



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
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 April 6, 2018

PRESENT:

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

CALL TO ORDER

Mr. Thorwald called the OGCC Meeting of April 6, 2018 to order at 11:02 a.m. in Room 3100B at the Arizona Department of Environmental Quality, Phoenix, Arizona. No conflicts of interest were reported.

DISCUSSION AND APPROVAL OF MEETING MINUTES

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

February 23, 2018 Public Meeting.

February 23, 2018 Public Hearing.

All motions were carried unanimously in one vote.

REPORT BY THE OIL AND GAS ADMINISTRATOR

Draft letter to the Interstate Oil and Gas Compact Commission (IOGCC):

The AOGCC administrator circulated a draft to the Commission prior to today's meeting. There were no comments. Dr. Nations moved, seconded by Mr. Feyerabend to approve the letter requesting a regulatory assessment (peer review) by the IOGCC of the Arizona OGCC Oil and Gas rules and proposed revisions. The vote was unanimous.

NOTE: the letter was mailed April 7, 2018 to Mr. Gerry Baker, Chairman of the State Oil and Gas Regulatory Exchange (SOGRE), in care of the IOGCC.

AOGCC administrator Turner reported on the following items.

Plains LPG Services' Burnstead facility: Mr. Turner visited the site on March 15, 2018 to observe the Workover and mechanical integrity test (MIT) on Cavern #3 well. The workover was successful and the well passed the MIT.

Enterprise Products' Adamana LPG facility: Workovers and MIT tests on six cavern wells are scheduled to begin April 16, 2018.

Rare Earth Exploration: – The company received a permit to drill the 28-1 State.

SunBelt Holdings: Plugging activities for the SunCor 1-19 originally scheduled for the week of April 6, 2018, were delayed until April 30, 2018.

Salt cavern storage system in the Eloy area: There is renewed interest in developing a natural gas underground storage facility in the Eloy Basin, the area previously investigated by Kinder-Morgan. Bright Canyon Energy met with the Arizona Department of Environmental Quality (ADEQ) on March 30, 2018 to discuss concepts for creating a new natural gas cavern storage facility and associated salt water disposal wells. Mr. Turner attended and reported the highlights of the meeting.

Revised Form 3, Application for Permit to Drill or Re-Enter -- The AOGCC administrator added additional check boxes at the top to identify whether drilling for oil, gas, helium or geothermal.

IOGCC's annual Inspector's Forum -- Mr. Turner will attend the forum in Oklahoma City, OK, May 6, 2018.

RANGER DEVELOPMENT- Limits of Confidentiality for Energy Partners (AEP) well AEP 16-1:

Mr. Tony Hines, Ranger Development/IACX Energy opened the discussion by asking, "What are the limits of confidentiality for the AEP 16-1 Mr. Turner indicated that AEP is only approved for oil exploration; production testing for any gas (helium) is not permitted and the confidentiality issue is moot. Mr. Hines asked if they get an indication that gas is present, could that be shared with the affected parties? The Commission tabled it for further study by AOGCC Counsel and the Administrator.

RANGER DEVELOPMENT: Shut-in status

Ranger seeks approval for shut-in status for up to 5 years for the 33-3 PD and 34-3 PD wells. Both wells produced light helium gas flows. Both have potential future uses that include deeper gas potential, use as salt water disposal wells (a long range plan, subject to prior approval of appropriate permits), completion in the prospective producing zones and conversion to water supply wells for livestock. Ranger's shut-in requests satisfy the requirements of A.A.C. R12-7-125(A) and 125(B).

The 33-3 PD well needs further top-out cementing and a second cement bond log. Ranger agrees to do this work before shut-in status begins.

Dr. Nations moved, seconded by Mr. Cooper, to approve shut in status for the Ranger 33-3 PD and 34-3 PD for 5 years, contingent upon Ranger performing the described remediation work on the 33-3 PD before shut-in status commences on that well. The motion was carried.

REPORT BY THE OGCC CHAIRMAN

No report.

LEGISLATION AFFECTING THE ARIZONA OIL AND GAS CONSERVATION COMMISSION

No report.

REVIEW AND CONSIDER FUTURE AGENDA ITEMS

No report.

ANNOUNCEMENTS

No report.

EXECUTIVE SESSION: Legal advice on permit status of AEP and Blackstone Corporation

Mr. Feyerabend moved that the AOGCC go into Executive Session, seconded by Mr. Thorwald. The motion carried and the AOGCC convened an Executive Session at 11:41 a.m. for the purpose of obtaining legal advice on the permits' status of AEP and Blackstone Exploration. The AOGCC returned to the Regular Session at 12:25 p.m.

ARIZONA ENERGY PARTNERS (AEP) – request for permit extensions of 180 days to drill the AEP 2-1 NA and 2-1 MS; beyond the April 30, 2018 deadline.

Dr. Nations moved, seconded by Mr. Feyerabend, to extend the permit expiration date 180 days for the AEP 2-1 NA. Motion carried unanimously.

The AEP 2-1 MS is permitted as an oil test well; it does not meet the rule’s spacing requirements for a gas test. Dr. Nations moved, seconded by Mr. Thorwald, to extend the permit expiration date 180 days for the AEP 2-1 MS. Motion carried unanimously.

AEP’s requested shut-in status of its 16-1 well for period of one year. Drilling ceased in mid-March. After some discussion, Mr. Cooper moved, seconded by Mr. Thorwald, to table a vote until the next meeting, pending receipt of additional data about the well. Motion carried unanimously.

In addition, Mr. Cooper moved, seconded by Mr. Thorwald, that the AOGCC administrator and AOGCC counsel develop a response to the recent AEP emails and meeting of March 29, 2018.

Motion carried unanimously.

Mr. Cooper suggested a formal policy/ procedure and document format to request a permit extension include a timeframe and enforcement measures and to present formal proposal to the AOGCC.

BLACKSTONE EXPLORATION – Mr. Turner gave a brief summary and status update of Blackstone’s wells and the required submittals. This was followed by the Commission discussion.

Mr. Thorwald moved, Mr. Feyerabend seconded the motion to table temporary abandonment status for Rocking Chair Ranch (RCR) #2 & #3 wells until all testing data and rule requirements of A.A.C. R12-7-125(B) are received.

Mr. Thorwald moved, Dr. Nations seconded the motion to table temporary abandonment status for RCR #1, #4 and State #4 wells until all testing data and rule requirements of A.A.C. R12-7-125(B) are received. The Administrator was directed by the AOGCC to send correspondence to Blackstone with details on what is required to get the Commission’s approval for temporary abandonment status for all five Blackstone wells, including the consequences for failure to comply with the requirements of temporary abandonment status.

ADJOURNMENT

Mr. Thorwald moved, seconded by Mr. Cooper:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting was adjourned at 12:48 p.m.

REVIEWED



FRANK THORWALD
CHAIRMAN



DATE

GUESTS IN ATTENDANCE:

Joe Dixon, AZ State Land Dept.
Keenan Murray, AZ State Land Dept.
Aaron Magezi, AZ State Land Dept.
Tony Hines, IACX

Michele Van Quathem, Attorney
James H. Ballard
Ray Hobbs, United Helium
Gordon Dudley, United Helium