

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
October 22, 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 October 22 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF APRIL 30, 2004

Mr. Jones moved, seconded by Mr. Lane:

THAT THE MINUTES OF THE MEETING OF APRIL 30, 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 discussed the permits issued and wells drilled or plugged since the last meeting on April 30, 2004.

POSSIBLE ACTION TO INITIATE RULEMAKING PROCEEDINGS ON A.A.C. R12-7-103 TO AMEND THE BLANKET BOND AMOUNTS IN ARIZONA

Mr. Rauzi talked about the notice of rulemaking docket opening and the proposed change in language to A.A.C. R12-7-103 that was described in the April 30 meeting and which was previously mailed to the Commissioners.

Mrs. Negley moved, seconded by Mr. Wagner:

THAT THE ADMINISTRATOR INITIATE THE PROPOSED RULEMAKING
PROCEEDINGS TO AMEND A.A.C. R12-7-103

Motion carried unanimously.

REQUEST OF GRUY PETROLEUM FOR TEMPORARY ABANDONMENT OF PROPOSED WELLS

Mr. Rauzi discussed the written request of Gruy Petroleum to temporarily abandon its proposed wells for up to one year pending evaluation of commerciality of the proposed wells

and additional tests planned to determine if there is enough cumulative potential to rebuild a helium plant in the area

Mr. Jones moved, seconded by Mr. Lane:

TO GRANT TEMPORARY ABANDONMENT FOR A PERIOD OF ONE YEAR

Motion carried unanimously.

STATUS OF HOLBROOK ENERGY WELLS 35-1 HORTENSTINE (PERMIT 919) AND 26-1 STATE (PERMIT 886) AND POSSIBLE REQUEST OF HOLBROOK ENERGY FOR TEMPORARY ABANDONMENT

Mr. LeBlanc Jr. described the recent work at the 35-1 Hortenstine and the 26-1 State wells. He reported that the 26-1 State was plugged and abandoned and that Holbrook Energy planned to slim-hole complete the 35-1 Hortenstine to isolate a water zone above the potential Coconino pay. Mr. LeBlanc reported that Holbrook Energy also needed to prove enough cumulative potential from the 35-1 and additional wells to justify a helium processing plant in the area.

Mr. Lane moved, seconded by Mr. Wagner:

TO GRANT TEMPORARY ABANDONMENT TO THE HOLBROOK ENERGY 35-1 AND ADDITIONAL WELLS FOR A PERIOD OF SIX MONTHS PENDING RECEIPT OF WRITTEN REQUEST FROM HOLBROOK ENERGY

Motion carried unanimously.

STATUS OF HIGH PLAINS PETROLEUM 12-16-28 STATE (PERMIT 902), APACHE COUNTY

Mr. Rauzi reported that High Plains Petroleum planned to plug the 12-16-28 well by January 2005.

RIDGEWAY ARIZONA OIL CORPORATION WELLS 3-1 STATE (PERMIT 884), 22-1X STATE (888), 11-21 STATE (895), 10-22 STATE (896), 9-21 STATE (897), 12-15-30 STATE (900), AND 11-18 STATE (916), APACHE COUNTY

Mr. Rauzi reported that Ridgeway plugged the 3-1 State in late September. He reported that the only outstanding issue was the length of extension on the remaining wells.

Mr. Osborn reported that Ridgeway was evaluating the recently drilled 11-18 well and requested a six-month extension on the remaining wells to allow Ridgeway time to complete its evaluation of the 11-18 with respect to the overall project.

In response to a question by Ms. Woodall, counsel for the Commission, Mr. Osborn stated that Mr. Walter Ruck, CEO of Ridgeway Arizona Oil Corporation, and board member Steve Melzer specifically authorized him to request the extension.

Mr. Jones moved, seconded by Mrs. Negley:

TO GRANT A SIX-MONTH EXTENSION OF TEMPORARY ABANDONMENT TO THE 22-1X, 11-21, 10-22, 9-21, AND 12-15-30 SUBJECT TO RECEIPT OF A WRITTEN REQUEST FROM RIDGEWAY

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION'S PROPOSED UNIT AGREEMENT

Mr. Rice reported that the Land Department sent a draft unit agreement to Ridgeway in early August and received some general written comments from Ridgeway in late August. He reported that the department was currently waiting for written revisions to the agreement from Ridgeway.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

Dr. Nations announced that the Arizona Geological Survey received an award for one of its publications. Dr. Fellows reported that it was the John C. Fry Memorial Award for Environmental Geology for "A Homebuyers Guide to Geologic Hazards in Arizona." Mr. Rice acknowledged the work of the Arizona Geological Survey.

The Commission scheduled its next meeting at 10:00 a.m. on January 28, 2005, in Room 321 at the State Land Department Building in Phoenix.

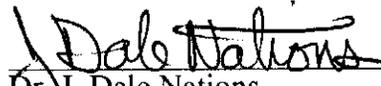
ADJOURNMENT

Mr. Lane moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:00 a.m.

APPROVED



Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Richard Ahern	State Land Department
Theresa Craig	Assistant Attorney General
Gordon LeBlanc Jr.	Holbrook Energy
Marc Osborn	R & R Partners
Mike Rice	State Land Department
Laurie Woodall	Assistant Attorney General