

**OIL AND GAS CONSERVATION COMMISSION**

416 West Congress #100  
Tucson, Arizona 85701

Minutes of Meeting  
January 18, 2013

Present:

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

Dr. Nations, Chairman, called the regular Commission Meeting of January 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 OCTOBER 19, 2012

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MINUTES OF THE MEETING OF OCTOBER 19, 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 18 new permits were issued and 12 wells were drilled since the October 2012 meeting and that 53 wells were permitted and 42 wells were drilled in 2012. Mr. Rauzi noted that all but three permits and wells drilled were stratigraphic tests for potash and passed out a map showing the location of the wells drilled in 2012.

FIVE-YEAR REVIEW OF OIL AND GAS RULES

Mr. Rauzi reported that the Governor extended the rulemaking moratorium from June 30, 2012 to December 31, 2014. He noted this would delay the rulemaking to include exception to the spacing of horizontal wells after notice and hearing approved in the five-year-review report in January 2012.

STATUS OF THE KINDER MORGAN PROJECT BETWEEN ST JOHNS AND SPRINGVILLE

Mr. Rauzi reported that Kinder Morgan drilled the 11-3-30 Fee (Permit 989), 11-25-30 Fee (Permit 1083), and the lateral extension in the 10-5-30 State (Permit 964) and had submitted all the required paperwork for the wells. Mr. White reported that the lateral extension flowed 9 million cubic ft of gas a day from fractures in the granite and that Kinder Morgan would be taking a close look at the relationship of fractures to production.

KINDER MORGAN REQUEST TO TEMPORARILY ABANDON THE 11-3-30 FEE (989) AND 11-25-30 FEE (1083) AND FUTURE PERMITTED AND DRILLED WELLS WITHIN THE ST JOHNS UNIT

Mr. Rauzi reported that Kinder Morgan submitted a request to temporarily abandon its 11-3-30 Fee (Permit 989), 11-25-30 Fee (Permit 1083), and all future wells permitted and drilled for the duration

of the St Johns Unit. He reviewed the Commission's motion in the January 21, 2011 meeting to approve temporary abandonment for wells within the St. Johns Unit for the duration of the St. Johns Unit Agreement and noted that both the State Land Department and the Commission's counsel agreed with the motion of January 2011. He discussed the need to shut-in productive wells until a pipeline was built and the unit was in operation. Mr. Rauzi recommended approval of the request.

Mr. Dixon reported that the State Land Department had extended the term of the St Johns Gas Unit through January 2017 and that the unit would remain in force as long thereafter as long as there was production.

Mr. Thorwald moved, seconded by Mr. Wagner:

TO GRANT TEMPORARY ABANDONMENT TO PERMITS 989 & 1083 AND FUTURE PERMITTED AND DRILLED PRODUCTIVE WELLS FOR THE DURATION OF THE ST JOHNS UNIT

Motion carried unanimously.

CALL TO THE PUBLIC

Ms. Conrath reported that four Arizona parcels would be auctioned at the February 14, 2013 oil and gas lease sale in Denver, Colorado. She indicated that the four parcels were near Gray Mountain.

ANNOUNCEMENTS

Dr. Nations reported that he had contacted Ms. Linda Stiles at the Governor's Office of Boards and Commissions. He reported that there had been no action about appointments or re-appointments and for the Commissioners to continue serving until replaced or reappointed as long as they were willing.

The Commission scheduled its next meeting at 10:00 a.m. on April 19, 2013 in room 321 at the State Land Department Building in Phoenix.

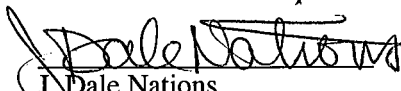
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:21 a.m.

APPROVED

  
J. Dale Nations  
Chairman

GUESTS IN ATTENDANCE

Ms. Karen Conrath  
Mr. Joe Dixon  
Mr. Thomas White

U.S. Bureau of Land Management  
Arizona State Land Department  
Kinder Morgan