

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100

Tucson, Arizona 85701

Minutes of Meeting

March 9, 2007

Present:

Dr. J. Dale Nations, Chairman

Mr. Robert L. Jones, Vice-Chairman

Ms. Michele P. Negley, Member

Mr. Robert L. Wagner, Member

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

Dr. J. Dale Nations, Chairman, called the regular Commission Meeting of March 9 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 27, 2006

Ms. Negley moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF OCTOBER 27, 2006 BE
ACCEPTED AS PRESENTED

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 Ridgeway finished drilling two and was currently drilling two more of its 11 permitted wells between St. Johns and Springerville. He noted that High Plains had not started its well near Concho and described general drilling activity at the liquefied-petroleum-gas facilities near Luke and Holbrook.

REPORT ABOUT FIVE-YEAR REVIEW OF RULES

Mr. Rauzi reported that the Governor's Regulatory Review Council approved the Commission's five-year review at its February 6, 2007 meeting.

POSSIBLE ACTION TO INITIATE RULEMAKING PROCEEDINGS TO AMEND A.A.C. R12-7-115 AND R12-7-121

Mr. Rauzi described the proposed rulemaking noting that it related to the five-year-review report. He revised R12-7-115 to clarify what is meant by the normal vertical course of a well and require testing at reasonably frequent intervals to determine the deviation from vertical. He revised R12-7-121 to improve understandability by adding language to make the rule consistent with governing statutes and state that the completion report is confidential in addition to all other well information.

Ms. Negley moved, seconded by Mr. Jones:

TO AUTHORIZE THE OIL AND GAS ADMINISTRATOR TO PROCEED WITH
THE PROPOSED RULEMAKING

Motion carried unanimously.

Dr. Nations signed the agency certificate for submission of the proposed rulemaking to the Secretary of State for publication in the Arizona Administrative Register.

STATUS OF HIGH PLAINS PETROLEUM 1-17 SANTA FE (PERMIT 934) AND POSSIBLE
DECISION CONCERNING TEMPORARY ABANDONMENT

Mr. Rauzi reported that High Plains submitted a written request to temporarily abandon its 1-17 Santa Fe for six months to evaluate several zones. He reported that High Plains had submitted evidence of well status and integrity and recommended approval of the request.

Mr. Jones moved, seconded by Mr. Wagner:

TO GRANT TEMPORARY ABANDONMENT FOR SIX MONTHS TO THE
HIGH PLAINS 1-17 SANTA FE

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION WELLS 22-1X STATE (PERMIT
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, POSSIBLE DECISION CONCERNING TEMPORARY
ABANDONMENT, AND POSSIBLE REPORT FROM A REPRESENTATIVE OF RIDGEWAY
AND FOLLOW-UP DISCUSSION

Mr. Rauzi reported that Ridgeway submitted a written request to extend temporary abandonment through January 2008. He noted that 22-1X and 10-22 were not on leases subject to expiration and recommended extension of temporary abandonment.

Ms. Negley moved, seconded by Mr. Wagner:

TO EXTEND TEMPORARY ABANDONMENT TO WELLS 22-1X AND 10-22
THROUGH JANUARY 2008

Motion carried unanimously.

Mr. Rauzi reported that Ridgeway did not regain the leases for the 11-21, 9-21, 12-15-30, and 11-18 in the Land Department's drawing on January 17, 2007. He reported that Ridgeway requested extension of the leases for the 11-21, 9-21, and 11-18 by paying shut-in royalty but not for the 12-15-30. As a result, Ridgeway had 180 days from January 17, 2007 to plug the 12-15-30 in accordance with the Commission's motion of January 13, 2006 if the new lessee had no interest in the well. Mr. Rauzi reported that the Land Department did not grant Ridgeway's request to extend the leases for the 11-21, 9-21, and 11-18 by paying shut-in royalty. As a result, Ridgeway had 180 days from January 17, 2007 to plug the 11-21, 9-21, and 11-18 in accordance with the Commission's motion of January 13, 2006 if the new

lessee had no interest in the well. Mr. Tom White reported that Ridgeway intended to appeal the Land Department's decision to the full extent of the law. Mr. Rauzi recommended extension of temporary abandonment if Ridgeway won the appeal or if it lost the appeal to plug the wells within 180 days of the date of the final appeal decision if the new lessee had no interest in the wells.

Ms. Negley moved, seconded by Mr. Jones:

TO EXTEND TEMPORARY ABANDONMENT OF THE 11-21, 9-21, AND 11-18 THROUGH JANUARY 2008 IF RIDGEWAY REGAINED THE LEASES BY SUCCESSFUL APPEAL, AND IF IT DID NOT, TO PLUG THE WELLS WITHIN 180 DAYS OF THE APPEAL DECISION IF THE NEW LESSEE HAD NO INTEREST IN THE WELLS

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION WELLS 11-29-30 STATE (PERMIT 938), 11-24-29 STATE (945), 11-32-30 STATE (946), AND 11-16-30 STATE (937), APACHE COUNTY, POSSIBLE DECISION CONCERNING TEMPORARY ABANDONMENT, AND POSSIBLE REPORT FROM A REPRESENTATIVE OF RIDGEWAY AND FOLLOW-UP DISCUSSION

Mr. Rauzi reported that Ridgeway was actively drilling or testing the wells and that no decision regarding temporary abandonment was necessary until there was at least 60 days of inactivity at the wells. However, Mr. Tom White handed Mr. Rauzi a letter before the meeting requesting temporary abandonment for wells 11-29-30, 11-24-29, and 11-32-30. In light of Ridgeway's letter and Ridgeway's intention to drill all eleven of their permitted wells, Mr. Rauzi proposed that the Commission grant temporary abandonment to all eleven of the wells referenced in the agenda for his activity report. After some discussion, Ms. Negley so moved and Mr. Wagner seconded the proposal.

Dr. Nations acknowledged the motion and second and called for discussion and comment. Mr. Bill Rex, Hunt Oil USA, asked if it was appropriate for the Commission to issue a blanket approval of extension for wells that had not yet been drilled and for which there was no information yet available. After further discussion, Ms. Negley withdrew her motion and Mr. Wagner withdrew his second.

Mr. Wagner moved, seconded by Mr. Jones:

TO GRANT TEMPORARY ABANDONMENT THROUGH JANUARY 2008 TO WELLS 11-29-30, 11-24-29 AND 11-32-30

Motion carried unanimously.

CALL TO THE PUBLIC

Mr. Rauzi reported that Mr. Paul Buff informed him the Bureau of Land Management (BLM) planned to hold an oil and gas lease sale by summer. The BLM received expressions of interest for about 380,000 acres and was reviewing the acres to see if they were available for leasing or would require standard or special lease stipulations.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on July 13, 2007, in room 321 at the State Land Department Building in Phoenix.

ADJOURNMENT

Ms. Negley moved, seconded by Mr. Jones:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:50 a.m.

APPROVED


Dale Nations
Chairman

GUESTS IN ATTENDANCE

Teresa Craig	Assistant Attorney General for State Land Department
JoAnne Jones	Public
Larry Meier	State land Department
Jerrot Owen	KHL, Inc.
Bill Rex	Hunt Oil USA, Inc.
Mike Rice	State land Department
Michele Van Quathem	Ryley Carlock & Applewhite
Thomas White	Ridgeway Arizona Oil Corporation