

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

Draft Minutes of Meeting  
April 8, 2016

Present:

Mr. Stephen R. Cooper, Member  
Mr. Frank Thorwald, Member  
Mr. Bill Feyerabend, Member  
Mr. Dale Nations, Member  
Dr. Lee Allison, Director & State Geologist, Arizona Geological Survey  
Mr. Nyal Niemuth, Oil & Gas Program Administrator  
Mrs. Kendra Decker, Oil & Gas Program Secretary

Mr. Thorwald, OGCC Chairman, called the Commission Meeting of April 8, 2016 to order at 10:02 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF March 7, 2016

Mr. Cooper moved, seconded by Mr. Feyerabend:

THAT THE MINUTES OF THE MEETING OF March 7, 2016, BE APPROVED.

Motion carried unanimously.

CONFLICT OF INTEREST

None

PRESENTATION BY RANGER DEVELOPMENT LLC

Mr. Nations questioned whether adjoining lessees have been notified and if there have been any objections posted to the well spacing. Mr. Porter explained that there are no adjoining lease holders and he has not received any objections to the proposed well spacing exception.

Rick Porter, David Wallace, Kurt Constenius and Tony Hines presented on the Ranger Development Helium project. Rick Porter and David Wallace are with Twin Bridges, Kurt Constenius is a geologist/geophysicist with Ranger Development and Tony Hines, Senior VP of Operations for IACX Energy of Dallas, TX is the Operations Manager for this project through Ranger Development. Ranger Development is a 50/50 joint venture between Twin Bridges and IACX.

Presentation slides included with meeting materials.

#### HEARING REGARDING WELL SPACING RANGER 34-1 AND 3-1

Mr. Thorwald asked if there were any objections to the well spacing proposed by Ranger Development for wells 34-1 and 3-1.

Mr. Nations moved, seconded by Mr. Feyerabend that:

THE EXCEPTION TO WELL SPACING BE GRANTED TO RANGER DEVELOPMENT WELLS 34-1 AND 3-1 BE GRANTED

Motion carried unanimously.

#### REPORT OF THE STATE GEOLOGIST

Dr. Allison reported that the bill to extend the OGCC for an additional 6 years has passed. The rationale to extend for 6 years as opposed to the original 8 years is due to the request from DEQ to have the sunset review period of OGCC match that of DEQ.

Dr. Allison provided an update on the proposed transfer of AZGS to University of Arizona. It is part of a budget bill currently being presented to the legislature. The budget bills are anticipated to be publicly released next week and we should know more at that time. AZGS will notify the OGCC when the information becomes public.

AZGS has briefed DEQ on the expenses related to the OGCC but have not heard back from DEQ regarding that information. Recently the JLBC has asked for similar information and that has been provided to them. We assume the JLBC will analyze that as part of the governor's budget bill, but we have not heard any additional details.

Mr. Thorwald questioned whether DEQ would have the staff and resources to properly support the OGCC or whether they would need to contract with AZGS or another agency for technical support. Dr. Allison is not aware of anyone on the staff of DEQ with a background or professional knowledge in oil and gas. Additionally, they have yet to fully consider the drill cuttings. They need a significant amount of storage, and are currently held at AZGS. Inventories were sent to DEQ in January after the initial inquiry, but AZGS has not yet heard back from them. The governor's office seems to be focusing on the

appropriations issues, but AZGS has reminded them of the other issues involved with a potential transfer. AZGS has been told by legislators and other government leaders that they plan to have the budget completed by mid-April.

Mr. Nations questioned whether the AZGS library would still be made public after the UA consolidation. Dr. Allison explained that AZGS prepared a comprehensive briefing paper, but have yet to hear a detailed plan from the University or the governor's office. Mr. Zeise stated that transferring the AZGS library from a state institution to a private institution may limit public availability and that may cause an issue. Mr. Zeise questioned the amount of storage space required to store the OGCC files and samples. Dr. Allison explained the file space is minimal but the space required to store the cutting and samples is more significant and the moving of the samples would be difficult. It could be argued that the AZGS keep the core samples (they are voluntarily submitted to OGCC), especially since the AZGS maintains a core repository. Depending on the resources and space available after the transfer AZGS may also be able to maintain the cuttings.

#### REPORT OF THE OIL AND GAS ADMINISTRATOR

Mr. Niemuth reported that in the past week he has approved five Permit to Drill Applications from Blackstone exploration- two on fee land and three on State Land Department leases. Additionally, the two applications from Ranger Development have been received. Holbrook Basin Partners has been in contact and they are planning to submit permit to drill applications soon. Blackstone Exploration will begin drilling on Rocking Chair Ranch #3 early next week, and will begin completion on Rocking Chair Ranch #1 next week as well.

Mr. Niemuth stated that he has been receiving a significant amount of inquiries regarding helium, indicating the interest in helium is increasing.

Mr. Niemuth has received the workover and MIT report from Plains Midstream for the Bumstead #3 storage cavern in the Luke Salt dome. The cavern test was excellent. Copies of the report have been shared with Dale Nations and Frank Thorwald and will be sent to the other commissioners at their request.

#### DISCUSSION OF 2016 IOGCC ANNUAL BUSINESS MEETING, DENVER, CO MAY 15-17

Mr. Nations will not be attending but would support someone attend the meeting; however, the state does not subsidize expenses. Mr. Nations recommends that we wait for the Annual Meeting (usually held in November) since much of the information from the Business Meeting is distributed to members after the meeting. Mr. Nations will speak with Mike Smith, Executive Director of the IOGCC, and get his recommendation. Mr. Thorwald agreed to attend the meeting if necessary.

#### CALL TO THE PUBLIC

Ranger Development completed a third presentation on Holbrook Energy well 35-1 (permit 919). They are requesting permission from the OGCC to reenter and run velocity log/VSP and possibly complete the well as a producer. Ranger Development is willing to take over the well and properly plug and abandon the well at completion. The well currently has a bond on it, but has not been properly plugged. Mr. Niemuth stated that Mr. Rauzi had reminded the company to plug the well, but the work was never completed. Mr. Nations stated that occasionally this has happened and it often takes years to get resolved. Mr. Niemuth stated that we still have the bond money associated with the well, but the OGCC rules don't specifically list any recourse the OGCC can take for companies that don't properly plug wells. Mr. Zeise stated that although the rules are vague, OGCC could take recourse if necessary. To discuss the options will require some research and then action at a special meeting. The bond will need to be accounted for and the company with the current permit will need to be contacted.

Mr. Thorwald asked if Ranger Development has officially requested permission to drill this well. Mr. Porter stated that they have not yet submitted a Permit to Drill Application but would be happy to do so.

#### ANNOUNCEMENTS

A special meeting is scheduled to be held May 20, 2016 at 10 a.m. in the Stand Land Department Building.

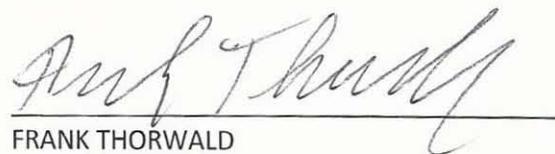
#### ADJOURNMENT

Mr. Nations moved, seconded by Mr. Feyerabend

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 12:14pm.

#### REVIEWED



FRANK THORWALD  
CHAIRMAN

4/29/2016  
DATE

GUESTS IN ATTENDANCE

Mr. Rick Zeise, Assistant Attorney General  
Mr. David Wallace, Ranger Development/ Twin Bridges  
Mr. Tony Hines, Ranger Development/ IACX Energy  
Mr. Kurt Constenius, Ranger Development  
Mr. Rick Porter, Ranger Development/ Twin Bridges  
Mr. Al DeFalco, First Western Resources  
Mr. Thomas White, Kinder Morgan  
Mr. Dennis Turner  
Mr. Joe Dixon, AZ State Land Department