

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

Minutes of Meeting
August 20, 1993

Present:

Mr. James E. Warne, Jr., Vice-Chairman
Dr. J. Dale Nations, 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 August 20, 1993, was called to order by Mr. James E. Warne, Jr., Vice-Chairman, at 10:00 a.m. in Room 500, State Capitol Tower, Phoenix, Arizona.

HEARING ON APPLICATION TO AMEND PERMIT FOR INJECTION WELL AT DRY MESA FIELD

At 10:05 a.m., the hearing on Dry Mesa Corporation's requested amendments to its disposal well in the Dry Mesa Field started. Minutes for that hearing are presented separately.

APPROVAL OF MINUTES OF MEETING AND OF THE EXECUTIVE SESSION OF MARCH 12, 1993

Dr. Nations moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING AND OF THE EXECUTIVE SESSION
OF MARCH 12, 1993, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that he is busy closing the fiscal year that ended on June 30, assigning projects for the coming year, and preparing the annual report for fiscal year 1992-93. He is also working on the fiscal year 1994-95 budget.

Dr. Fellows reported that the bulk of the core from the Tertiary section in the well being cored near Alpine will be on permanent loan to the New Mexico Bureau of Mines and Mineral Resources in Socorro where they have a nice core storage facility and a couple of staff people actively working on the upper part of the hole. He advised that all of the core below the Tertiary will be stored at our repository plus a sampling of the upper part and noted that all other cores in our repository have been skeletonized. Dr. Nations was concerned about the lack of adequate core storage space in Arizona. Dr. Fellows advised that our sampling from the Tertiary exceeds the minimum required by rule and that we do not have a budget to pay for excessive core storage. He noted that to date there has been very little demand for research on the core we do have stored.

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 updated the Commissioners on the Alpine-Federal #1 well and advised that the operator of the well planned to request observational status for up to two years and that the U.S. Geological Survey desired to assume the responsibility for the well and deepen it into Precambrian rocks. The Commission agreed in principle to the change of status and transfer of responsibility to the U.S Geological Survey but would not make a final decision until the issues of posting a bond, the assumption of responsibility, and the setting of a specific time frame for deepening or plugging the hole are resolved by some sort of written agreement.

Mr. Rauzi reported that the Sunbelt Refinery near Coolidge would cease operations by August or September. Sunbelt planned to mothball the refinery until asphalt prices firm and ongoing environmental litigation is resolved.

Mr. Rauzi reported that PB-KBB plans to run a sonar caliper log to verify the volume of cavern 1 at the Amerigas LPG-storage facility early next year. PB-KBB advised him that it is becoming increasingly difficult to get a sonar caliper run since there are only four small companies that run them. They asked the Commission to consider the interface-volume method as an alternative to the sonar caliper and indicated to Mr. Rauzi that they would send him a summary of this method so that he could present it to the Commission for their consideration.

Mr. Rauzi reported that he is still waiting to hear from Ms. Clark on their discussions on the second set of rules. He discussed the third set with Mr. Fiegan and will be sending the resulting changes to the Commissioners for approval as soon as he hears back from him. Mr. Dulsky added that the third set looked fine and he expected them to be certified quickly unless Ms. Stewart had changes.

CLOSE RECORD AND REPEAL A.A.C. R12-7-193 AND R12-7-195

No oral proceedings were scheduled on the repeal of these two rules and Mr. Rauzi reported that no written comments were received. The closing date for written comments was July 30, 1993.

Mr. Veale moved, seconded by Dr. Nations:

THAT THE COMMISSION CLOSE THE RECORD, ADOPT THE CONCISE EXPLANATORY STATEMENT, AND REPEAL R12-7-193 AND R12-7-195 SUBJECT TO CERTIFICATION BY THE ATTORNEY GENERAL

Motion carried unanimously.

Mr. Warne signed the documents on these two rules and Mr. Rauzi advised that he would forward the two rules to the Attorney General.

DISCUSS FORFEITURE OF CONTENDER OIL COMPANY BOND

Mr. Rauzi discussed getting the Aman #1 well plugged with the \$5,000 bond and reported that he wrote to Contender Oil Company and asked them to voluntarily forfeit their bond. His letter was returned unopened. He reported that the Arizona Department of Water Resources is interested in

using the well as an observation well. They will accept responsibility for it if the Commission will transfer the bond money with the well and if they could work out an access agreement with the land owner. Since the property is being sold, the Department of Water Resources will need to wait until the sale is finalized before working out the access agreement.

Dr. Nations moved, seconded by Mr. Veale:

THAT THE COMMISSION FORFEIT THE CONTENDER OIL COMPANY BOND
FOR NONCOMPLIANCE WITH RULES AND STATUTES

Motion carried unanimously.

ASSISTANT ATTORNEY GENERAL REPORT ON CONTENDER AND POWER RANCH
WELLS

Dr. Nations moved, seconded by Mr. Veale:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION

Motion carried unanimously. At 11:10 a.m., the Executive Session began.

The regular meeting resumed at 11:46 a.m.

ELECTION OF OFFICERS

Mr. Warne moved, seconded by Mr. Veale:

THAT DR. NATIONS BE NOMINATED CHAIRMAN

Motion carried unanimously.

Mr. Veale moved, seconded by Dr. Nations:

THAT MR. WARNE BE NOMINATED VICE-CHAIRMAN

Motion carried unanimously.

CALL TO THE PUBLIC

None.

ANNOUNCEMENTS

The next meeting was scheduled for January 14, 1994, in Room 500 of the Capitol Tower.

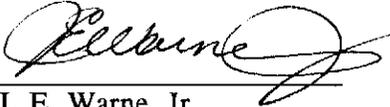
ADJOURNMENT

Dr. Nations moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED

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

APPROVED



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

GUESTS IN ATTENDANCE:

Beryl I. Dulsky
Barry A. Wieland
Kent L. Carter
Renee Bahl
Melodie Jones

Attorney General's Office
Chuska Energy Company
McFate Reporting Service
JLBC
OSPB