

OIL & GAS CONSERVATION COMMISSION  
416 W. Congress St. #100  
Tucson, AZ 85701

Minutes of Meeting  
February 5, 2016

Present:

Mr. Frank Thorwald, Chairman  
Mr. Stephen R. Cooper, Member (telephone)  
Mr. William Feyerabend, Member  
Mr. Robert Wagner, Member  
Mr. Chris Hanson, Deputy Director of the Arizona Geological Survey (telephone)  
Mr. Nyal Niemuth, Oil & Gas Program Administrator  
Mrs. Kendra Decker, Oil & Gas Program Secretary (telephone)

Mr. Thorwald, OGCC Chairman, called the special Commission Meeting of February 5, 2016 to order at 10:03 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF JANUARY 15, 2016

Mr. Wagner moved, seconded by Mr. Feyerabend:

THAT THE MINUTES OF THE MEETING OF JANUARY 15, 2016, BE APPROVED.

Motion carried unanimously.

CONFLICT OF INTEREST

None

REPORT OF STATE GEOLOGIST AND DIRECTOR OF THE ARIZONA GEOLOGICAL SURVEY

Mr. Hanson discussed the proposed Arizona Geological Survey/ University of Arizona consolidation. Discussions between the UA, AZGS and Governor's office are ongoing. AZGS will keep the OGCC updated on any relevant news.

Mr. Hanson discusses SB1059 which would extend the OGCC for eight years. The bill was introduced on January 11, 2016 and went to hearing on January 25, 2016 where it passed unanimously. The next step will be a vote by the full Senate and then it would move to the House for approval. We don't expect any issues with this bill but will keep OGCC updated as the bill moves through the legislature.

HB 2407 would prohibit hydraulic fracturing. A similar bill was introduced last year but never made it to committee. The current bill was introduced on January 14, 2016 but has not yet been assigned to committee and has made no progress. AZGS is tracking the legislation and will keep OGCC updated on any changes.

Mr. Thorwald questions whether the OGCC should discuss the pros and cons and take a position since HB 2407 has not yet been assigned to a committee. Mr. Zeiss states that as it is currently drafted the legislation is very restrictive and may cause restrictions not only fracking but other mineral recovery as well. Mr. Zeiss felt that mining industry representatives may get involved regarding clarification of the vagueness of the bill. Mr. Cooper discussed his view that this bill sends the wrong message to the industry and defeats the purpose of the Oil & Gas Commission which is to promote the oil and gas industry in the state of Arizona. Mr. Thorwald states that the OGCC needs to be immediately aware once the bill goes to committee. Since it may not be possible to hold a special OGCC meeting on such short notice it may be better to determine an official stance at this time.

Mr. Cooper moved, seconded by Mr. Thorwald:

THAT THE OIL AND GAS COMMISSIONS OPPOSE A BILL THAT PROVIDES A BLANKET PROHIBITION ON FRACKING AND OGCC WELCOMES THE OPPORTUNITY FOR DISCUSSION WITH LAWMAKERS ON ANY LEGISLATIONS RELATING TO FRACKING IN THE STATE OF ARIZONA.

Motion carried unanimously.

Mr. Feyerabend asked Mr. Hanson if there has been any discussion on the budget involved in moving the OGCC to the Department of Environmental Quality. Mr. Hanson explains that it is still in the proposal phase and AZGS will keep the OGCC up to date on any progress and decisions made. Mr. Wagner asked if the intent to move OGCC to DEQ was to keep OGCC part of a state agency, and if that is the case it seems that the Arizona State Land Department with whom the OGCC has had a long standing relationship with would be the most appropriate agency. Mr. Cooper also felt that consolidating with DEQ which is a regulatory agency might interfere with the independence of the OGCC and its ability to carry out its duties. He wanted it on record that the OGCC opposes the move and if they had their choice they would prefer State Land over DEQ. Mr. Dixon, with Arizona State Land Department, mentioned that one of the reasons it may be inappropriate to consolidate OGCC with State Lands is that State Lands deals only with State Trust Lands and they have never been a regulatory agency.

#### REPORT OF THE OIL AND GAS ADMINISTRATOR

Mr. Niemuth reported a Sundry notice from Plains; who plans in late February to rework the injection well for Bumstead #3 and then conduct a mechanical integrity test of the LPG storage cavern.

REVIEW OF THE AMIERCA WEST POTASH BOND ISSUE

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE COMMISSION GO INTO EXECUTIVE SESSION TO RECEIVE LEGAL ADVICE

Motion carried unanimously. The Executive Session began at 10:31 am

The regular meeting resumed at 10:39 am.

Mr. Cooper moved, seconded by Mr. Wagner:

THAT THE OGCC AUTHORIZE THE ARIZONA OFFICE OF THE ATTORNEY GENERAL TO FILE A COMPLAINT AND AN INTERPLEADER IN MARICOPA COUNTY SUPERIOR COURT TO ALLOW THE COURT TO DETERMINE THE APPROPRIATE PARTY TO WHOM WE ARE TO RETURN THE FUNDS. WE AUTHORIZE THE OGCC CHAIRMAN, MR. THORWALD, TO SIGN ANY AND ALL PAPERWORK ON BEHALF OF THE OGCC.

Motion carried unanimously.

CALL TO THE PUBLIC

None

ANNOUNCEMENTS

Mr. Niemuth stated that the next meeting of the OGCC is scheduled for Friday April 15, 2016. Mr. Wagner stated that he would be unavailable until mid-May.

Mr. Thorwald moved, seconded by Mr. Wagner:

THAT THE NEXT OGCC MEETING BE SCHEDULED FOR MAY 20, 2016.

Motion carried unanimously.

Mr. Dudley expressed concern over the AZGS budget if the proposed AZGS/UA consolidation were to take place. Mr. Feyerabend responded that this is not directly an OGCC issue. Mr. Niemuth assured Mr. Dudley that his comments have been recorded and the AZGS will keep the OGCC up to date on the progress of this consolidation proposal.

ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Feyerabend:

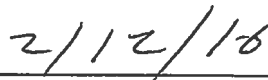
THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:47 am.

REVIEWED



FRANK THORWALD  
CHAIRMAN



DATE

GUESTS IN ATTENDANCE

- Mr. Rick Zeiss, Assistant Attorney General
- Mr. Joe Dixon, State Land Department
- Mr. Richard Porter, Twin Bridges LLC
- Mr. Gordon Dudley, United Helium
- Ms. Sherri Zendri, Arizona Department of Environmental Quality
- Ms. Michelle Van Quathem, Ryley Carlock & Applewhite
- Mr. Dennis Hall, Montgomery & Associates
- Mr. Thomas Galvin, Rose Law Group