

## OIL AND GAS CONSERVATION COMMISSION

845 North Park Avenue, #100  
Tucson, Arizona 85719

Minutes of Meeting  
October 28, 1994

### Present:

Dr. J. Dale Nations, Chairman  
Mrs. Lisa C. Worthington, Vice-Chair  
Mr. James C. Lanshe, Member  
Dr. Jan C. Wilt, 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 October 28, 1994, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 500, State Capitol Tower, Phoenix, Arizona.

### APPROVAL OF MINUTES OF MEETING AND THE EXECUTIVE SESSION OF JULY 8, 1994

Mr. Lanshe moved, seconded by Mrs. Worthington:

THAT THE MINUTES OF THE MEETING AND THE EXECUTIVE  
SESSION OF JULY 8, 1994, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

### STATEMENT OF DIRECTOR AND STATE GEOLOGIST

After handing out copies of the 1993-94 annual report, Dr. Fellows reported on the first submission of the biennial budget on September 1. He included requests for IOGCC dues and travel expenses and replacement of the 4-wheel-drive field vehicles. Dr. Fellows advised that the JLBC budget analyst plans to recommend elimination of the oil and gas conservation fund to reduce the large number of small funds. Drilling permit fees would go into the general fund instead. He updated the Commission on the plans to move the office to 416 West Congress in June of 1995, the Mined Land Reclamation bill, the new format of *Arizona Geology*, and the positive results of the recent AIPG convention in Flagstaff and the Bootprints convention in Tucson.

### 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 the good shows of carbon dioxide in the recent

well near St. Johns may lead to the construction of a sulphur-grinding plant for fertilizer and a hydroponics facility, both of which would use the carbon dioxide. In addition to the carbon dioxide, the helium tested in the well is of interest to a helium processing firm with several small helium fields in Colorado. He updated the Commission on the status of the primacy application for underground injection and the amendments to §§ 27-516(A)(3) and 27-654, the Commission's bonding statutes.

#### DISCUSSION AND VOTE TO RELEASE #1 AND #2 POWER RANCHES GEOTHERMAL BONDS

After introducing Mr. Pomeroy of Cam-Roy Research Corporation, Mr. Rauzi advised that the quiet title action established that Cam-Roy is out, that the owner of the wells is the owner of the land, and that transfer of the property does not release the bonds. Furthermore, that Cam-Roy did not plug and abandon the wells after the Commission refused to extend the temporary abandonment status of the wells and because Power Enterprises, the owner of the land, did plug and abandon the wells, and thereby bring them into full and final compliance with the Commission's rules, the Commission should move to release these performance bonds to Power Enterprises.

Mr. Pomeroy stated that the bonds were posted by Cam-Roy as drilling bonds and that since Cam-Roy never did any drilling on the wells the bonds should be released back to Cam-Roy. Mr. Rauzi advised Mr. Pomeroy that the bonds were performance bonds to insure compliance with the Commission's rules including the operator's obligation to plug and abandon them if commercial production was not established.

Dr. Wilt moved, seconded by Mrs. Worthington:

THAT THE PERFORMANCE BONDS ON THE #1 AND #2 POWER RANCHES GEOTHERMAL WELLS BE RELEASED TO THE ENTITY DOING THE WORK OF PLUGGING THE WELLS (POWER ENTERPRISES)

Motion carried unanimously.

#### POLICY ON INDIAN LANDS

Mr. Rauzi reviewed Mr. Haas' summary of the authorities and processes followed by the Bureau of Land Management (BLM) in carrying out its Indian Trust responsibilities on the Navajo Indian Reservation and suggested the Commission, in lieu of performing its own inspection and enforcement, write to the BLM Farmington office and request a copy of all approved permits to drill, workover reports, and abandonments on Navajo lands. Upon receipt of the approved federal permit to drill the Commission could issue a permit to facilitate internal recording keeping. The \$25 fee would not be charged for this permit.

Mr. Haas explained that BLM inspection and enforcement on Navajo lands focused on

production verification and indicated that providing copies of permits, workover, and abandonment reports to the Commission would be no problem. Mr. Rauzi asked how the new BLM spacing review on Indian lands affects the Commission's spacing order at the Black Rock Field. Mr. Haas advised that the BLM was aware of that order and had no problem with it. He pointed out that since state Commissions already have a notice and hearing process in place, the BLM generally accepts their decisions with respect to spacing and other such orders. Mr. Dulsky advised that unless the Navajo's ceded some of their sovereignty, the Commission had no authority on Indian lands but that in some instances it did have jurisdiction on federal lands. Mr. Lanshe asked Mr. Dulsky to report in a later meeting on the Commission's authorities on non-Indian federal lands. Mr. Haas indicated that he would prepare a draft memorandum of agreement concerning non-Indian federal lands for the Commission to review at a later meeting.

#### GOALS, OBJECTIVES, AND EXPLORATION INCENTIVES

Dr. Fellows reviewed the list of projects that were discussed in the July 8 meeting, pointing out that the order of listing was random, and asked for comments and direction from the Commission. All of the Commissioners thought the projects were good ones. They discussed the relative importance of each and, considering the current manpower situation, concluded that providing up-to-date basic data was most important followed by subsurface studies. Dr. Nations asked Dr. Fellows to consider a request for additional staff depending on how the possible discovery near St. Johns develops.

After reviewing the letter from the State Land Commissioner and the table comparing the state's leasing terms with the surrounding states and the federal government, Mr. Rauzi introduced Mr. Barry Moody of the State Land Department. Mr. Moody advised that the state's statutory maximum acreage limitation of 15,360 acres to any one entity is a problem, especially when compared to the 230,000-acre limitation for federal acreage. He reported that plans to increase the maximum are being considered. Dr. Nations indicated that the Commission would support any plan to increase the maximum acreage amount. Noting the lack of significant production in Arizona compared to surrounding states, Mrs. Worthington pointed out that Arizona's leasing terms could stand to be more competitive than they are.

Dr. Nations reviewed the list of incentives from the July 8 meeting with the indication that the Commission devote more time to them in the upcoming year. Mr. Rauzi reported that Texas has initiated a second round of incentives that would provide grants to colleges and universities for studies in petroleum geology.

#### CALL TO THE PUBLIC

Mr. Moody reported that the Land Department could offer competitive leasing on known geologic structures of producing oil and gas fields and asked about the structure near St. Johns. Mr. Rauzi indicated that some confirmation wells would be required before the structure could be considered a producing field.

ANNOUNCEMENTS

The next meeting was scheduled for January 20, 1995, at the Capitol Tower.

ADJOURNMENT

Dr. Wilt moved, seconded by Mr. Lanshe:

THAT THE MEETING BE ADJOURNED

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

APPROVED



Dr. J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE:

Beryl I. Dulsky	Assistant Chief Council, Attorney General's Office
R.J. Pomeroy	Cam-Roy Research Corporation
John Haas	U.S. Bureau of Land Management
Barry Moody	State Land Department