

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100

Tucson, Arizona 85701

Minutes of Meeting

September 15, 2000

Present:

Dr. J. Dale Nations, Chairman

Dr. Donald W. Clay, Member

Mr. Robert L. Jones, Member

Mr. Zed Veale, Member

Mr. Michael E. Anable, State Land Commissioner

Dr. Larry D. Fellows, Director and State Geologist

Mr. Steven L. Rauzi, Oil and Gas Administrator

The regular Commission Meeting of September 15, 2000, was called to order by Dr. J. Dale Nations, Chairman, at 10:00 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF MAY 19, 2000

Dr. Clay moved, seconded by Mr. Jones

THAT THE MINUTES OF THE MEETING OF MAY 19, 2000, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that a two-year budget was prepared in conjunction with a strategic plan and was submitted September 1, 2000, for fiscal years 2002 and 2003. The budget included a request for funds to microfilm the oil and gas records in 2002 and add an inspector in 2003. Drilling activity is expected to increase because of the Ridgeway project and the higher price of oil. Dr. Fellows noted that Mr. Rauzi was working on a report about oil and gas potential in Arizona.

REPORT OF THE OIL AND GAS 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 testing of the well near Meteor Crater was delayed and that Premco Western was drilling below a depth of 2300 feet at its well in northwestern Arizona. He reported that he had received inquiries about drilling a stratigraphic test into the Luke salt deposit relative to storing natural gas and an oil test of the Precambrian Chuar in northern Arizona but that no applications have been submitted. Mr. Rauzi discussed some of the evidence pointing to the oil and gas potential in Arizona.

ORAL PROCEEDING TO ADOPT AMENDED RULES

Mr. Rauzi reported that the notice of proposed rulemaking and the text of the proposed rules were published in the August 4, 2000, Arizona Administrative Register. He reported that the primary reason for revising the rules was to conform with recent changes in statute brought about by H.B. 2492. He noted that the rule changes were in accord with discussions with Mr. Osborn and Mr. White, of Ridgeway Arizona Oil Corporation, in Tucson in early May and with discussions in the Commission meeting of May 19, 2000.

Mr. Osborn and Mr. White voiced support of the rules as presented.

Mr. Jones moved, seconded by Mr. Veale

THAT THE PROPOSED RULES BE ADOPTED AS PRESENTED AND
PUBLISHED IN THE AUGUST 4, 2000, ARIZONA ADMINISTRATIVE
REGISTER

Motion carried unanimously.

UPDATE ON RIDGEWAY'S CO₂ PROJECT

Mr. Rauzi reported that Crescendo Energy of Midland, Texas, had made several inquiries about helium in Arizona, apparently in conjunction with plans to produce the 2 shut-in helium wells at the Dineh-bi-Keyah Field. He reported that Crescendo had recently requested some application-to-drill forms but he did not know if that was associated with the Ridgeway project.

Mr. White reported that the price and demand for helium has gone up which has resulted in interest in Ridgeway's helium from 4 major industrial gas companies. As a result, Ridgeway has perforated the Fort Apache in 2 wells to test for helium. Mr. White reported that some acid jobs were pending and that within the next month or so they would see what the helium contents will be on these wells. He explained that production of helium depended on a market for CO₂. Ridgeway had to produce CO₂ in order to get the helium out and that the industrial gas companies understood that.

Mr. White reported that the pipeline has been ordered for the CO₂ liquids plant and that FLO-CO₂ was working on the permit for right of improvement for the State Land Department. He indicated that the 10-22 State and 10-16 State wells in Arizona and the State 1-16 well in New Mexico would supply the liquids plant. Mr. White reported that Ridgeway planned to do a unit agreement rather than just produce from the individual leases.

CALL TO THE PUBLIC

Mr. Rice reported that the Land Department had received oil and gas applications to lease

59,000 acres northeast of Flagstaff from a company in Texas. He thought there was a good chance this would lead to some drilling activity.

ANNOUNCEMENTS

Chairman Nations announced that election of officers would be on the agenda for the next meeting.

The next meeting was scheduled for January 19, 2001, in Room 321, State Land Department Building, Phoenix, Arizona.

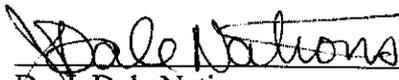
ADJOURNMENT

Mr. Veale moved, seconded by Dr. Clay:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:48 p.m.

APPROVED



Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Marc Osborn	R & R Partners
Michael J. Rice	State Land Department
John Somers	High Plains Petroleum
Thomas White	Ridgeway Arizona Oil Corporation