

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

Minutes of Meeting  
October 27, 2006

Present:

Ms. Michele P. Negley, Acting Chairman

Mr. Joseph J. Lane, Member

Mr. Robert L. Wagner, Member

Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Ms. Michele P. Negley, Acting Chairman, called the regular Commission Meeting of October 27 to order at 10:10 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF JULY 28, 2006

Mr. Lane moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF JULY 28, 2006 BE ACCEPTED  
AS PRESENTED

Mr. Wagner noted the incorrect spelling of the word "skeletonization" at the top of page two. Mr. Rauzi indicated that he would correct that in the minutes for July 28.

Motion carried unanimously.

REPORT OF THE STATE GEOLOGIST AND DIRECTOR

None

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 El Paso Natural Gas and High Plains Petroleum had finished drilling their holes in the Picacho basin and near Concho and reviewed and discussed some statistics about the number of visitors to the Commission's new web page.

DISCUSSION AND POSSIBLE DECISION ABOUT WELL SAMPLES RECEIVED PURSUANT TO A.A.C. R12-7-121

Mr. Rauzi reviewed his draft guidelines for destructive analyses and skeletonization of samples. Ms. Woodall, Commission counsel, recommended that the Oil and Gas Administrator determine what an adequate and representative amount of sample is in response to Mr. Wagner's concern about who is responsible for making that judgment.

Mr. Lane moved, seconded by Mr. Wagner:

TO APPROVE THE GUIDELINES AS SUBMITTED WITH THE ADDITION OF  
LANGUAGE "THE OIL AND GAS ADMINISTRATOR DETERMINES THAT"  
AFTER THE PHRASE "NO DESTRUCTIVE TESTING SHALL BE PERMITTED  
UNLESS"

Motion carried unanimously.

DISCUSSION AND POSSIBLE DECISION ABOUT FIVE-YEAR REVIEW OF RULES

Mr. Rauzi summarized and discussed the rules being reviewed and proposed that R12-7-115 and R12-7-121 be amended to improve clarity and understanding.

Mr. Wagner moved, seconded by Mr. Lane:

TO AUTHORIZE THE OIL AND GAS ADMINISTRATOR TO PROCEED WITH THE PROPOSED AMENDMENTS AND SUBMIT A COPY OF THE FINAL 5-YEAR REVIEW REPORT TO THE COMMISSION

Motion carried unanimously.

STATUS OF EL PASO AGS 1-21 (PERMIT 933) AND POSSIBLE DECISION CONCERNING TEMPORARY ABANDONMENT

Mr. Rauzi reported that El Paso had submitted a written request to temporarily abandon the AGS 1-21 hole for three years to allow for further evaluation. He reviewed the current mechanical condition and integrity of the hole and recommended approval of El Paso's request.

Mr. Wagner moved, seconded by Mr. Lane:

TO GRANT TEMPORARY ABANDONMENT FOR THREE YEARS TO THE EL PASO AGS 1-21

Mr. Rauzi reported that El Paso had submitted a sundry notice containing evidence of casing integrity, stimulation and cement squeeze record, complete data on the results of any well tests performed to date, and all other well data required in R12-7-121(A) in response to questions by Ms. Woodall, counsel to the Commission.

Motion carried unanimously.

STATUS OF HOLBROOK ENERGY WELLS 35-1 HORTENSTINE (PERMIT 919) AND 17-1 NZ (PERMIT 924) AND POSSIBLE DECISION CONCERNING TEMPORARY ABANDONMENT

Mr. Rauzi reported that temporary abandonment of the two wells expired this month. He noted that Holbrook Energy submitted an application to plug the 35-1 Hortenstine and a written request to extend the temporary abandonment of the 17-1 NZ for six months. Mr. Rauzi recommended approval of the requested extension.

Mr. Lane moved, seconded by Mr. Wagner:

TO GRANT TEMPORARY ABANDONMENT FOR SIX MONTHS TO THE 17-1

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION WELLS 22-1X STATE (PERMIT 888), 11-21 STATE (PERMIT 895), 10-22 STATE (PERMIT 896), 9-21 STATE (PERMIT 897), 12-15-30 STATE (PERMIT 900), AND 11-18 STATE (PERMIT 916), APACHE COUNTY AND POSSIBLE DECISION CONCERNING TEMPORARY ABANDONMENT AND POSSIBLE REPORT OR PRESENTATION BY A REPRESENTATIVE OF RIDGEWAY

Mr. Rauzi reviewed the current status noting that no decision was necessary at this time.

Mr. White indicated that 22-1X and 10-22 were not on leases subject to expiration and reported that Ridgeway had submitted application to drill eight wells. Ms. Woodall pointed out that the issue of responsibility for wells on expired leases was outside the notice of discussion in response to an inquiry by Mr. White.

#### CALL TO THE PUBLIC

Mr. Buff reported the Bureau of Land Management (BLM) planned to hold an oil and gas lease sale in February or March 2007. He noted that district court was reviewing Premco Western's appeal of the BLM's decision to terminate its unit in northwestern Arizona.

#### ANNOUNCEMENTS

Ms. Negley described her new job heading up a Phoenix office for KEMA, a Dutch company implementing all of Arizona Public Services' energy efficiency measures and programs for residential commercial markets, in case in the future there are any conflicts of interest.

Mr. Wagner described his part-time job with a civil engineering consulting firm dealing with geology issues such as flood plains and alluvial fans and how water drains but which has no relation to his work on this Commission.

The Commission scheduled its next meeting at 10:00 a.m. on February 9, 2007, in room 321 at the State Land Department Building in Phoenix.

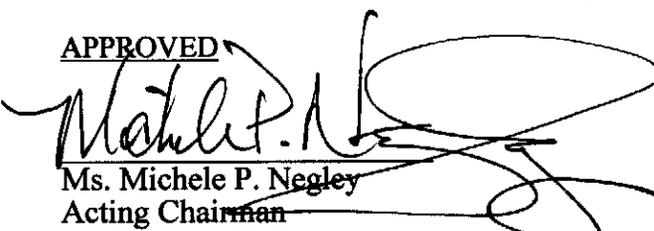
#### ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Lane:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:05 a.m.

APPROVED

  
Ms. Michele P. Negley  
Acting Chairman

#### GUESTS IN ATTENDANCE

Jay Baughman  
Paul J. Buff  
Thomas White  
Laurie Woodall

Office of Strategic Planning and Budgeting  
U.S. Bureau of Land Management  
Ridgeway Arizona Oil Corporation  
Office of the Attorney General