



Douglas A. Ducey  
Governor

State of Arizona  
**Oil and Gas Conservation Commission**  
1110 W. Washington Street, Phoenix, AZ 85007  
602-771-4501  
[www.azogcc.az.gov](http://www.azogcc.az.gov)  
Dennis L. Turner, Oil and Gas Administrator

Commissioners:  
Frank Thorwald, Chair  
Vice Chair, vacant  
Stephen R. Cooper  
William C. Feyerabend  
J. Dale Nations, Ph.D.

**MINUTES OF MEETING**  
**February 23, 2018**

PRESENT:

Mr. Frank Thorwald, Chairman of the Arizona Oil & Gas Conservation Commission (OGCC)  
Mr. Stephen R. Cooper, Member  
Mr. Bill Feyerabend, Member  
Dr. Dale Nations, OGCC Member (via phone)  
Mr. Rick Zeise, OGCC Counsel  
Mr. Dennis Turner, OGCC Program Administrator

CALL TO ORDER

Mr. Thorwald called the OGCC Meeting of February 23, 2018 to order at 11:19 a.m. in Room 3100B at the Arizona Department of Environmental Quality, Phoenix, Arizona. Today's agenda was modified slightly in that the approval of the January 12, 2018 minutes was postponed to the end of the meeting.

Plug and abandonment of the SunCor 1-19 and 1-24 in the Luke AFB – Goodyear area:

Southwest Groundwater Consultants (SGC), represented Sunbelt Holdings (Sunbelt) again at today's meeting, which was recorded. The entire well file, including the audio file, is available for public review. Refer to the minutes of the Regular Meeting of January 12, 2018, for a summary of the issues.

The Commission granted a waiver to Arizona Administrative Code (A.A.C.) R12-7-127(D), thus allowing Sunbelt to leave the two wells filled with water or brine (their current state) below the bridge plug. The Commission also voted to permit Sunbelt to use a steel bridge plug, rather than cast iron at its discretion (as previously ordered). Mr. Turner said the CIBP is preferred because it is easier to drill out if the well ever had to be reentered to address problems, such as communication up-hole or down-hole between fresh water aquifers or the salt strata. Mr. Hebert, SGC consultant, stated that the steel plug is more permanent.

At the February 23, 2018 meeting, the OGCC voted to amend two of the directives that were reflected in the Program Administrator's previous letter. The two directives are modified as follows:

2. Sunbelt Holdings shall install a permanent bridge plug at the approximate top of the salt body in each well. At Sunbelt's discretion, the bridge plug may be either cast iron or steel. The Commission recommended the bridge plug be placed at a minimum depth of 2100 feet in both wells.
3. In each well, below the permanent bridge plug, the borehole may remain filled with brine or water (its current state), instead of filling it with plugging mud, as required by Arizona Administrative Code (A.A.C.) R12-7-127(D).

The Administrator and the SGC consultant also discussed the absence of data in the 1-24 well file that should be used to verify casing integrity and cement bonding. The SGC consultant agreed to explore

ways to determine hole conditions that satisfy A.A.C. R12-7-127(C) with Schlumberger and/ or Haliburton. Sunbelt will provide the Commission with the results of those discussions. Other than modifying directives 2 and 3 in the January 31, 2018 letter, the remaining directives are unchanged.

#### Ranger Development

Drilling progress on the 33-3 PD and 34-3 PD and future plans – At the April 6, 2018 meeting, Ranger will formally request shut-in status for the 33-3 PD and 34-3 PD. Neither well found gas. Ranger may consider these wells for deepening to the Supai or used as salt water disposal wells in the future. The Ranger 28-1 well found gas; it remains shut in, awaiting pipeline hook-up to their helium recovery unit.

Drilling shallow Shinarump targets on a 40 acre spacing – Ranger discussed with the Commission the concept of drilling on a 40 acre spacing in the Shinarump Conglomerate member of the Chinle Formation and how to obtain Commission approval. After a lengthy discussion, the OGCC voted to defer any formal consideration of this matter to next meeting. Ranger is invited to return with a formal plan, bearing in mind the requirements of A.A.C R12-7-107(E). Ranger agreed to present a plan for their entire lease holdings at the next meeting.

#### Arizona Energy Partners –

NZOG 17-1 – Mr. Turner asked what Arizona Energy Partner’s (AEP) intended to do with this well. Turner’s review of the well file revealed that it was drilled by Holbrook Energy in 2005 and that temporary abandonment (TA) status expired in 2006. Little or no communication occurred between the OGCC and the operator until 2014 and 2017, when more testing was done. At today’s meeting Mr. Gordon LeBlanc requested a one year renewal/ extension of TA status. Dr. Nations and Mr. Cooper expressed concerns about the 12 year lapse since expiration. Mr. Cooper asked if a renewal of this status is procedurally allowed, due to the prolonged inaction. Mr. Zeise confirmed that the Commission has authority to reinstate and extend an expired TA status of a well. Dr. Nations said this section of the rule needs to be clarified when the rules are revised.

Mr. Cooper also pointed out that, pursuant to A.A.C. R122-7-125(C), the operator has the responsibility to return a well to beneficial use (approved by the Commission), plug and abandon it, or seek approval for another temporary abandonment. Mr. Cooper said Mr. LeBlanc needs to inform the Commission of his plans for the well before the TA expiration date of this well. The Commissioners discussed that if there is no communication from the operator, then AEP will be expected to plug and abandon the NZOG 17-1. The Commissioners took no vote and made no decision on whether another extension would be granted if AEP came forward with another request. The Commission expects the operator to be proactive with the communication and that AEP will communicate its plans for the well in advance.

After considerable discussion, Dr. Nations moved, seconded by Mr. Feyerabend,

THAT THE TEMPORARY ABANDONMENT STAUS OF THE NZOG 17-1 WELL BE EXTENDED FOR ONE YEAR TO FEBRUARY 23, 2019.

Passed unanimously (4-0).

AEP 16-1 – The Oil and Gas Program Administrator summarized what is known of the drilling activity at the well. Drilling was suspended in early March at 2705 feet, with about 2500 feet remaining to total depth. A one year period of confidentiality is automatically granted for all completion data, in accordance with A.A.C. R12-7-121(C).

Blackstone Exploration – The Oil and Gas Program Administrator summarized status of the company’s Arizona activities and compliance with the December 7, 2017 Notice of Opportunity to Correct (NOC). Blackstone met all of the deadlines in the NOC. Mr. Turner asked Mr. LeBlanc if he will be able to provide technical assistance to Blackstone to fulfill the requirements of A.A.C. R12-7-125(B)(1) and 125(B)(2) before approving temporary abandonment of the wells. Mr. LeBlanc confirmed that he agreed to Blackstone’s request for help with the needed demonstrations. Mr. Turner indicated that cement bond logs (CBL) and pressure integrity logs (R12-7-110(C) and 111(C)) are missing from Blackstone files. Blackstone requests a 5 year TA status on all five wells. Mr. LeBlanc said he would contact Mr. Turner “maybe another week or 10 days.”

Mr. Thorwald moved and Dr. Nations seconded,

THAT THE MATTER OF CONSIDERING BLACKSTONE’S REQUEST FOR TEMPORARY ABANDONMENT OF THE BLACKSTONE WELLS BE TABLED TO THE NEXT MEETING TO ALLOW BLACKSTONE TIME TO PROVIDE THAT DOCUMENTATION.

Motion was carried unanimously (4-0).

#### REPORT BY THE OIL AND GAS ADMINISTRATOR

Draft letter to the Interstate Oil and Gas Compact Commission (IOGCC): This letter is a request for a regulatory assessment (peer review) by the IOGCC of the Arizona OGCC Oil and Gas rules and proposed revisions. Mr. Thorwald provided written comments to Mr. Turner just before today’s meeting and suggested the revisions be incorporated in a new draft and circulated again to the OGCC. Dr. Nations moved, Mr. Cooper seconded, that Mr. Thorwald’s revisions be included in a revised draft and then mailed to the IOGCC.

Dr. Nations asked about the Governor’s office for support of IOGCC membership fee. Mr. Thorwald replied that nothing has changed regarding providing support to pay IOGCC dues.

**NOTE:** After the meeting Mr. Thorwald asked that Mr. Turner send a revised copy with the Chairman’s edits to the Commission members for review before a vote at the April 6, 2018 meeting.

Plains LPG Services’ Bumstead facility: The issues identified by the Administrator in the OGCC’s December 6, 2017 Notice of Opportunity to Correct have been corrected and the cases closed. A workover and MIT test on Cavern #3 well I scheduled for March 5 thru 14, 2018. Mr. Turner plans to witness the MIT test and will give a report at a future meeting.

#### REPORT BY THE OIL AND GAS CONSERVATION COMMISSION CHAIRMAN:

S1371 – Hydraulic fracturing; prohibition: no action has been taken on this bill; it never left the committee in Arizona legislature.

#### DISCUSSION AND APPROVAL OF MEETING MINUTES

Mr. Thorwald moved, seconded by Mr. Cooper, that the following minutes be approved:

January 12, 2018 Executive Session.

January 12, 2018 Public Meeting.

January 12, 2018 Public Hearing.

All motions were carried unanimously in one vote.

CALL TO THE PUBLIC

Mr. Hines asked about limits of confidentiality for the AEP 16-1. Mr. Hines also asked about whether the OGCC actively opposes SB1371? Arizona’s Open Meeting Law does not allow a response from the Commission, so these questions will be added to the agenda for April 6, 2018.

REVIEW and CONSIDER FUTURE AGENDA ITEMS

- o Blackstone temporary abandonment
- o Ranger 40 acre spacing
- o What are the limits of confidentiality for the AEP 16-1?
- o Does the OGCC actively oppose SB1371?

ANNOUNCEMENTS

No announcements.

ADJOURNMENT

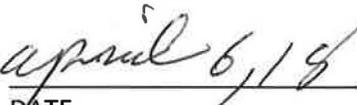
Mr. Thorwald moved, seconded by Mr. Cooper:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting was adjourned at 12:57 p.m.

REVIEWED

  
 \_\_\_\_\_  
 FRANK THORWALD  
 CHAIRMAN

  
 \_\_\_\_\_  
 DATE

GUESTS IN ATTENDANCE:

- |   |                               |
|---|-------------------------------|
| Joe Dixon, AZ State Land Dept.                  | Michele Van Quathem, Attorney |
| Keenan Murray, AZ State Land Dept.              | James H. Ballard              |
| Kevin Hebert, Southwest Groundwater Consultants | Tony Hines, IACX              |
| Bob Bambauer, Sunbelt Holdings                  | Kurt Constenius, Twin Bridges |
| Gordon LeBlanc, AEP                             | Tom White, Kinder-Morgan      |
| Ray Hobbs, United Helium                        |                               |