

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100

Tucson, Arizona 85701

Minutes of Meeting

January 19, 2001

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

Mr. Steven L. Rauzi, Oil and Gas Administrator

The regular Commission Meeting of January 19, 2001, 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 SEPTEMBER 15, 2000

Dr. Clay moved, seconded by Mr. Jones:

THAT THE MINUTES OF THE MEETING OF SEPTEMBER 15, 2000, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows was absent to attend the budget hearing at the legislature. On behalf of Dr. Fellows, Mr. Rauzi reported that replacements for Commissioners Lanshe and Nations were expected within a month; a request to microfilm records and hire a well inspector were included in the fiscal year 2002-2003 budget; bids for 500 copies of Mr. Rauzi's oil and gas report were sent yesterday; and Mr. Rauzi's next report would be about salt. Mr. Rauzi reported that both fiscal analysts recommended a \$6500 appropriation in FY 2002 to microfilm records but there was no agreement for funding a new inspector position in FY 2003.

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 a permit was issued to SunCor Development Company to drill a stratigraphic test in the Luke salt deposit near Phoenix; the well near Meteor Crater was perforated in October 2000 but not tested because a rig was not available; Premco Western was stuck at a depth of 2300 feet at its well in northwestern Arizona; the Precambrian test near Gray Mountain was delayed; and the rules adopted in the September 2000 meeting were approved by the Governor's Regulatory Review Council in December 2000.

UPDATE ON RIDGEWAY'S CO₂ PROJECT

Mr. White reported that the CO₂ liquids plant was close to breaking ground. He expected the plant to be up and running in about 3 or 4 months. He reported that the plant would produce dry ice instead of liquid and start at double its projected starting capacity. Mr. White reported that 3 wells would supply the plant but that the 10-22 State would probably supply all the CO₂ needed. He reported that Ridgeway had 14 miles of pipe waiting to be laid from the wells to the plant. Mr. White reported that Ridgeway had an electricity agreement in place with Tucson Electric Power pending approval by the Arizona Corporation Commission.

Mr. White described recent testing in the 3-1 and 9-21 wells. The Fort Apache in the 9-21 well was wet and contained relatively hot water. He reported that some oil companies in California have invited Ridgeway to give another presentation about its CO₂. He noted that Ridgeway's helium has been spoken for.

Mr. Anable asked Mr. White about the status of the unit agreement. Mr. White indicated that Ridgeway was concentrating its efforts on getting the liquid CO₂ plant going and then would put all of its efforts back into the unit agreement.

STATUS OF ACTIVE WELLS AND PROJECTS

Several individuals from Crystal Gas Storage and Pinnacle West/APS discussed the stratigraphic test to be drilled near the Morton Salt facility west of Phoenix. Mr. Hayden summarized the drilling and testing program and reported that the well was on track to start drilling in early February. Mr. Reid discussed their communication plan and some of the issues involved. Mr. Brechtel noted that the test results from the well would be critical to whether Pinnacle West/APS moved forward with a storage project at the site.

LOCKHART #1 BABBITT SAMPLE STUDY

Mr. Rauzi reported that Mr. H.L. Brown, Midland, Texas, studied the Commission's samples from the Lockhart #1 Babbitt well, which was drilled in 1949, and submitted a report in October 2000. Mr. Rauzi reviewed the Commission's sample policy, which provides a confidential period of six-months and one six-month extension if appropriate. He noted that Mr. Brown planned to participate in drilling an offset to the Lockhart well but decided not to after submitting his report.

Mr. Jones moved, seconded by Mr. Veale:

TO NOT EXTEND THE CONFIDENTIAL PERIOD

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Somers reported that he was looking at some oil and gas prospects in Arizona, including a

helium prospect on State Trust land. He described a project he had discussed with the Navajo Nation Oil and Gas, a company funded by the Navajo Tribe, about actively engaging in oil and gas development on Navajo lands.

Mr. Legg indicated his interest in the Pedregosa Basin in southeastern Arizona. Mr. Somers reported that there has been recent leasing activity in the Pedregosa Basin in southwestern New Mexico at the last two State of New Mexico lease sales.

ANNOUNCEMENTS

Chairman Nations announced that Commissioner Lanshe had resigned. He announced that election of officers would be considered at the next meeting.

The next meeting was scheduled for April 20, 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 11:20 p.m.

APPROVED



Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Jeff Balleu	Crystal Gas Storage
Curt Brechtel	Pinnacle West
Sherri Foote	Pinnacle West
David Hayden	Crystal Gas Storage
Arthur Legg	Public
Floyd Legg	Earth Petroleum
Matt Reid	Pinnacle West/APS
John Somers	High Plains Petroleum
Thomas White	Ridgeway Arizona Oil Corporation