



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
J. Dale Nations, Ph.D., Vice Chair
Stephen R. Cooper
William C. Feyerabend

MINUTES OF MEETING
July 13, 2018

PRESENT:

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

CALL TO ORDER

Mr. Thorwald called the AOGCC Meeting of July 13, 2018 to order at 11:02 a.m. in Room 145 at the Arizona Department of Environmental Quality, Phoenix, Arizona. No conflicts of interest were reported.

VICE CHAIRMAN VACANCY

After a brief discussion, Dr. Nations nominated himself, seconded by Mr. Cooper, for the position of Vice-Chairman. The motion was passed unanimously.

REPORT BY THE OIL AND GAS ADMINISTRATOR

Mr. Turner reported on the following items.

AOGCC sample repository (basement 416 W. Congress, Tucson): The sample repository is fully functional, thanks in large part to the initiative of Nyal Niemuth, who was hired as temporary staff to reorganize and restore functionality of the oil and gas sample storage. We have a much better grasp of the types of samples stored there (not only includes oil and gas drill cuttings, but also includes some water well samples, mineral exploration samples). Mr. Turner estimates an additional ten years of life have been added to the storage area. Requests for sample submittals went out to Blackstone, Arizona Energy Partners, Rare Earth Exploration and Ranger Development. To date, Blackstone and Ranger have fulfilled their obligations under A.A.C. R12-7-121(B). The four operators were given an August 31, 2018 deadline for sample submittal.

Web improvements: Various activities over the past few months include security and software upgrades (upgrade to Drupal v. 7), posting rules and the checklists for permit applications, completion and plugging and abandonment on the home page, revising the FAQs and the Publications List, adding a link to the U. of A.'s Geological Survey.

Progress reports on Sunbelt Holdings plugging of the SunCor 1-19 and 1-24 wells: [ENDS @ 14:24]
Plugging activities for the SunCor 1-19 were completed May 7, 2018. Plugging activities for the SunCor 1-24 continue to be delayed.

There was discussion about who should be responsible for recording an abandoned well location (legal description (assessor's parcel), or GPS location of actual well at time of plugging) with the County Recorder's Office (when required by special circumstances, such as the present situation where a

surface marker has been waived). Mr. Zeise indicated further research may be necessary as to where the responsibility should be placed, depending on who has ultimate control of the site.

At this time, SunBelt Holdings has control of 1-19, therefore, Dr. Nations moved, seconded by Mr. Thorwald:

THAT SUNBELT HOLDINGS IS REQUIRED TO RECORD THE LOCATION OF THE SUNCOR 1-19 WITH THE MARICOPA COUNTY RECORDER.

Motion carried unanimously.

Discussion of the SunCor 1-24 is tabled for a future meeting. When the appropriate information becomes available, including the entity that controls the well, the agenda item will be properly noticed.

Permit activity: Since the Commission's approval of the 40 acre spacing exception in the April 6, 2018 Public Hearing, Ranger has submitted and been approved for seven new permits (including today's permit for the 33-1 NS). Rare Earth completed drilling on its 28-1 well and is seeking shut-in status approval. See below. The Administrator approved Evolution Exploration's application to drill the Vision Energy 32-1 site.

The remaining AOGCC 2018 meeting dates are revised – per agreement with all Commissioners present:

- August 10, 2018 (cancelled)
- September 14, 2018 (changed from September 21, 2018)
- October 26, 2018 (changed from November 2, 2018)
- December 7, 2018 (changed from December 14, 2018)

All meetings will be in Room 3100B at ADEQ's Phoenix office.

NoFrackingAZ – The Navajo County special interest group, NoFrackingAZ, was not present for any further discussion with the Commission. Dr. Nations stated that no staff time should be dedicated to responding to the NoFrackingAZ comments that were read into the record during the Ranger Multi-zone Completion Public Hearing on July 13, 2018. Mr. Thorwald concurred.

Triomphe Energy #1 – The subject of approving shut in status of this well was tabled to a future appropriately noticed public meeting.

Blackstone Exploration Company, LLC #4 State well – The AOGCC discussed, considered voted on the status of the Blackstone #4 State well.

Dr. Nations moved, seconded by Mr. Feyerabend:

THAT THE BLACKSTONE STATE #4 BE GRANTED TEMPORARY ABANDONMENT STATUS AFTER PLUGGING BACK TO A DEPTH EQUAL TO THE BOTTOM OF THE SURFACE CASING (APPROXIMATELY 732 FEET, AS PROVIDED BY THE OPERATOR).

Motion carried unanimously.

Rare Earth 28-1 well – The AOGCC discussed, considered and voted on the shut-in status of the Rare Earth 28-1 well. One year requested 28-1 for shut-in status. Dr. Nations moved, seconded by Mr. Thorwald:

THAT SHUT-IN STATUS BE GRANTED TO THE RARE EARTH 28-1 WELL FOR 5 YEARS.

Motion carried unanimously.

Arizona Energy Partners (AEP) –

16-1 well: Drilling was suspended on March 12, 2018. AEP's request for temporary abandonment (TA) status in the Sundry Notice dated April 2, 2018, was incomplete because it lacked any justification for the TA and presented no future beneficial use for the well, as required by A.A.C. R12-7-125(B). AEP submitted a complete request for TA status on June 4, 2018, which was 33 days after the close of the 60 day window allowed by A.A.C. R12-7-125(A).

At the May 18, 2018 meeting, AEP 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.

Ms. Jamie Hogue, consultant for AEP, stated that surface casing was set that protects shallow aquifers. AEP suspended drilling only because the first rig was inadequate to reach total depth and was therefore deemed unsafe to continue.

Mr. Thorwald moved, seconded by Mr. Cooper:

THAT TEMPORARY ABANDONMENT STATUS BE GRANTED TO THE AEP 16-1 FOR 1 YEAR, EXPIRING ON JULY 13, 2019.

Motion carried unanimously.

At the September meeting AEP will appear with requests to extend the 2-1 MS and 2-1 NA permit deadlines. AEP will also submit spacing exception requests for both wells. Mr. Dixon advised the Commissioners and Ms. Hogue of the aberration in the land surveys in that area, which creates irregular sections lines in those Townships.

Interstate Oil and Gas Compact Commission dues -- The Administrator suggested to the Commissioners that ADEQ be requested to pay IOGCC Associate Member dues of \$1,500 for 2018.

Dr. Nations and Mr. Thorwald have spoken independently to Gerry Baker and both report that there is no pressure on the AOGCC to pay the Full membership dues of \$7500. The dues are voluntary and Mr. Baker said we should pay what we can, when we can. It was also discussed that there is no budget line item in ADEQ or the Governor's Office to pay any dues.

Mr. Thorwald recommends taking no action at all. Mr. Thorwald moved, seconded by Mr. Feyerabend that this matter be tabled to a future meeting, if circumstances change.

Motion carried unanimously.

REPORT BY THE OGCC CHAIRMAN

No report.

LEGISLATION AFFECTING THE ARIZONA OIL AND GAS CONSERVATION COMMISSION

There was no report on geothermal rules and coordination with ADEQ and US Geological Survey.

Mr. Turner reported attending the first stakeholder meeting for primacy in the Underground Injection Control (UIC) program. It cannot be ascertained at this time what impact ADEQ's new rules developed for a state run UIC program will have on the oil and gas rules.

CALL TO THE PUBLIC

Mr. Ballard commented that state UIC primacy in some states has made the permitting process more complicated for oil and gas operations, such as water flooding.

REVIEW AND CONSIDER FUTURE AGENDA ITEMS

The briefing submitted for this meeting will be made public record after the meeting. The Commissioners requested that as time is available and depending on the complexity of the issues, the Administrator should normally prepare a briefing memo for circulation through the Attorney General's office beforehand.

On September 14, 2018, AEP will appear to request permit extensions for the 2-1 MS and 2-1 NA. AEP will also appear in a separate hearing with more spacing exception requests.

ANNOUNCEMENTS

The Governor's Regulatory Review Council (GRRC) approved amendments to several ADOT rules relating to transportation and the oil and gas industry in the state.

ADJOURNMENT

Mr. Feyerabend moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting was adjourned at 12:19 p.m.

REVIEWED



FRANK THORWALD
CHAIRMAN


DATE

GUESTS IN ATTENDANCE:

Joe Dixon, AZ State Land Dept.
Keenan Murray, AZ State Land Dept.
Evan Thompson, Counsel for Blackstone
Jamie Hogue, AEP consultant
Len Drago, Ombudsman, Arizona Department of
Environmental Quality

Michele Van Quathem, Attorney
James H. Ballard
Scott Bowles, Triomphe Energy
Todd Clement, Triomphe Energy