



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

October 3, 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. Stephen Cooper,	AOGCC Member
Mr. Jay Skardon,	AOGCC Counsel, Office of the Attorney General
Mr. Dennis Turner,	AOGCC Program Administrator
Ms. Tawnya Cook,	Arizona Department of Environmental Quality (ADEQ)

### **CALL TO ORDER**

Mr. Thorwald called the AOGCC Meeting of October 3, 2019 to order at 10:10 a.m. in Room 3100B at 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. Feyerabend moved, seconded by Mr. Thorwald, that:

THE MINUTES OF THE AUGUST 9, 2019 PUBLIC MEETING BE ACCEPTED AS PRESENTED

Motion carried unanimously.

### **POLLARD HELIUM**

Mr. Turner explained that Pollard's chief request was for a 6-month temporary abandonment on the Pollard 36-1 well. Mr. Thorwald confirmed that Pollard was not participating via phone, and attempted, as a courtesy, to call the number provided by Mr. Turner. There was no answer.

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

GRANT TEMPORARY ABAONDONMENT STATUS FOR 6 MONTHS FOR POLLARD 36-1 STATE

Motion carried unanimously.

Mr. Pollard had requested before the meeting that the Administrator allow some time on the agenda to discuss with the Commission the company's difficulty with the 60 day time frame in section 125(A), pertaining to a well that is inactive for 60 days or more. In such situations, the rule states that the operator shall plug and abandon the well, unless the Commission approves temporary abandonment status. Mr. Turner stated that without Pollard on the phone, there was little to discuss. Mr. Thorwald asked Mr. Turner, with the other Commissioners approval, to contact Pollard and ask him to submit a written statement.

### **RANGER DEVELOPMENT, LLC (RANGER)**

Mr. Tony Hines, Ranger Development, requested approval to return the 33-3 PD well to temporary abandonment status. Ranger previously obtained approval to deepen this well to the Big A Butte member (TD 3244 feet). Ranger wants to shut in the well (resume temporary abandonment status),

until results are analyzed for the 34-7 PD well, a well to be drilled to basement. The request is written for 3 years, but they expect they would do something sooner; perhaps one year.

Mr. Turner recommends approval of the temporary abandonment request.

Mr. Thorwald motioned, seconded by Mr. Cooper to:

APPROVE THE TEMPORARY ABAONDONMENT OF 33-3 PD FOR 1 YEAR

Motion carried unanimously.

**Commission took a temporary adjournment at 10:23 a.m.**

**Commission reconvened at 10:34 a.m.**

#### **REPORT BY THE OIL AND GAS ADMINISTRATOR**

Arizona Energy Partners (AEP) 16-1 – AEP contacted Mr. Turner via email stating they planned perforating the 5½” casing on September 11, 2019 (no intervals specified). No confirmation yet received that the work was done. The last documented well activity was Aug. 9, 2019.

Rare Earth 12-1 State - the 12-1 State well was drilled; the operator is trying to decide what to do next – most likely it will become a plugged well.

Pollard 16-1 well (Permit 1235) – Mr. Pollard informed Mr. Turner on the phone during today’s AOGCC meeting that their 16-1 well permit, located on Petrified Forest land, permitted in November 2018 and extended to November 2019, will be allowed to expire.

SunCor (a.k.a. Copper Eagle) 1-02 [K. Hovnanian Homes owner] - K. Hovnanian Homes is ready to begin the surface well marker removal/ replacement at the SunCor #1-02 site, however, recent rain events means waiting for the ground to dry out. If possible Mr. Turner will witness part of the work.

Capital Operating Group in DBK Field - Mr. Turner was informed by a 3<sup>rd</sup> party that Capital Operating Group, who owns the DBK field in the 4-corners region, is deepening 6 to 8 wells in hopes of finding helium at depth in deeper formations than where they have been producing from. Mr. Turner and Dr. Nations had some discussion of the history of helium production in that area.

#### **Performance bonds - plugged wells and orphaned wells with outstanding bonds:**

Arzon #1 State . – The Arzon Corporation well (permit # 887) was drilled in the mid- 1990’s on State Trust Land in Cochise County. The operator and the Oil & Gas Administrator at the time went back and forth on the status of the well – whether to plug it, put it in temporary abandonment status or convert it to a water well. The file indicates that the well was never plugged and the bond remains outstanding. Mr. Turner also said that the well is only capped.

Mr. Turner reviewed the Arzon Corporation records on the Corporation Commission’s eCorp website, which indicated that the company’s Arizona registration is inactive; the original owner and president of the company is deceased and the company was transferred to an heir. He is unsure if the successors to Arzon are aware that there is a \$10K bond on this well, or that they have any outstanding obligations for it. Mr. Turner spoke to the Arizona State Land Department (ASLD) about their interest in assuming ownership of this well as a water well, and ASLD replied via email that they are not. Mr. David Haag of ASLD stated during the Call to the Public that whoever plugs the well must first obtain a Right of Entry permit from the State Land Department.

At this time, Mr. Turner sought the Oil and Gas Commission’s guidance for possible next steps.

After some discussion, the Commissioners suggested that Mr. Turner attempt to contact the former owners and discuss this matter with them. The Commissioners suggested Mr. Turner review the archive records to get an address of the company officers, and inform them the AOGCC has a \$10K bond that we may take because the company has done nothing on the well, and to let them decide what want to do.

Mr. Turner asked that because their status with the Corporation Commission is inactive, what leverage does the Oil and Gas Conservation Commission have on the owner/ operator? Does its inactive status affect the Commission's authority to require the owner/ operator to plug and abandon the well? The AG's Office does not believe that an inactive corporation necessarily loses its liability; there could still be a liability, but AG would have to research the matter further.

Gruy Petroleum - Two wells in Apache County were plugged and abandoned in 2004, but apparently, the bond was never returned. Gruy Petroleum no longer exists; Cimarex Energy Co. of Colorado purchased Magnum-Hunter, the former owner of Gruy Petroleum, in 2005. The Administrator will include these well sites in a trip later this month for other inspections, which will include the semi-annual Adamana inspections.

Vision Energy – Bond, with a cover letter, was returned to Liberty Mutual Insurance.

Two requests for access to samples in AOGCC sample repository - Demonstrates that the 2018 reorganization of the sample repository and its procedures means it is more accessible and better organized for public use.

Implementation of cloud-based Oil & Gas GIS viewer – The Oil & Gas viewer is officially cloud-based. Mr. Turner sent emails to stakeholders requesting that users test and compare with the ADEQ server based version and provide feedback by the end of the year.

IOGCC Inspectors' Forum, Aug. 25 – 26 - The Inspectors' Forum included a field trip to talk about hydraulic fracturing, visiting a gas processing facility and extensive discussion among inspectors about the use of drones for inspections.

GWPC cement seminar and Annual Meeting, Sept. 15 – 17 – Seminar covered different qualities of cement, the different kinds of logging tools. There is a lot of advanced technology to help interpret the results of a cement job. The seminar stressed the importance of well cement jobs and how to detect problems in wells if not properly cemented.

### **REPORT BY THE AOGCC CHAIRMAN**

Mr. Thorwald met with ADEQ with regard to the website. Air Quality Director, GIS staff and Mr. Thorwald have come up with 3 options:

- New web site for the Oil and Gas Commission
- Explore use purchase of “off the shelf” software for a web portal (in contrast to customized)
- Mr. Thorwald spoke with Larry Bengal at the IOGCC, who is looking at states with small scale web portals and whether it's possible to partner or purchase a pre-designed portal that another state is using – one that may be less costly.

The goal is to get something completed and operating next year. The new design would allow operators in the field submit the GIS material to us and the Administrator could review and approve it. It would also allow communication with stakeholders via an email system and allow reports to be filed online.

Mr. Thorwald has discussed with Mr. Turner the need for Standard Work for Commissioners' and Administrators' use so that when Commissioners and Administrators change there is a record of procedures and institutional knowledge.

Mr. Thorwald has had discussions with ASU's Land and Engineering Department about allowing the Department access to wells being plugged to install equipment to monitor temperature, motion and movement in wells to be plugged and abandoned. – they have been doing that for some time down to 300 feet – and they have interest in doing it at greater depths. ASU would cover its costs of installing monitoring equipment if operators allow ASU access to the well.

**YEAR 2020 MEETING SCHEDULE**

Mr. Turner requested Commission and operator's feedback regarding pros/cons of changing to a bi-monthly meeting schedule, instead of 6-weeks. There was some discussion about why a bi-monthly meeting schedule would be better for the Administrator. The operators on the phone, as well as the Commission agreed that it was worth a try, and it was decided that the next meeting will be held December 13<sup>th</sup>. Mr. Turner will send a draft schedule for 2020.

**CALL TO THE PUBLIC**

Tony Hines, Ranger Development – asked (for the next meeting) about the Commission's position on reporting oil and gas activities on tribal lands – in other states you file double – the State and the Federal forms. Mr. Thorwald said we have no authority on that and cannot answer.

Josh Pollard, Pollard Helium –stated that the company would allow the permit in the western expansion to lapse. The cost for obtaining permits from the National Park Service is becoming excessive. Mr. Pollard also commented that trying to get things done in the 60 day window (R12-7-125(A)) is "really difficult" and would like to see that rule revised to lengthen the time frame.

David Haag, with Arizona State Land Department – Mr. Haag stated that, regarding the Arzon well, any work to be done to abandon the well would first require a Right of Entry permit from the State Land Department, because the Arzon lease has expired.

**EXECUTIVE SESSION**

Mr. Thorwald moved that the AOGCC go into Executive Session, seconded by Mr. Feyerabend. The motion carried and the AOGCC convened an Executive Session at 11:06 a.m.

The purpose of the Executive Session was to:

- The Commission may discuss proposed Arizona rule changes drafted by the Interstate Oil and Gas Compact Commission.
- The Commission will consider legal advice from its Assistant Attorney General regarding its authority to delegate decision-making and other responsibilities to its Administrator.

The AOGCC returned to the Regular Session at 11:22 a.m.

**ADJOURN**

The meeting was adjourned at 11:23 a.m.

**REVIEWED**


FRANK THORWALD  
CHAIRMAN



DATE

**GUESTS IN ATTENDANCE**

David Haag, ASLD

Tony Hines, Ranger Development

Pat Kane, ASLD

Josh Pollard, Pollard Helium (via phone)

Scott Bowles, Cobalt Group (via phone)