

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
January 16, 2009

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Jones, Vice-Chairman
Mr. Stephen R. Cooper, Member
Ms. Katosha Nakai, Member
Ms. Michele P. Negley, Member
Dr. M. Lee Allison, State Geologist and Director of Arizona Geological Survey
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of January 16 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

Dr. Nations presented Ms. Nakai with Governor Janet Napolitano's certificate of appointment to the Commission. Dr. Nations presented Mr. Wagner a plaque thanking him for six years of service on the Commission.

APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 17, 2008

Mr. Jones moved, seconded by Ms. Negley:

THAT THE MINUTES OF THE MEETING OF OCTOBER 17, 2008, BE
ACCEPTED AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

Dr. Nations and Ms. Nakai declared a conflict with agenda item six relating to El Paso Natural Gas.

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

Dr. Allison discussed the State's \$1.6 billion dollar budget short fall and reported that the Geological Survey would be implementing a 30 percent reduction in its budget between now and June 30. He indicated that the impact of the reduction would be that support to the Commission would be reduced by 50 percent because staff would be partially assigned to externally funded projects.

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 two permits were issued to Wind River Resources and APS and one well was drilled since the October 17 meeting. He reported that Wind River Resources drilled a well to a depth of 5000 ft about 10 miles southeast of St. George, Utah and that because of the drop in oil prices Wind River would not be drilling its second permitted well. Mr. Rauzi reported that APS planned to start drilling its stratigraphic test near the Cholla Power plant in February or March.

EL PASO REQUEST FOR TEMPORARY ABANDONMENT FOR WELLS 1-24, 1-19, AND 1-12

Mr. Rauzi reported that El Paso submitted a written request for a two-year extension and tests demonstrating casing integrity for the 1-24 and 1-12 wells. He noted that the 1-19 well had reverted

back to the land owner, SunCor Development, and reported that SunCor intended to submit a written request to extend the temporary abandonment of the 1-19 well and complete the necessary requirements to accomplish that.

Ms. Negley moved, seconded by Mr. Cooper:

TO GRANT A TWO-YEAR EXTENSION OF TEMPORARY ABANDONMENT
TO THE 1-24 AND 1-12 WELLS

Motion carried unanimously.

Mr. Gettman reported that ownership of the 1-19 well reverted back to SunCor Development in accordance with certain provisions of the ground lease and that paperwork was being prepared to formalize the transfer of ownership with the Commission.

Mr. Ellsworth provided the Commission with a written request to extend the current status of the 1-19 well and indicated that SunCor would submit the necessary tests and bond by the April meeting.

Ms. Negley moved, seconded by Mr. Cooper:

TO GRANT A TWO-YEAR EXTENSION OF TEMPORARY ABANDONMENT
TO THE 1-19 WELL PROVIDED THAT SUNCOR SUBMIT A BOND AND
CASING INTEGRITY TEST BY THE APRIL MEETING

Motion carried unanimously.

Dr. Nations and Ms. Nakai abstained from participation in this agenda item and did not vote.

RIDGEWAY REQUEST FOR SHUT-IN STATUS FOR WELL 11-21 AND OBJECTION BY
GARY KIEHNE

Mr. Rauzi reported that Ridgeway submitted a request to extend the shut-in status of the 11-21 well. He explained that Ridgeway was not able to set a packer in the fiberglass casing and conduct a test to demonstrate the mechanical integrity of the casing.

Mr. Kiehne urged the Commission to deny an extension based on material handed out and presented by Mr. Snow that questioned the producibility, casing integrity, and shut-in status of the well.

Mr. Blanchard and Mr. Portman explained and countered the material presented by Mr. Snow and urged the Commission to grant the extension.

Ms. Nakai moved, seconded by Ms. Negley:

TO GO INTO EXECUTIVE SESSION TO RECEIVE LEGAL ADVICE

Motion carried unanimously. The Executive Session began at 11:20 a.m.

The regular meeting resumed at 11:50 a.m.

Mr. Jones moved, seconded by Ms. Negley:

TO CONTINUE ITEM 7 TO THE APRIL MEETING AND REQUIRE RIDGEWAY TO
SUBMIT INFORMATION REQUIRED BY R12-7-125(C) AND R12-7-150

After further discussion about receiving the required information before the meeting to provide the Commissioners time to review that and having a third party witness the open flow test

Dr. Nations restated the motion, seconded by Mr. Jones

TO CONTINUE ITEM 7 TO THE APRIL MEETING WITH THE STIPULATION THAT RIDGEWAY SUBMIT THE INFORMATION REQUIRED BY R12-7-125(C) RELATING TO CASING INTEGRITY AND R12-7-150 RELATING TO PRODUCIBILITY WITHIN 30 DAYS OF THE APRIL MEETING AND TO ALLOW A THIRD PARTY TO OBSERVE THE TESTING REQUIRED IN R12-7-150

Mr. Jones and Ms. Negley approved the amendments to the prior motion.

Motion carried unanimously.

Mr. Dixon indicated that either he or someone from the State Land Department would like to be present at the capacity test and that could satisfy the requirement for a third party to be present.

RIDGEWAY REQUEST FOR SHUT-IN STATUS FOR WELLS 22-1X, 10-22, 9-21, 11-16-30, 11-29-30, 11-6-31, 11-29-31, 11-24-29, 12-34-29X, AND 11-23-30

Mr. Rauzi reported that Ridgeway submitted a completion report accompanied by flow test data and requested shut-in status for the wells referenced in agenda item eight. He explained that Ridgeway was not able to set a packer in the fiberglass casing in the 22-1X, 10-22, and 9-21 wells, which were drilled in 1997, and had not submitted the open flow capacity test required in R12-7-150 for the remaining wells. Mr. Rauzi indicated that casing integrity was not a concern in the remaining wells.

Ms. Van Quathem handed the Commissioners a letter dated January 15 from Hunt Oil citing several reasons why the Commission should deny granting or extending shut-in status to the 9-21 well.

After discussing Ridgeway's lack of compliance with the requirements in A.A.C R12-7-125(C) to demonstrate casing integrity and perform an open flow capacity test

Mr. Cooper moved, seconded by Ms. Negley:

TO CONTINUE ITEM 8 TO THE APRIL MEETING AND REQUIRE THE APPLICANT TO SHOW COMPLIANCE WITH A.A.C. R12-7-125(C) AND R12-7-150

Motion carried unanimously.

RIDGEWAY REQUEST FOR TEMPORARY ABANDONMENT STATUS FOR WELLS 11-18, 11-7-31, 11-18-31, 11-32-31, 11-32-30, 12-32-31, 10-2-30, 10-2-30X, 11-29-31X, 12-31-30, 12-31-30X, 10-29-31, 9-5-31, 9-5-31X, 10-5-30, AND 11-24-29X

Mr. Rauzi reported that Ridgeway submitted a request to extend for one year the temporary abandonment status for the wells referenced in agenda item nine and a test demonstrating casing integrity in the 11-18 well, which was drilled in 2004.

Ms. Negley moved, seconded by Mr. Jones:

TO EXTEND FOR ONE YEAR THE TEMPORARY ABANDONMENT STATUS OF THE WELLS LISTED ON AGENDA ITEM NINE

Motion carried unanimously.

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

No report

CALL TO THE PUBLIC

Mr. Dixon informed the Commission that Mr. Paul Buff retired from the BLM and extended his appreciation in working with the Commission.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on April 17, 2009, 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 12:35 p.m.

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

John Blanchard	Ridgeway Arizona Oil Corporation
Curtis Cox	Assistant Attorney General
Joe Dixon	State Land Department
Jerry Ellsworth	SunCor Development
Greg Gettman	El Paso Natural Gas
Gary Kiehne	Self
Barry Portman	Ridgeway Arizona Oil Corporation
Michele Van Quathem	Hunt / Kiehne
Dan W. Snow	Snow Oil
Bob Wagner	Self
Thomas White	Ridgeway Arizona Oil Corporation