

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100

Tucson, Arizona 85701

Minutes of Meeting

April 18, 2008

Present:

Dr. J. Dale Nations, Chairman

Mr. Robert L. Jones, Vice-Chairman

Mr. Stephen R. Cooper, Member

Mr. Robert L. Wagner, Member

Dr. M. Lee Allison, State Geologist and Director of Arizona Geological Survey

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

Dr. J. Dale Nations, Chairman, called the regular Commission Meeting of April 18 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 JANUARY 18, 2008

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF JANUARY 18, 2008 BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

REPORT OF THE STATE GEOLOGIST AND DIRECTOR

Dr. Allison discussed the new budget signed by the Governor. He indicated that it would not affect the Commission's operations because the Arizona Geological Survey had already accommodated the anticipated cuts. Dr. Allison discussed the new bookstore at the Phelps Dodge building in downtown Phoenix and a bill to merge the Department of Mines and Mineral Resources into the Geological Survey. He noted that the House committee turned down the bill but that he thought it was only a matter of time before a merger took place.

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 18 new permits were issued to Ridgeway Arizona Oil Corporation (Ridgeway) since the January 18 meeting and that Enterprise Products and Plains LPG Services continued to make significant improvements to their LPG (liquefied petroleum gas) facilities near Adamana and Luke, respectively.

RIDGEWAY ARIZONA OIL CORPORATION 12-15-30 STATE (PERMIT 900)

Mr. Rauzi reported that Ridgeway submitted an application to plug the 12-15-30 well as soon as equipment was available. Mr. White reported that Ridgeway hired a plugging contractor out of Farmington, New Mexico to accomplish the job.

STATUS OF STATE LAND DEPARTMENT DECISION REGARDING EXTENSION OF LEASES 13-101357 (PERMITS 895 AND 916) AND 13-101510 (PERMIT 897) BY PAYMENT OF SHUT-IN ROYALTY

Mr. Dixon reported that the State Land Department denied Ridgeway's request to extend the leases by paying shut-in royalty. He noted that the leases would go to Gary Kiehne and Hunt Oil Company. Mr. Portman indicated that Ridgeway intended to appeal the decision.

RIDGEWAY ARIZONA OIL CORPORATION REQUEST TO DRILL HORIZONTAL SEGMENTS IN 12-34-29X (PERMIT 954), 12-31-30 (956) AND 12-31-30X (957)

Mr. Rauzi reported that Ridgeway submitted applications to drill horizontal segments in three previously permitted wells. He reviewed each application and noted that Ridgeway had submitted all information required by rule. Mr. Rauzi recommended approval.

Mr. White asked if the Commission could further authorize the administrator to approve future applications for horizontal wells if they met all of the requirements necessary for approval in a hearing. Mr. Portman added that such an administrative approval was accepted practice in Texas. In response to an inquiry from the Commission, Mr. Cox indicated he could not offer a legal opinion regarding Ridgeway's request at this time but would look into the matter. Mr. Cooper noted that if the Commission could not grant such authorization at this time it should consider amending the appropriate rule to accomplish that in the future.

Mr. Jones moved, seconded by Mr. Wagner:

TO APPROVE HORIZONTAL SEGMENTS IN THE 12-34-29X, 12-31-30, AND 12-31-30X WELLS

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION DRILLING PROGRAM BETWEEN ST JOHNS AND SPRINGVILLE INCLUDING POSSIBLE REPORT FROM A REPRESENTATIVE OF RIDGEWAY

Mr. Rauzi reported that Ridgeway had permitted 21 and drilled ten wells so far this year. He noted that Ridgeway's drilling and testing program was still in progress.

Mr. Portman discussed the status of Ridgeway's drilling and testing program to demonstrate at least two trillion cubic feet of proved but undeveloped reserves to justify a pipeline to west Texas. He anticipated drilling seven more wells in the current program.

DISCUSSION ABOUT OIL AND GAS CONSERVATION COMMISSION LETTERHEAD

Mr. Rauzi noted Dr. Allison's suggestion to list the Commissioners on the letterhead. The Commission requested a draft with the address centered between the state seal and list for review at the next meeting.

CALL TO THE PUBLIC

Mr. Dixon reported that the State Land Department would hold a drawing on May 16, 2008 for leases involved in a simultaneous filing in April 2007. He noted that seven individuals participated in the simultaneous filing.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on July 18, 2008, in room 321 at the State Land Department Building in Phoenix.

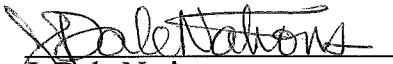
ADJOURNMENT

Mr. Jones moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

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

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Curtis Cox
Joe Dixon
Barry Portman
Thomas White

Assistant Attorney General
State Land Department
Enhanced Oil Resources (Parent company of Ridgeway)
Ridgeway Arizona Oil Corporation