

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
January 15, 1999

Present:

Dr. J. Dale Nations, Chairman
Ms. Lisa C. Worthington, Vice-Chair
Mr. Zed Veale, Member
Mr. J. Dennis Wells, State Land Commissioner
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

The regular Commission Meeting of January 15, 1999, 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 THE MINUTES OF THE MEETING AND EXECUTIVE SESSION OF OCTOBER 2, 1998

Ms. Worthington moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING AND EXECUTIVE SESSION OF
OCTOBER 2, 1998, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

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 Coleman Oil & Gas drilled a gas well at the Dry Mesa Field in northeastern Arizona. He reported that the results of his latest work on the hydrocarbon source rock in the Precambrian Chuar Group are now available as an open file report and that he was starting a new study of the evaporite deposits in the Holbrook Basin.

STATUS OF ACTIVE WELLS

Mr. Rauzi reported that temporary abandonment of Ridgeway Arizona Oil Corporation's 10 shut-in wells in the St. Johns area would expire on January 23, 1999. Ridgeway has completed 2 as shut-in gas wells and continues to test the 8 wells drilled in 1997. Mr. Tom White wrote on January 5, 1999, that all of Ridgeway's wells had extensive skin damage and that more time was needed to further test and evaluate the wells before completion. He requested an extension of temporary abandonment.

Mr. Rauzi reported that the PetroSun #15-1 NMAL well has been idle for 2 1/2 years and that PetroSun has not responded to telephone and written requests to submit paperwork to either further test or plug the well. He reported that the surface owner had called and wrote

to complain of the unreclaimed condition of the well and well site on her land.

Ms. Worthington moved, seconded by Mr. Veale:

THAT THE COMMISSION FINDS THE PETROSUN #15-1 NMAL IN VIOLATION WITH THE OIL AND GAS RULES AND STATE LAW

Motion carried unanimously.

STATUS OF UNITED GAS SEARCH BOND

Mr. Rauzi reported that he received a list of costs in January 1997 that Mr. Rodney Ratheal incurred for restoring the United Gas Search well location in late 1996. Mr. Ratheal called Mr. Rauzi in October 1998 to ask about the delay in his being reimbursed from the forfeited bond. Mr. Rauzi told Mr. Ratheal that the Commission was still waiting for written concurrence from legal counsel to reimburse him and advised him to contact Mr. Steadman directly to discuss the delay.

The Commission reiterated its intention to reimburse Mr. Ratheal and agreed that Chairman Nations should call Mr. Steadman about the unresolved status of the reimbursement from the forfeited bond.

STATUS OF OIL AND GAS BILL

Mr. Rauzi reviewed the original oil & gas bill and contrasted it with the amended language proposed by Ridgeway, amended language approved by the Commission, and similar statutes in Utah, New Mexico, Oklahoma, and Texas that Mr. Mike Rice compiled for guidance in his letter of January 14, 1999.

Mr. White advised that the main concern of Ridgeway was the trigger for the confidentiality period. Ridgeway was opposed to temporary abandonment starting the time-frame and opposed the setting of a time-frame to complete testing sufficient to demonstrate the viability of a well. Ridgeway preferred 18 months of confidentiality starting from the date a well is completed as a viable well.

Mr. Clarence Bigelow described current economic conditions in Apache County, and reported that the county was counting on Ridgeway to provide a valuable infusion of jobs.

Ms. Worthington moved, seconded by Mr. Veale:

TO AGREE IN PRINCIPAL TO THE APPROVED AMENDMENTS AS DISCUSSED AND TO AUTHORIZE THE ADMINISTRATOR TO NEGOTIATE UNDER THAT UNDERSTANDING

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Paul Buff reported that the Premco Western well in northwestern Arizona was drilling at a depth of about 800 feet, that the Bureau of Land Management was working on an exploration unit for, and an environmental impact statement on, Ridgeway's CO₂ project near St. Johns, and that a lack of funding would preclude an oil and gas lease sale in Arizona this year.

ANNOUNCEMENTS

The next meeting was scheduled for May 7, 1999, in Room 500 of the Capitol Tower.

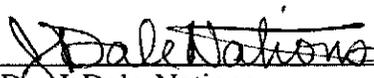
ADJOURNMENT

Ms. Worthington moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:40 a.m.

APPROVED



Dale Nations
Chairman

GUESTS IN ATTENDANCE

Clarence Bigelow
Paul J. Buff
Michael J. Rice
Thomas White

Apache County Manager
U.S. Bureau of Land Management
State Land Department
Ridgeway Arizona Oil Corporation