

OIL AND GAS CONSERVATION COMMISSION
416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
January 28, 2005

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 January 28 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 OCTOBER 22, 2004

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF OCTOBER 22, 2004, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

REPORT OF THE DIRECTOR AND STATE GEOLOGIST

Dr. Fellows reported that there was no increase or decrease in the new budget.

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 October 22, 2004. He reported that Unocal was drilling a stratigraphic hole in the Picacho Basin to see if the subsurface geology there was suitable for storing natural gas.

SET DATE FOR ORAL HEARING TO AMEND A.A.C. R12-7-103

The Commission scheduled its next meeting at 10:00 a.m. on May 13, 2005, in Room 321 at the State Land Department Building in Phoenix.

STATUS OF HOLBROOK ENERGY WELLS 35-1 HORTENSTINE (PERMIT 919) AND 26-1 STATE (PERMIT 886) AND POSSIBLE MOTION TO RELEASE FORFEITED BOND ON THE 26-1 STATE

Mr. Rauzi reported that the Hortenstine well was half way through its six-month period of temporary abandonment and that Holbrook Energy had plugged the 26-1 State well with the forfeited Gus Berry bond money. Mr. Le Blanc reported that he expected to finish the completion attempt of the 35-1 and possibly permit and drill another nearby hole by the time of the next meeting. Mr. Le Blanc also anticipated another test in the vicinity of the 26-1 hole.

Mrs. Negley moved, seconded by Mr. Wagner:

TO RELEASE THE FORFEITED GUS BERRY BOND TO HOLBROOK
ENERGY LLC FOR PLUGGING THE 26-1 STATE HOLE

Motion carried unanimously.

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

Mr. Rauzi reported that High Plains Petroleum plugged the 12-16-28 well in January 2005.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION 11-18 STATE (PERMIT 916),
APACHE COUNTY AND POSSIBLE DECISION CONCERNING REQUEST FOR TEMPORARY
ABANDONMENT

Mr. Rauzi reported that Ridgeway drilled the 11-18 in May 2004 and tested it throughout the summer and fall but had performed no work on the well since October 2004. He informed the Commissioners that rules required an operator to plug a well after 60 days of inactivity unless the Commission granted temporary abandonment, which clearly allowed further testing of a well. Mr. Rauzi reported that he had advised Mr. Osborn of the need for a written request for temporary abandonment about a week before the meeting but that he had received no such request. Mr. Melzer responded that Ridgeway did not consider the well to be temporarily abandoned in its mind but would submit a written request for temporary abandonment. After further discussion about well status and the requirements of the rules,

Mr. Jones moved, seconded by Mr. Lane:

TO GRANT A ONE-YEAR PERIOD OF TEMPORARY ABANDONMENT TO
THE 11-18 STATE ON THE CONDITION THAT RIDGEWAY SUBMIT A
WRITTEN REQUEST FOR TEMPORARY ABANDONMENT BY FEBRUARY 4

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION'S PROPOSED UNIT AGREEMENT

Dr. Nations clarified with Mr. Osborn that Ridgeway's presentation was for informational purposes only and that no formal request for action was implied by the presentation.

Mr. Lowe summarized the core points and concepts of the proposed unit from Ridgeway's perspective. He noted that two New Mexico attorneys, Mr. Jim Bruce, representing Ridgeway, and Mr. Gene Gallegos, representing the State Land Department, were conducting the formal negotiations. Mr. Lowe reported that royalty was the only substantive provision remaining to be worked out. He emphasized that participation in the unit was strictly voluntary on a per acre pro rata basis because neither Ridgeway nor other parties had fully explored the characteristics of their land. He explained the concept of participation including royalty versus working interests and the right of any party to invoke the Commission's jurisdiction to order unitization upon meeting a certain burden of proof. Mr. Richardson discussed the proposed unit area with the aid of a map handout noting how

Ridgeway's percentage of working interest only varied from 79 to 87 percent by dropping out the various leases not controlled by Ridgeway.

ELECTION OF OFFICERS

Mr. Lane moved, seconded by Mrs. Negley:

TO KEEP THE CURRENT SLATE OF OFFICERS FOR ANOTHER YEAR

Motion carried unanimously.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

Mr. Rauzi announced that he had completed digitizing the oil and gas well location map, which the Arizona Geological Survey would release in its digital information series.

ADJOURNMENT

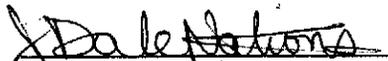
(5-13-05)

Mrs. Negley ~~Lane~~ moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:20 a.m.

APPROVED


Dr. J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

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| Richard Ahern | State Land Department |
| Theresa Craig | Assistant Attorney General for State Land Department |
| Gordon Le Blanc | Holbrook Energy |
| Jim Loe | Public |
| Thayne Lowe | Osborn Maledon, P.A. for Ridgeway |
| Marc Osborn | Ridgeway Petroleum |
| Mike Rice | State Land Department |
| Steve Melzer | Ridgeway Petroleum |
| John Michael Richardson | Ridgeway Arizona Oil Corp |
| John Somers | High Plains Petroleum |
| Scott Somers | High Plains Petroleum |