



Douglas A. Ducey  
Governor

State of Arizona  
**Oil and Gas Conservation Commission**

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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**  
**May 18, 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 AGCC Meeting of May 18, 2018 to order at 10:01 a.m. in Room 3100B at the Arizona Department of Environmental Quality, Phoenix, Arizona. No conflicts of interest were reported.

REPORT BY THE OIL AND GAS ADMINISTRATOR

Mr. Turner reported on the following items.

AOGCC sample repository (basement 416 W. Congress, Tucson):

The short presentation, appended to these minutes, shows improvements made to the sample storage area. Capacity has increased by an estimated 10 years. Mr. Nyal Niemuth was hired with the short term assignment to restore functionality to the basement storage area and inventory its contents. Mr. Niemuth was most recently the Phoenix Section Branch Chief of the Arizona Geological Survey and former acting Oil & Gas Administrator, until his retirement in 2016.

Mr. Niemuth's thorough research revealed that up to half of the samples are well cuttings from water wells. The water well cuttings are contained in the 20 columns of wood drawers (see slide #4). At one time in these wooden cabinets were housed at the University of Arizona. Mr. Niemuth acquired some documentation of these samples, which are now part of the files in the Tucson basement. The metal file cabinets were rearranged, contents consolidated and labeled, making a lot more room along the west wall of the basement for up to 10 years of additional samples.

Mr. Niemuth will create a set of guidance documents and a standard letter to send to operators with samples still outstanding. The Guidance docs will be posted to the web page.

AOGCC Website changes: the following improvements were recently completed on the AOGCC website:

- Drupal 7 upgrade, including Security upgrades
- Removed outdated oil and gas newsfeed on the home page and potash newsfeed on the permits page
- Changes/ updates to AOGCC home page
- Posted links to the oil and gas rules and checklists on the home page

- All well locations that were drilled up to the end of 2017 are on the GIS Viewer, but well folders and logs remain to be uploaded for most wells drilled since the Viewer was created in 2011. This will be an ongoing process for the remainder of 2018.

#### Commission policy regarding operator requests for permit extensions and amended forms for review:

The Commission discussed that operators should use a Sundry notice to request permit extensions and a procedure for the Commission to approve any permit extension beyond a year. The Commission voted to place the discussion on a future agenda and that the Administrator shall solicit input and vote on permit extensions beyond a year.

#### Status of regulatory review of AOGCC rules by IOGCC

The IOGCC is committed to working on this, but with no timeframe commitment at present; hopefully by year-end. Associate membership dues may be payable by ADEQ. Rick suggests that before formally approaching ADEQ about cutting a check for a specific amount having this formally presented to the Commission for discussion/ approval. It will be placed on next meeting agenda.

#### IOGCC's annual Inspector's Forum, Oklahoma City, OK, May 6, 2018

The Interstate Oil and Gas Compact Commission held its annual one day inspectors' forum for oil and gas inspectors nationwide from member states. One of the main topics discussed of interest to Arizona: among the member states, there are no standardized regulatory procedures or technical standards for Mechanical Integrity Tests (duration of test, pressures; failure to hold pressure over what span of time). The common view among states is look to standard industry practice, although that was not identified.

#### Geothermal rules and coordination with ADEQ and US Geological Survey:

Ground loop geothermal systems may be installed in some places in the Phoenix area in the near future. The Commission tabled any further discussion about present rule applicability for a future meeting.

#### Arizona Energy Partners' (AEP) well activity and spacing exceptions

AEP suspended drilling at 2705 feet owing to the drill rig's limitations and safety concerns. AEP has hired Jamie Hogue as their consultant to work with the Commission for AEP's needs. Permit deadlines for the 2-1 MS and 2-1 NA are now extended into October 2018.

#### SunBelt Holdings plugging of the 1-19 and 1-24 wells

The Administrator received the final plugging report for the Copper Eagle 1-29 well on May 16, 2018. The cover plate buried at ten feet does not contain the required information of A.A.C. R12-7-106(A). Mr. Turner reminded the operator to be sure the required information is included on the cover plate for the Copper Eagle 1-24. Mr. Cooper suggested that the well's location and legal description of the property be filed with the Maricopa County Recorder's Office, so that it is in the public record. Mr. Turner agreed to look into that and report at a future meeting. Mr. Cooper also suggested that it be considered for a future rule requirement.

#### REPORT BY THE OGCC CHAIRMAN

The AOGCC web page has undergone more changes and improvements.

#### CALL TO THE PUBLIC

Mr. Ballard indicated he has several comments for rule changes, but will hold them until the appropriate time.

### LEGISLATION AFFECTING THE ARIZONA OIL AND GAS CONSERVATION COMMISSION

The Federal Safe Drinking Water Act (SDWA) allows States to assume primacy of the Underground Injection Control program (UIC) if certain requirements are met. UIC regulates underground injection of fluids and fluid wastes through wells that discharge or that may discharge into or above an underground source of drinking water. The Arizona Department of Environmental Quality (ADEQ) will hold two outreach meetings this summer as part of its effort for obtaining UIC primacy. The AOGCC has been invited to participate. Impacts to the AOGCC rules will not be known until we see a draft rule package (about one year from now), but should not be onerous. The AOGCC and ADEQ will work together to avoid conflicting and overlapping requirements in its respective rules.

### REVIEW AND CONSIDER FUTURE AGENDA ITEMS

- Vote for Vice Chair at next meeting
- Establish new meeting dates next meeting

### ANNOUNCEMENTS

None.

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

Dr. Nations moved that the AOGCC go into Executive Session, seconded by Mr. Feyerabend. The motion carried and the AOGCC convened an Executive Session at 11:41 a.m.

The AOGCC returned to the Regular Session at 12:25 p.m.

### BLACKSTONE EXPLORATION –

The Commission discussed, considered and voted on the shut-in status v. temporary abandonment of the Rocking Chair Ranch (RCR) #1, #2, #3, #4 and State #4 wells.

In accordance with the definitions in A.A.C. R12-7-101, “Shut-in well” means a well that is capable of production in paying quantities, is completed as a producing well, and is not presently being operated. “Temporarily abandoned well” means well that is not capable of production in paying quantities and is not presently being operated.

The four RCR wells and the State #4 well are not producing and not presently being operated.

The AOGCC discussed how to determine the status of the five Blackstone wells. Mr. Cooper moved, seconded by Mr. Feyerabend, to deny shut-in status for the RCR 1, 2, 3, 4 and State #4 wells, based on that fact that the Commission did not receive sufficient information to determine that the wells are capable of production, therefore they could not grant shut-in status. The motion was carried and was unanimous.

Mr. Thorwald moved, seconded by Mr. Feyerabend, to grant RCR 1, 2, 3 and 4 temporary abandonment status (R12-7-125) for five years, commencing May 18, 2018. The motion was carried and unanimous.

The Commission tabled decision on the State #4 temporary abandonment until Blackstone Exploration provides the results and analysis of the cement bond log. Mr. Cooper moved, seconded by Mr. Thorwald. The motion was carried and was unanimous.

Mr. Cooper moved, seconded by Mr. Thorwald, that the AOGCC direct administrative staff and legal counsel to send a letter to Blackstone explaining the reasons for the decisions by the Commission. The motion was carried and was unanimous.

ADJOURNMENT

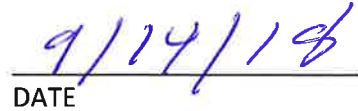
Mr. Thorwald moved, seconded by Mr. Feyerabend that the meeting be adjourned.

Motion carried unanimously. The meeting was adjourned at 12:34 p.m.

REVIEWED



FRANK THORWALD  
CHAIRMAN



DATE

GUESTS IN ATTENDANCE:

Joe Dixon, AZ State Land Dept.  
Keenan Murray, AZ State Land Dept.  
Nyal Niemuth

Michele Van Quathem, Attorney  
James H. Ballard  
Jamie Hogue, AEP consultant