitchell has made today, but the responsibility and authority must remain with the Commission.

Mr. Warne moved, seconded by Mrs. Murphy:

THAT THE QUESTION BE STUDIED BY STAFF AND COUNSEL  
REGARDING THE CREATION OF ADDITIONAL PROCEDURES TO  
ADDRESS THE COMMUNICATION PROBLEM

Motion carried unanimously.

#### STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows distributed the 1991-1992 Annual Report of the Arizona Geological Survey (AZGS) pointing out the summary of oil and gas activities on page 13. He reported that the 2% mid-year budget cut for the current fiscal year has not occurred yet, and might not. If there is a 2% cut, there will be no direct impact on the oil and gas program. He noted the legislature is now in session discussing the 1993-1994 budget, which he does expect will include a reduction, but which should not directly impact the oil and gas program. He reported that no legislation regarding the Westmarc proposal was introduced in this session because there was a full legislative schedule. The AZGS is actively involved in obtaining funding from the U.S. Geological Survey for geologic mapping. This funding would be matched on a 50-50 basis.

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. He indicated that PI reported Merrion Oil and Gas Company's recompletion in the Mississippian Formation at the East Boundary Butte Field as a new pool discovery and noted that one or two more wells may be drilled there. He discussed the progress of the rules and noted Ms. Elizabeth Stewart's recommendation that R12-7-193 and R12-7-195 be repealed. He informed the Commission that in July Mr. Shields may request an extension of temporary abandonment on his well. Based on his plugging of other wells, the Commission was agreeable to that but felt he should plug the present well before another permit to drill is issued.

ORAL HEARING, CLOSE RECORD, AND ADOPT RULES PUBLISHED IN THE JANUARY 29, 1993, ISSUE OF THE ARIZONA ADMINISTRATIVE REGISTER

Mrs. Wilt opened the floor for comments and discussion on this set of rules. No oral comments were received.

Mr. Veale moved, seconded by Mrs. Murphy:

THAT THE OIL AND GAS CONSERVATION COMMISSION CLOSE THE RECORD THIS MARCH 12, 1993, ADOPT THE CONCISE EXPLANATORY STATEMENT, AND ADOPT THE RULES SUBJECT TO CERTIFICATION BY THE ATTORNEY GENERAL

Motion carried unanimously.

Mrs. Wilt signed the Concise Explanatory Statement and 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.

REPEAL RULES R12-7-193 AND R12-7-195

The proposed repeal of R12-7-193 and R12-7-195 were sent to the Commissioners and have been made a part of these minutes. Mr. Rauzi discussed the proposed repeal and explained that these rules are redundant with statute and that Ms. Stewart had advised that they were unnecessary.

Mrs. Murphy moved, seconded by Mr. Warne:

THAT THE OIL AND GAS CONSERVATION COMMISSION INITIATE THE RULE MAKING PROCEEDINGS TO REPEAL R12-7-193 AND R12-7-195

Motion carried unanimously.

Mr. Rauzi noted that he would forward these rules to the Governor's Regulatory Review Council (GRRC) no later than April 12, 1993, so that he could appear before GRRC on June 1, 1993. He recommended that the Commission not schedule a hearing for these rules and that they could not meet to adopt the repeal of the rules until late August 1993.

Mrs. Wilt signed the new *Notice of Proposed Rule Making Submitted to the Governor's Regulatory Review Council* for publication before the GRRC meeting and Form R101, *Notice of Proposed Rule Making*, for publication after the GRRC meeting.

ASSISTANT ATTORNEY GENERAL REPORT ON CONTENDER AND CAM-ROY WELLS.

Ms. Diane Hinton recommended that the Commission go into Executive Session to receive legal advice. Mrs. Wilt asked Mr. Pomeroy if he would like to make any statements on this agenda item before they go into executive session. Mr. Pomeroy indicated that they have not owned the wells since 1988 and requested that the Commission not refer to the wells as the Cam-Roy wells any longer and that in Washington D.C. the wells are referred to as the Power Ranch wells. He also requested that future communication on these wells be made to his attorney, Mr. Frey. Mr. Rauzi advised Mr. Pomeroy that the wells were indeed listed as the Power Ranch No. 1 and No. 2 in the Commission's files and that "Cam-Roy" indicated the last known operator as recorded in the files.

Mr. Warne moved, seconded by Mr. Veale:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION.

Motion carried unanimously. At 11:20 a.m., the Executive Session began.

The regular meeting resumed at 12:15 p.m.

Mr. Warne moved, seconded by Mr. Veale:

THAT THE OIL AND GAS CONSERVATION COMMISSION DIRECT MR. RAUZI TO MAKE AN EFFORT TO GET THE CONTENDER WELL PLUGGED AND ABANDONED WITH THE \$5000 BOND.

Motion carried unanimously.

DISCUSS MEETING WITH THE NAVAJO MINERAL DEPARTMENT

Discussion tabled until later date.

ELECTION OF OFFICERS

Election of officers tabled until later date.

CALL TO THE PUBLIC

None.

ANNOUNCEMENTS

The next meeting was scheduled for August 20, 1993.

ADJOURNMENT

Mrs. Murphy moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. Time of adjournment was 12:20 p.m.

APPROVED



Mrs. Jan C. Wilt  
Chairman

GUESTS IN ATTENDANCE:

Diane D. Hienton  
Beryl I. Dulsky  
John Saxman  
R. J. Pomeroy  
Jim Mitchell

Attorney General's Office  
Attorney General's Office  
Cam-Roy Research and Development Corporation  
Cam-Roy Research and Development Corporation  
City of Avondale