

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
April 30, 2004

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Jones, Vice-Chairman
Mr. Joseph J. Lane, Member
Mrs. Michele P. Negley, Member
Mr. Robert L. Wagner, Member
Dr. Larry D. Fellows, Director and State Geologist
Mr. Steven L. Rauzi, Oil and Gas Administrator

Dr. J. Dale Nations, Chairman, called the regular Commission Meeting of April 30 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

Dr. Nations presented Mrs. Negley with her certificate of re-appointment to the Commission.

APPROVAL OF THE MINUTES OF THE MEETING OF JANUARY 23, 2004

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF JANUARY 23, 2004, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

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 three permits to drill were issued to Ridgeway Arizona Oil Corporation since the last Commission meeting. He described a project he was working on to investigate potential geologic carbon sequestration sites in Arizona that was being funded by the U.S. Department of Energy. Mr. Rauzi reported that Texas required a variable blanket bond depending on the number of wells and compared the requirement with the blanket bond requirement in Arizona. He recommended that the Commission consider adopting a variable blanket bond requirement similar to the variable blanket bond requirement in Texas.

Mr. Jones moved, seconded by Mrs. Negley:

THAT THE ADMINISTRATOR PROCEED WITH THE ADMINISTRATIVE
RULEMAKING PROCESS AND OPEN A REGULATORY DOCKET

Motion carried unanimously.

RIDGEWAY ARIZONA OIL CORPORATION WELL 9-22-29 STATE (PERMIT 898) AND 10-16-31 STATE (PERMIT 899), APACHE COUNTY

Mr. Rauzi reported that Ridgeway plugged the two wells in February 2004. He explained that Ridgeway plugged the 9-22-29 in accordance with the Commission's motion from the January 23 meeting and plugged the 10-16-31 because it failed a casing integrity test.

OVERVIEW OF THE ST. JOHNS PROJECT: PRESENTATION BY STEVE MELZER, DIRECTOR RIDGEWAY PETROLEUM CORPORATION

Mr. Melzer presented the big picture of the project including pipelines to ship CO₂ to enhanced recovery projects in California and Texas and the construction of a plant to extract helium from the CO₂. He described the likelihood and timing of project components and explained that the current high price of oil and helium was good for the project. He noted that Reliant was increasing the capacity of its CO₂ liquid plant as he spoke.

ST. JOHNS PROJECT DRILLING: PRESENTATION BY ALAN MEANS, CAMBRIAN MANAGEMENT

Mr. Means explained that migrating clays and high percentages of iron caused serious problems during the drilling and completion of the existing wells. He described his proposed drilling and completion techniques to overcome these problems and obtain better production rates in new wells.

RIDGEWAY ARIZONA OIL CORPORATION WELLS 3-1 STATE (PERMIT 884), 22-1X STATE (PERMIT 888), 11-21 STATE (PERMIT 895), 10-22 STATE (PERMIT 896), 9-21 STATE (PERMIT 897), AND 12-15-30 STATE (PERMIT 900), APACHE COUNTY

Mr. Rauzi reviewed a list he prepared of well data that Ridgeway had submitted to the Commission since 1997. He noted that Ridgeway had not submitted the water analyses that Mr. Means described in his presentation and highlighted several items on the list that Ridgeway had not yet submitted to the Commission. Mr. Rauzi expressed his concern about the integrity of the steel casing in the 3-1 well in light of the poor integrity of the steel casing in the 10-16-31 well that led Ridgeway to plug the 10-16-31 in February. He stated he was not as concerned about the integrity of the fiberglass casing in light of the condition of the fiberglass casing in the 9-22-29 well.

Mr. Means responded that Ridgeway was in the process of getting all the missing information completed and intended to submit that to the Commission by the end of next week. He reported that Ridgeway would drill three new wells starting next week and indicated that Ridgeway would test the integrity of the steel casing in the 3-1 well when it brought in a pulling unit to complete and test the new wells.

Mr. Ruck indicated that Ridgeway was as concerned about the integrity of the steel casing in the 3-1 well as the Commission. He explained that the wells with fiberglass casing were possibly very valuable to Ridgeway for possible injection of produced waters or possibly to be reworked. He said that Ridgeway couldn't make that decision now.

After some discussion, Mrs. Negley moved, seconded by Mr. Wagner:

TO DENY AN EXTENSION OF TEMPORARY ABANDONMENT FOR WELL 3-1
BEYOND JULY 23, 2004

After further discussion, Mrs. Negley withdrew her motion and Mr. Wagner
withdrew his second. Mrs. Negley moved, seconded by Mr. Jones:

TO EXTEND TEMPORARY ABANDONMENT TO ALL THE WELLS FOR AN
ADDITIONAL THREE MONTHS PAST JULY 23, 2004, TO OCTOBER 23, 2004

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Buff reported that the April lease sale in Santa Fe, New Mexico included two Arizona
tracts that were leased to High Plains Petroleum. He noted that Forest Guardians protested the
two leases in Arizona because of the Gunnison Ground Squirrel.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on October 8, 2004, at a place to
be announced.

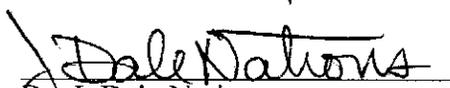
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Jones:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 12:35 p.m.

APPROVED


Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Richard Ahern	State Land Department	Marc Osborn	R & R Partners
Paul J. Buff	Bureau of Land Management	Mike Rice	State Land Department
Theresa Craig	Assistant Attorney General	John Richardson	Ridgeway
Thayne Lowe	Osborn Maledon for Ridgeway	Walter Ruck	Ridgeway
Alan D. Means	Ridgeway	Gary Slusher	State Land Department
Steve Melzer	Ridgeway	Laurie Woodall	Assistant Attorney General
Keenan Murray	State Land Department		