OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100 Tucson, Arizona 85701

Minutes of Meeting January 18, 2008

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

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

Mr. Robert L. Jones, Vice-Chairman, called the regular Commission Meeting of January 18 to order at 10:15 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 19, 2007

Ms. Negley moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF OCTOBER 19, 2007 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. He reported that three permits were issued to Ridgeway for wells at its CO₂ project near St Johns, Enterprise Products continued to make improvements to its LPG facility near Holbrook, and the final rulemaking adopted in the October 19, 2007, meeting was approved by the Governor's Regulatory Review Council and published in the Arizona Administrative Register in December. Mr. Rauzi reviewed the state's new travel policy.

DISCUSSION ABOUT HIGH PLAINS PETROLEUM 1-17 SANTA FE (PERMIT 934)

Mr. Rauzi reported that High Plains will plug and abandon the 1-17 Santa Fe because no commercial amounts of oil and gas were found. Mr. Somers reported that the testing results were sufficiently positive for a follow-up well to test the potential of Permian strata.

<u>DISCUSSION ABOUT RIDGEWAY ARIZONA OIL CORPORATION 12-15-30 STATE</u> (PERMIT 900)

Mr. Rauzi reported that Ridgeway would be plugging the well in the first half of 2008. Mr. White reported that Ridgeway has set rig anchors and was preparing to plug the well.

DISCUSSION ABOUT RIDGEWAY ARIZONA OIL CORPORATION 22-1X STATE (PERMIT 888), 11-21 STATE (PERMIT 895), 10-22 STATE (PERMIT 896), 9-21 STATE (PERMIT 897), 11-18 STATE (PERMIT 916), 11-16-30 STATE (PERMIT 937), 11-29-30 STATE (PERMIT 938), 11-06-31 STATE (PERMIT 939), 11-07-31 STATE (PERMIT 940), 11-18-31 STATE (PERMIT 941), 11-20-31 STATE (PERMIT 942), 11-29-31 STATE (PERMIT 943), 11-32-31 STATE (PERMIT 944), 11-24-29 STATE (PERMIT 945), 11-32-30 STATE (PERMIT 946), AND 12-32-31

STATE (PERMIT 947); POSSIBLE REPORT FROM A REPRESENTATIVE OF RIDGEWAY, AND POSSIBLE DECISION CONCERNING EXTENSION OF TEMPORARY ABANDONMENT

Mr. Rauzi discussed the information that Ridgeway submitted for the wells drilled in 2007 and the status of all of the wells including three on leases pending a decision from the Land Department to extend the leases by paying shut-in royalty. He recommended conditional extension of temporary abandonment to January 2008 for the 11-21, 9-21, and 11-18 and extension of temporary abandonment to January 2008 for the remainder of the wells.

Mr. Rice reported that the Land Department anticipated a decision on the shut-in royalty issue regarding the 11-21, 9-21, and 11-18 wells in the near future and wanted to see all of the wells fully tested and either completed as gas wells or plugged and abandoned in the next year. He discussed the issue of the lessee's obligations and access to the wells pending the Land Department's decision to extend leases by payment of shut-in royalties.

Mr. Portman discussed Ridgeway's program to test every well to either be included as a reserve well in an SEC-quality reservoir report from Cawlly & Gillespie or plugged and abandoned. He explained that Ridgeway needed the report to demonstrate at least two trillion cubic ft of reserves to justify construction of a pipeline to the Permian Basin.

Mr. White discussed the timeline to drill new wells in 2008 and complete the work that Ridgeway wanted to accomplish for the wells drilled in 2007 and previous years. He discussed Ridgeway's perspective regarding the shut-in royalty issue.

Mr. Jones moved, seconded by Ms. Negley:

TO EXTEND TEMPORARY ABANDONMENT OF THE 22-1X, 11-21, 10-22, 9-21, 11-18, 11-16-30, 11-29-30, 11-06-31, 11-07-31, 11-18-31, 11-20-31, 11-29-31, 11-32-31, 11-24-29, 11-32-30, AND 12-32-31 THROUGH JANUARY 2009

Motion carried unanimously.

Mr. White and Mr. Rice discussed the issue of liability for the wells pending a decision from the Land Department regarding the shut-in royalty issue. The Commission requested its counsel, Mr. Cox, to look into the liability issue. Mr. Cox advised that Ridgeway should also explore the question of liability with its counsel in light if its concern about the issue.

DISCUSSION ABOUT OIL AND GAS CONSERVATION COMMISSION LETTERHEAD

Mr. Rauzi drafted a letterhead like the one the Commission had used when it was a standalone agency in Phoenix. The Commission agreed with a suggestion from Mr. Wagner to modify the drafted layout slightly and add the Oil and Gas Program Administrator for another review at the next meeting.

ELECTION OF OFFICERS

Ms. Negley moved, seconded by Mr. Wagner:

TO CONTINUE THE CURRENT OFFICERS FOR TWO MORE YEARS

The motion carried unanimously.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

Dr. Nations introduced Curtis Cox who replaced Laurie Woodall as counsel to the Commission. The Commission scheduled its next meeting at 10:00 a.m. on April 18, 2008, 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 11:20 a.m.

APPROVED

Dale Nations

GUESTS IN ATTENDANCE

Paul Buff
Bureau of Land Management State Office

Curtis Cox Assistant Attorney General Joe Dixon State Land Department Mike Dennis State Land Department

Barry Portman Enhanced Oil Resources (formerly Ridgeway Petroleum and

parent of Ridgeway Arizona Oil Corporation)

Mike Rice State Land Department
John Somers High Plains Petroleum
Scott Somers High Plains Petroleum

Thomas White Ridgeway Arizona Oil Corporation

Pam Wilkerson Arizona Geological Survey