

OIL AND GAS CONSERVATION COMMISSION
416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
April 20, 2012

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Wagner, Vice-chairman
Mr. Frank Thorwald, Member
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of April 20 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 20, 2012

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MINUTES OF THE MEETING OF JANUARY 20, 2012, BE ACCEPTED AS PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

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 12 new permits were issued and three wells were drilled since the January 2012 meeting. He noted that all but one permit were for potash tests. Mr. Rauzi reported that Triomphe Energy LLC was drilling below 2000 ft at its oil test about 15 miles north of Holbrook.

Mr. Rauzi reported that he completed an inspection of both the Plains LPG and Enterprise Products LPG storage facilities near Luke and Holbrook respectively. He reported that both facilities were in good condition and that Enterprise was testing the integrity and measuring the capacity of four wells.

FIVE-YEAR REVIEW OF OIL AND GAS RULES

Mr. Rauzi reported that he submitted the five-year-review report to the Governor's Regulatory Review Council (GRRC) on March 22. He noted that he added a sentence at the suggestion of a GRRC attorney to complete the rulemaking by December 2013 if the Governor's rulemaking moratorium ended as scheduled in June 2012.

STATUS OF THE KINDER MORGAN PROJECT BETWEEN ST JOHNS AND SPRINGERVILLE AND POSSIBLE REPORT FROM RIDGEWAY

Mr. Rauzi handed out a map showing all the wells that Ridgeway had drilled and highlighting the wells that Kinder Morgan was currently performing well head maintenance on for its upcoming well work (workovers). Mr. Peavy passed out 17 slides and presented Kinder Morgan's development plans for the St. Johns Gas Unit. He described (1) a subsurface plan to develop a mineralogical and reservoir model and perform 4-point well tests coupled with workovers and stimulations to validate existing information and learn best practices to be applied to future drilling and well completions; (2) a surface plan including front-end engineering and design, environmental and cultural studies, and to

engage stakeholders; and (3) a pipeline and facilities scope of work including route selection, hydraulic studies, power availability, valve studies, basic engineering, preliminary land work and centerline surveys, cultural and ecological surveys, and preparation and submission of an environmental impact statement. Mr. Peavy anticipated a facilities start up date by late 2015 to 2016 and an ultimate sustained deliverability goal of 450 to 500 million cubic feet per of carbon dioxide gas per day. He noted that the total number of wells would depend on the average production capacity of each well to achieve the deliverability goal.

In response to several questions, Mr. Peavy and Mr. Bryant indicated that most gathering lines and processing facilities would be in Arizona and interstate pipelines would be in New Mexico; stakeholders included anyone impacted by the project; hundreds of personnel were anticipated during construction and 25-30 permanent during production and 10-15 for pipeline with approximate salaries between \$40,000 to \$80,000 per year; horizontal wells were not anticipated at this time; and that facilities would be electric and air cooled so that water use would be relatively negligible.

CALL TO THE PUBLIC

Mr. Dixon described the Federal Energy Regulatory Commission's conference on gas storage in the southwest in Scottsdale on February 16, 2012. He reported that the conference focused on a need for storage in the southwest to prevent another shortage of available natural gas as happened in February 2011 when many people lost heat and power during an unusually cold weather event. Mr. Rauzi noted that the price for natural gas had recently fallen to less than \$2.00 per thousand cubic feet for the first time in a decade because of an abundance of available natural gas.

ANNOUNCEMENTS

The Commission scheduled its next meeting at 10:00 a.m. on July 20, 2012, in room 321 at the State Land Department Building in Phoenix.

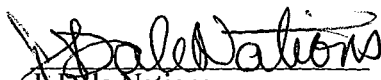
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

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

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Mr. Coy Bryant	Kinder Morgan
Ms. Leslie Cooper	Assistant Attorney General
Mr. Joe Dixon	State Land Department
Mr. Dennis Hall	Montgomery & Associates
Mr. Paul Nunley	Kinder Morgan
Mr. Mark Peavy	Kinder Morgan
Ms. Michele Robertson	Montgomery & Associates
Mr. Thomas White	Kinder Morgan