

OIL AND GAS CONSERVATION COMMISSION

845 North Park Avenue, #100
Tucson, Arizona 85719

Minutes of Meeting
March 11, 1994

Present:

Dr. J. Dale Nations, Chairman
Mr. Zed Veale, Member
Dr. Jan C. Wilt, Member
Mrs. Lisa C. Worthington, Member
Dr. Larry D. Fellows, State Geologist
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

The regular Commission Meeting of March 11, 1994, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 500, State Capitol Building, Phoenix, Arizona.

APPROVAL OF MINUTES OF MEETING AND EXECUTIVE SESSION OF
JANUARY 14, 1994

The minutes of the Meeting and Executive Session of January 14, 1994, were amended as follows:

THAT ALL REFERENCE TO MRS. JAN WILT BE AMENDED TO
DR. JAN WILT

Mrs. Worthington moved, seconded by Dr. Wilt:

THAT THE MINUTES OF THE MEETING AND EXECUTIVE
SESSION OF JANUARY 14, 1994, BE ACCEPTED AS AMENDED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that a continuing budget was approved for fiscal year 1994-95. This budget contains no increases or decreases.

Dr. Fellows reported that the Mined Land Reclamation Bill, Senate Bill 1153, passed the full Senate and was sent to the House where there will be hearings unless it is held for some reason. As part of the bill, a study committee made of Chairs from the Senate and House Appropriation Committees, the Senate and House Natural Resources Committees, a member of the minority party from the Senate and one from the House, and someone

from the Governor's Budget Office will be established in 1995 to consider forming a natural resources department. Dr. Fellows noted that oil, gas, and mining regulatory functions are combined as a single unit within such departments in a number of other states and advised that he will be following this bill and the study committees very closely.

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 two inquiries were received on the Power Ranches geothermal wells, that he intended to witness Amerigas sonar cavern 1 this month as it would be run through two strings of pipe, that Contender Oil Company's forfeited bond was deposited into a forfeited account within the bond fund, which is otherwise for refundable cash deposits, and that he is still discussing the third set of rules with the Attorney General's Office.

Mr. Rauzi discussed Mr. Floyd Moulton's letter to the Governor comparing Arizona's leasing policy with the leasing policy of Utah, the primary difference being the length of the primary term, which is five years in Arizona and ten years in Utah. Mr. Rauzi advised that he referred Mr. Moulton to the State Land Commissioner and the Department of Commerce. He noted that Arizona is not competitive with federal leasing policy in that the primary term on federal leases is ten years.

Dr. Wilt asked about plugging the Contender well. Mr. Rauzi explained that he will get the plugging requirements together so the State Procurement Office can prepare a request for quote, which is required for expenditures over \$2,500.

STATUS OF #1 ALPINE-FEDERAL GEOTHERMAL WELL

Mr. Rauzi reviewed letters from Mr. Tom Moses expressing the U.S. Geological Survey's interest in the well, Mr. John Mock committing \$25,000 from the U.S. Department of Energy for plugging, and from Mr. Bob Stephenson concerning unfinished contractual obligations between Tonto Drilling Services and the Arizona Department of Commerce. Mr. Rauzi recommended that the contractual obligations be resolved before the Commission approves the transfer of the well to the U.S. Geological Survey.

Mr. Frank Mancini advised that the Arizona Department of Commerce intends to cooperate with the U.S. Geological Survey and has no objection to transferring the well as long as Tonto's contractual obligations are first fulfilled. Mr. Mancini reported that Commerce will meet with Tonto on March 29 to discuss the contractual obligations, is now reviewing the first draft of the final report, and is very interested in Humble Geochemical Services' examination of the core. Mr. Rauzi reported that Humble offered to do this report at no charge to the state and that a copy will be provided to Commerce. Mr. John Haas advised that there have been no requests for oil and gas leasing in the Alpine area.

Mr. Beryl Dulsky, legal counsel, advised that the Commission get evidence of Mr. Mock's authority to commit the \$25,000 to plug the Alpine hole, especially since it was not his department that was assuming responsibility for the hole. He recommended that the evidence of authority be in the form of a letter from the Secretary or Under Secretary that Mr. Mock has authority to commit the \$25,000.

Mr. Veal moved, seconded by Mrs. Worthington:

THAT THE OIL AND GAS CONSERVATION COMMISSION
AUTHORIZE MR. RAUZI TO PROCEED WITH THE TRANSFER
SUBJECT TO RECEIVING WRITTEN EVIDENCE OF MR. MOCK'S
AUTHORITY TO COMMIT \$25,000 AND WRITTEN NOTICE FROM
COMMERCE THAT TONTO'S CONTRACTUAL OBLIGATIONS
HAVE BEEN FULFILLED

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Haas advised that Medallion Oil planned to drill a 4,500-foot well in T. 37 N., R. 12 W. within three to four months. He also noted a separate request to lease 100,000 acres near Safford.

STATUS OF #1 AND #2 POWER RANCHES GEOTHERMAL WELLS

Dr. Wilt moved, seconded by Mrs. Worthington:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION

Motion carried unanimously. At 10:45 a.m., the Executive Session began.

The regular meeting resumed at 11:10 a.m.

ANNOUNCEMENTS

Dr. Nations advised that he would write a letter on behalf of the Commission thanking Mr. James Warne for his service to the Commission then reported on recent interest in Precambrian source rock in Arizona. He received a telephone call from Mr. Bill Peabody, Consulting Geologist in Santa Fe, who was looking for someone to give a presentation on Chuar source rocks in the Grand Canyon at the ~~AAPG~~ meeting in Denver.
AAPG

After further discussion on Mr. Moulton's letter on oil and gas leasing in Arizona,

Dr. Wilt moved, seconded by Mrs. Worthington:

THAT THE OIL AND GAS CONSERVATION COMMISSION WRITE TO THE STATE LAND COMMISSIONER RECOMMENDING THAT THE PRIMARY TERM OF OIL AND GAS LEASES ON STATE TRUST LAND BE MORE COMPETITIVE WITH FEDERAL LEASES

Motion carried unanimously.

The next meeting was scheduled for July 8, 1994, in Alpine.

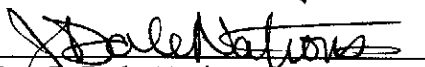
ADJOURNMENT

Mrs. Worthington moved, seconded by Dr. Wilt:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:30.

APPROVED


Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE:

Beryl I. Dulsky
Michel Mills
John Haas
Frank Mancini

Assistant Chief Counsel, Attorney General's Office
Attorney General's Office
U.S. Bureau of Land Management
Arizona Department of Commerce