

**OIL AND GAS CONSERVATION COMMISSION**

416 West Congress #100

Tucson, Arizona 85701

**Minutes of Meeting**

July 13, 2007

**Present:**

Dr. J. Dale Nations, Chairman

Mr. Robert L. Jones, Vice-Chairman

Mr. Stephen R. Cooper, Member

Ms. Michele P. Negley, Member

Mr. Robert L. Wagner, Member

Dr. M. Lee Allison, State Geologist and Director

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

Dr. J. Dale Nations, Chairman, called the regular Commission Meeting of ~~March 9~~ <sup>July 13</sup> to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona. <sup>(10-19-07)</sup>

Dr. Nations welcomed Mr. Cooper to the Commission and presented him with the Governor's Certificate of Appointment. Mr. Cooper said a few words about his background.

APPROVAL OF THE MINUTES OF THE MEETING OF MARCH 9, 2007

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF MARCH 9, 2007 BE ACCEPTED AS PRESENTED

Commissioner Cooper abstained from voting because he was not at that meeting. Otherwise, the motion carried unanimously.

REPORT OF THE STATE GEOLOGIST AND DIRECTOR

Dr. Allison described the Arizona Geological Survey's role in providing administrative and staff support and welcomed any input or feedback from the Commissioners about additional needs or specific projects. He discussed the internal budget line for the Commission and reported that one reason for creating a separate web site for the Commission was to make sure that the Commission had a discrete, independent identity. Dr. Allison described the Department of Energy's interest in working with the Arizona Geological Survey to identify potential salt deposits for adding strategic petroleum reserve sites in southwestern Arizona. He described the new bookstore-information center planned for the ground floor of the Phelps Dodge Tower in downtown Phoenix.

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 drilled the remaining eight of its 11 permitted wells between St. Johns and Springerville and that Enterprise Products was planning to add several more caverns to its Adamana storage facility. He reported that the Bureau of Land Management held an oil and gas lease sale on July 10 including 323,000 acres in Apache, Navajo, and Mohave counties.

ORAL HEARING TO AMEND A.A.C. R12-7-115 AND R12-7-121

Mr. Rauzi reported that no oral or written comments were received on the proposed rulemaking since publication in the Arizona Administrative Register.

Ms. Negley moved, seconded by Mr. Jones:

TO CLOSE THE RECORD AND APPROVE THE RULES AS PUBLISHED IN  
THE ARIZONA ADMINISTRATIVE REGISTER

Motion carried unanimously.

Dr. Nations signed the cover letter and agency certificate for submission of the final rulemaking to the Governor's Regulatory Review Council.

DISCUSSION AND POSSIBLE DECISION REGARDING SURFACE USE PLANS REQUIRED BY THE STATE LAND DEPARTMENT FOR WELLS DRILLED ON STATE TRUST LAND

Mr. Rauzi reported that permits to drill on State Trust land are not approved until the Land Department has approved a surface use plan. He recommended that the Commission formalize that arrangement by so stating in a motion.

Ms. Negley moved, seconded by Mr. Jones:

THAT AN APPLICATION TO DRILL ON STATE TRUST LAND IS NOT  
ADMINISTRATIVELY COMPLETE UNDER R12-7-104 UNTIL THE  
COMMISSION RECEIVES NOTICE FROM THE STATE LAND DEPARTMENT  
THAT A SURFACE USE PLAN HAS BEEN APPROVED

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION WELLS 11-16-30 STATE (PERMIT 937), 11-06-31 STATE (939), 11-07-31 STATE (940), 11-18-31 STATE (941), 11-20-31 STATE (942), 11-29-31 STATE (943), 11-32-31 STATE (944), AND 12-32-31 STATE (947), 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 temporarily abandon eight wells for one year citing extensive repairs being made to Ridgeway's drilling rig and lack of availability of service contractors in the area. He noted that Ridgeway was not able to finish drilling several of the wells to total depth but that Ridgeway's leases were extended because they were drilling across the lease expiration date. Mr. Rauzi pointed out that temporary abandonment for Ridgeway's other wells ran through January 2008. He recommended granting temporary abandonment to January 2008 so that temporary abandonment of all of Ridgeway's wells would have the same expiration date.

Mr. White reported that Ridgeway Arizona Oil Corporations' parent company, Ridgeway Petroleum, changed its name to Enhanced Oil Resources and had purchased two oil fields in eastern New Mexico. He explained that Ridgeway was currently doing pipeline surveys to take CO<sub>2</sub> to New Mexico and planned to start a pilot injection project on one of the oil fields

this fall. He reported that the drilling rig was now almost repaired but explained that he requested one year because with all the activity going on it would take time to finish the wells.

Ms. Negley, noting that if all of Ridgeway's wells would come up together in January, she wanted a detailed status report from Ridgeway including a summary of analyses, completion testing and documentation about why each well should be extended before the January meeting so the Commission could make an intelligent decision in January. Dr. Nations noted the frustration of not knowing which of the wells were going to be productive or capable of economically producing.

Mr. Rauzi reported that Ridgeway submitted electric logs for only two or three wells, a mud log for only one and samples for three or four. He reported receipt of sundry notices that one well made about 2.6 million a day and another well made about 1.7 million a day but that Ridgeway had not submitted any actual test results or gas analyses for any of the wells; the most recent sundry reports indicated that all of the wells were either waiting on completion or waiting on equipment. Mr. Rauzi pointed out that R12-7-121 required an operator to submit logs and other material within 30 days of the work being performed. He noted in response to a question from Mr. Jones that the rule did not require an operator to run an electric log but did require an operator to submit any log run, test result, or gas analysis within 30 days of the work being performed.

Mr. Cooper, noting the incomplete compliance with submission of information, did not think it would be in the best interest of the Commission to extend beyond January. He anticipated Ridgeway to have a pretty detailed explanation as to which of the wells were working, which ones needed a little more work, and which ones weren't going to work by the January meeting. Dr. Nations agreed that would be a definite step forward.

Mr. White explained the difficulty of logging in air-filled holes and indicated that the electric logs submitted were the electric logs that were run but that he would follow up on the mud logs and samples. He agreed to submit a sundry notice for each well summarizing the current depth and casing program and which logs and tests were run in each well. Ms. Negley asked Mr. Rauzi to provide a progress report in the fall meeting about any information that was still needed for the wells.

Mr. Wagner moved, seconded by Mr. Jones:

TO EXTEND TEMPORARY ABANDONMENT THROUGH JANUARY 2008 TO  
THE EIGHT WELLS 11-16-30, 11-06-31, 11-07-31, 11-18-31, 11-20-31, 11-29-31,  
11-32-31, AND 12-32-31

Motion carried unanimously.

#### CALL TO THE PUBLIC

Mr. Mike Rice of the State Land Department clarified that the Land Commissioner had not yet made a decision to extend Ridgeway Arizona Oil Corporation's leases.

Ms. Lisa Gray discussed the four goals of the Commission printed in the article "Want to Drill an Oil Well" by Mr. Rauzi and pointed out that having information available was

essential to encourage exploration and development. She emphasized the importance of having operators submit complete information in order for the Commission to make informed and discerned decisions.

ANNOUNCEMENTS

Mr. Rauzi announced that he gave a talk to the Sun City Petroleum Club. Dr. Nations announced that he gave a talk to the Roswell Geological Society.

The Commission scheduled its next meeting at 10:00 a.m. on October 19, 2007, in room 321 at the State Land Department Building in Phoenix.

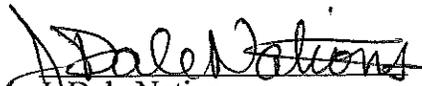
ADJOURNMENT

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

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

APPROVED

  
J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE

Lisa Curry Gray	Self
Jo Anne Jones	Public
Mike Rice	State Land Department
Dan W. Snow	Self
Thomas White	Ridgeway Arizona Oil Corporation