



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

May 24, 2019

PRESENT

Mr. Frank Thorwald,	Chairman, Arizona Oil & Gas Conservation Commission (AOGCC)
Dr. Dale Nations,	AOGCC Vice Chairman (via phone)
Mr. Bill Feyerabend,	AOGCC Member
Mr. Rick Zeise,	AOGCC Counsel, Office of the Attorney General
Mr. Dennis Turner,	AOGCC Program Administrator
Ms. Madeline Greenbaum,	Arizona Department of Environmental Quality (ADEQ)
Ms. Tawnya Cook,	ADEQ

Call to order

Mr. Thorwald called the AOGCC Meeting of May 24, 2019 to order at 10:01 a.m. in Room 3100B at the Arizona Department of Environmental Quality (ADEQ), Phoenix, Arizona. No one reported any conflicts of interest and the roll call confirmed a sufficient number were present for a quorum.

DISCUSSION AND APPROVAL OF MEETING MINUTES

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

- April 12, 2019 Rare Earth Public Hearing
- April 12, 2019 Public Meeting

Both motions were carried unanimously in two separate votes.

ENTERPRISE PRODUCTS, ADAMANA LPG FACILITY

Mr. Turner introduced Mr. Mark Thompson, Sr. Director, Underground Storage Technology for Enterprise Products (Enterprise). Enterprise requests Commission approval for three items: 1) change the frequency of workovers on the cavern wells from a five to a ten year cycle; 2) request shut-in status for five years for cavern wells C-3 (permit # 602) and C-5 (permit # 606); and 3) request to re-enter cavern well C-3 to perform pressure testing (Mechanical Integrity Test (MIT)).

Mr. Mark Thompson gave a presentation about the Adamana LPG underground storage facility that included the requests for approval in three separate parts. A copy of the presentation and other summary documentation are appended to these minutes.

Change in workover intervals: Mr. Thompson proposed changing the workover interval from five to ten years to reduce exposure of personnel to safety risks during workover activities. Thompson represented that Enterprise will continue to conduct sonar surveys and MITs at five year intervals.

Following a question and answer period, Dr. Nations moved, seconded by Mr. Feyerabend, that:

THE ADAMANA LPG FACILITY BE APPROVED TO CHANGE WORKOVER CYCLES OF THEIR CAVERN WELLS FROM FIVE YEARS TO TEN YEARS.

The motion was carried unanimously.

Shut-in status of cavern wells C-3 and C-5: Mr. Thompson next presented a brief history, justification and beneficial use for the Enterprise request to shut in the C-3 and C-5 wells.

Enterprise performed an MIT on C-3 in 2011, which indicated that pressure loss is occurring in the cavern, not the well casing. Enterprise emptied C-3 without loss of product and took the storage facility out of service; *i.e.*, flow lines to the cavern are isolated so that no product can enter the well. The company continues to add brine to C-3 every 3 to 4 weeks to insure appropriate well pressure. Thompson indicated that C-3 may never be returned to service.

For well C-5, results from a 2017 MIT revealed a slow pressure loss, also believed to be in the cavern interval and not leaking into another cavern. Since 2017, the cavern has maintained positive pressure, and no brine has been added since 2017; the pressure drop is very slow. Thompson indicated that permanent abandonment of C-5 was an option, although they are also considering pumping brine into the cavern to see if it will self-repair. C-5 may return to service if the pressure stabilizes. Enterprise will leave the hanging string installed to protect the cemented casing.

Mr. Turner suggested that Enterprise contact the Commission three months before expiration (May 24, 2024) to request renewal of the five-year shut-in status.

Following a question and answer period and a discussion on how best to frame the motion to allow periodic re-entry to do pressure tests and inject brine, Dr. Nations moved, seconded by Mr. Thorwald:

TO APPROVE SHUT IN STATUS FOR C-3 AND C-5 INJECTION WELLS FOR THE FIVE YEAR PERIOD, WITH THE PROVISION THAT THE OPERATOR BE ALLOWED TO ADD BRINE AS NECESSARY TO MAINTAIN PRESSURE AND TO RE-ENTER THE WELL PERIODICALLY TO CONDUCT ANY PRESSURE TESTS THAT ARE NECESSARY TO MAINTAIN CAVERN STABILITY.

Motion carried unanimously.

RANGER DEVELOPMENT, LLC (RANGER):

The Commission reviewed the matrix of well status and dates of operation to determine the appropriate dates for calculating both shut-in and temporary abandonment status of Ranger wells. In review of the matrix, Tony Hines, Sr. V.P. of Operations for Ranger, briefly identified within the matrix, that the last activity is the oldest date and the shortest amount of time before Ranger needs to come back before the Commission asking to do work or to extend the shut in status.

Dr. Nations suggested that the Commission accept the dates presented in the Administrator's memo to the Commission (Table 1) (appended to these minutes) as researched by Mr. Turner and confirmed by Mr. Zeise, and proceed with one motion that includes all wells. Mr. Zeise suggested the Commission adopt Table 1, including the expiration dates, as part of the findings of the hearing.

Mr. Thorwald motioned, seconded by Dr. Nations to

APPROVE RANGER'S REQUESTS FOR TEMPORARY ABANDONMENT AND SHUT-IN AND CORRESPONDING EXPIRATION DATES LISTED IN TABLE 1 OF THE MEMORANDUM TO THE COMMISSION.

Motion carried unanimously.

Temporary abandonment (TA) request for four additional wells (Table 2 of memo):

Mr. Turner explained that the four wells in Table 2 were not outside the 60 day timeframe of A.A.C. R12-7-125(A) at the time the last Commission meeting. Ranger requests approval of TA status. Mr. Zeise asked Mr. Hines to clarify if the wells fit the definition of shut in or TA status. Mr. Hines stated that 27-1 NS is capable of producing now, which makes it a shut in. However, Mr. Turner noted that no production tubing is in the well and that it could be considered TA. Mr. Zeise agreed that all four wells should be considered temporarily abandoned.

Dr. Nations moved, seconded by Mr. Thorwald to

GRANT TEMPORARY ABANDONMENT STATUS FOR RANGER WELLS 1-10A NS, 27-1 NS, 33-1 NS AND 34-1 NS FOR A PERIOD OF 5 YEARS FROM THE DATE OF LAST ACTIVITY, AS SHOWN IN TABLE 2.

Motion carried unanimously.

Continuation of Ranger confidentiality request from the April 12, 2019 meeting:

Mr. Hines requested clarification of R12-7-121(C)(1), and asked how many wells and what type of information could be considered confidential. He said he was most interested in knowing the Commission's interpretation of the wording "become subject to public inspection." Mr. Zeise requested more time to review and put it on the agenda of the next meeting. Mr. Hines agreed, but requested that the information still be maintained confidential until this matter is resolved.

Mr. Hines then addressed a second question requesting interpretation/clarification of A.A.C. R12-7-121(C), specifically the language "The Commission shall provide notice to the operator 60 days before confidential records become subject to public inspection:" is the Commission required to give a written notice to the operator that the records are to become subject to public inspection and to set dates when and what can be confidential?. Mr. Zeise also asked that this be moved to the next meeting.

Mr. Thorwald suggested for future consideration for the next meeting for those wells that are not proven territory that we grant an extension of 2 years starting one year after the date that they were first entered as confidential.

Dr. Nations motioned, and Mr. Thorwald seconded to

TABLE THE MATTER OF RANGER'S CONFIDENTIALITY REQUEST AND MAINTAIN CONFIDENTIALITY OF THE WELL FILES UNTIL THE COMMISSION VOTES AT THE NEXT MEETING.

Motion carried unanimously.

Approval to Deepen Ranger 33-3 PD; permit # 1220

Ranger requests approval to deepen the 33-3 PD. Ranger originally drilled it in 2018 to a total depth of 963 ft., with surface casing set and cemented at 530 ft. The cement bond log run in 2018 revealed that cement did not circulate back to the surface and no cement was present in the annulus around the upper portion of the surface casing (above approximately 300 ft.). The Commission's approval of shut-in status for the 33-3 PD at the April 6, 2018 AOGCC meeting was predicated on the proposed work in the April 3, 2018 Sundry Notice being completed first. The Sundry Notice stated that Ranger would perform remedial cement work in the topmost part of the casing, followed by a second cement bond log run to confirm a proper cement seal. The contractor did not complete this work in 2018, but now has a rig available. Ranger again assured the Commission this work would be done before any deepening of the well. Ranger intends to deepen the well from 963 ft. to approximately 2500 feet to test the Ft. Apache

Limestone member of the Supai Formation. Ranger requests permission to re-enter the well to resume activity. Ranger expects to begin in June 2019.

Mr. Thorwald moved, seconded by Dr. Nations, to

GRANT RANGER AUTHORIZATION TO DEEPEN THE 33-3 PD WELL CONTINGENT UPON FINISHING THE REMEDIAL CEMENT WORK NEEDED TO SECURE THE SURFACE CASING.

Motion carried unanimously.

SUNCOR DEVELOPMENT #1-02, PERMIT 908

K. Hovnanian Homes (Hovnanian) proposes a housing development in the area that includes the SunCor #1-02 well. Mr. Randy Smith, Professional Engineer with Geotechnical Testing Inspections and consultant to Hovnanian, stated Hovnanian prefers to place a subterranean marker at the well location so that it does not interfere with their development project. Mr. Chuck Chisholm of Hovnanian stated that they would also like an identifying marker for subsequent purchasers.

Mr. Zeise requested that a document be recorded with the Maricopa County Recorder's office that established the well's location with surveyed coordinates. Mr. Turner described how the previous two SunCor wells were handled and what the methods were used for marking it.

There was discussion about whether the well location should be left in an accessible open space (*i.e.*, no structure built over the location). Mr. Chisholm stated that the company has no plans to build a structure on the site and suggested adding a restriction to the CC&Rs preventing anything from being constructed at the location.

Mr. Thorwald moved, seconded by Mr. Feyerabend to:

ALLOW SUNCOR DEVELOPMENT #1-02, PERMIT 908, TO BE CUT OFF AT 10 FEET BELOW GROUND SURFACE WITH THE APPROPRIATE MARKINGS AND THAT THE LOCATION AND CC&RS WILL BE RECORDED AT THE MARICOPA COUNTY RECORDER'S OFFICE AND WILL INCLUDE THE 12 POINTS DESCRIBED IN THE ADMINISTRATOR'S MEMORANDUM TO THE COMMISSION.

Motion carried unanimously.

NOTE: Mr. Turner's letter to K. Hovnanian Homes following this meeting included only relevant parts of the "12 points" referenced above, because this well was already properly plugged and abandoned.

SunCor-Copper Eagle #1-24, permit #909:

The Commission has received no evidence that the Copper Eagle #1-24 well location was filed with the Maricopa County Recorder. Mr. Zeise suggested that the Commission: allow Merit Partners one week to submit a document and table to next meeting. As counsel for the AOGCC, the Office of Attorney General will draft a letter pertaining to enforcement.

Mr. Thorwald moved, seconded by Dr. Nations to

WAIT ONE WEEK; IF NO RESPONSE, AOGCC COUNSEL WILL SEND A LETTER TO MERIT PARTNERS TO URGE THEM TO RECORD THE LOCATION OF THE SUNCOR-COPPER EAGLE #1-24 WITH THE COUNTY RECORDER.

Motion carried unanimously.

ONGOING DISCUSSION OF FUTURE NEEDS OF AOGCC

The Commission discussed the support/coordination of ADEQ with AOGCC for items such as an updated website and the ability to have registration and report submittal online, as well as the ability to do the GIS work that is needed. Mr. Thorwald asked the Commission for their input on putting together a list of what kinds of things they would like to coordinate with ADEQ and obtain their support to help achieve these goals.

Agreed-upon items to coordinate/obtain support from ADEQ includes: Internet, On-line registration & report submittal, GIS support, list of agencies that they need to go to (if it is not just AOGCC), list of definitions.

REPORT BY THE OIL AND GAS ADMINISTRATOR. Mr. Turner reported on the following items:

Pollard Helium 36-1 has commenced drilling. Mr. Turner stated he had concerns about the unnecessarily large ground disturbance at the site, and has been discussing with the ADEQ Surface Water Section's inspector regarding whether there is the need for a construction stormwater permit. Drilling is suspended until after the Memorial Day weekend.

Ms. Hogue, consultant with Arizona Energy Partners, confirmed that their rig is mobilized and hope to start drilling on May 28th.

REPORT BY THE AOGCC CHAIRMAN

At Mr. Thorwald's request, Mr. Turner spoke to Larry Bengal about progress with the IOGCC's review of Arizona's oil and gas rules. Mr. Bengal said progress was interrupted due to IOGCC staff turnover, including departure of one review team member. That person was replaced by the Utah OGCC director. They hope to address the first list of priorities within the next few weeks. Regarding the special rulemaking, Mr. Thorwald stated that he has not heard from Governor's Office about rule exception memo and continues to pursue this.

LEGISLATION AFFECTING THE ARIZONA OIL AND GAS CONSERVATION COMMISSION

Mr. Thorwald stated that the funding change he has been working on is moving forward and will know after the Legislation finalizes the budget. He is "99% sure" that the Legislature will approve it.

CALL TO THE PUBLIC:

Mr. Hines of Ranger Development asked for an update on the status of ADEQ's efforts to obtain UIC primacy.

REVIEW AND CONSIDER FUTURE AGENDA ITEMS

Dr. Nations asked, "How do we request the Attorney General's office to revise its Opinion 60-39 to be relevant to our current situation?" He requested that at the next meeting, the Commission vote to pass a resolution requesting the A.G. take such action.

On the next agenda:

Approval by the board to submit a request to the Attorney General's Office.

ANNOUNCEMENTS

Ms. Greenbaum will transition out of minutes' taker; Ms. Tawnya Cook will assume the role.

Mr. Zeise will no longer be AOGCC counsel; Mr. Jay Skardon from the Arizona Attorney General's Office will replace Mr. Zeise.

ADJOURN

Mr. Thorwald moved, seconded by Mr. Feyerabend:

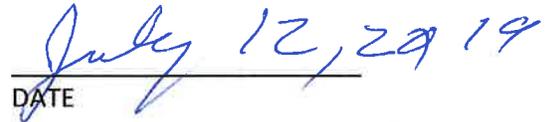
THAT THE MEETING BE ADJOURNED.

Motion carried unanimously. The meeting was adjourned at 11:49 a.m.

REVIEWED



FRANK THORWALD
CHAIRMAN



DATE

Mark Thompson, Enterprise Products, LLC
Tony Hines, Ranger Development, LLC
James H. Ballard
Jason Abplanalp, AZ State Land Department
Jamie Hogue, AEP

Joel Trimarche, K. Hovnanian Homes
Brandon Pouleduson, K. Hovnanian Homes
Chuck Chisholm, K. Hovnanian Homes
Randy Smith, GTI