



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
December 6, 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 (via phone)
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 December 6, 2019 to order at 10:01 a.m. in Room 145 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

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

THE MINUTES OF OCTOBER 3, 2019 PUBLIC MEETING BE ACCEPTED AS PRESENTED

Motion carried unanimously.

Mr. Thorwald moved, seconded by Mr. Cooper, that:

THE MINUTES OF OCTOBER 3, 2019 COBALT GROUP, LLC PUBLIC HEARING BE ACCEPTED AS PRESENTED

Motion carried unanimously.

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

THE MINUTES OF OCTOBER 3, 2019 RANGER DEVELOPMENT, LLC PUBLIC HEARING BE ACCEPTED AS PRESENTED

Motion carried unanimously.

ARIZONA ENERGY PARTNERS (AEP) 16-1:

Mr. Turner explained that he has not received any kind of demonstration of future beneficial use for the AEP) 16-1. The rule states that an operator has only 60 days in which a well can be inactive, at which point it has to be plugged and abandoned, or granted temporary abandonment status. The operator has not kept up with the 60-day requirements of inactivity, in accordance with AAC R12-7-125(A). The regulation gives the operator the choice of appearing before a quorum of the Commission to present a

demonstration of future beneficial use of the well and ask for temporary abandonment or plug and abandon it.

Drilling finished on June 28, 2019. Subsequent work occurred on one or two occasions during the summer as indicated by a sundry notice dated Sept. 10, 2019. As of today (Dec. 6, 2019) the well has been inactive approximately 85 days with no notification of activity. The operator has no intention of plugging the well, so he needs to request temporary abandonment status until he can get well service contractors from out of state to return and do more testing.

Mr. Turner explained the single biggest missing piece missing is the demonstration of future beneficial use – logs, testing data, sample, etc. have been submitted. Mr. Turner stated that given the history he has with this operator and getting information from them, that he has no recommendations and requested that the Commission determine the best course of action.

Mr. Gordon LeBlanc, Arizona Energy Partners, explained that the well has not been completed, and to his knowledge everything has been filed. He explained that they are not finished with the completion, and it is their intent to go in to contract in early January.

Dr. Nations asked if temporary abandonment status for 180 days would be adequate to complete the well, and to determine its long-term beneficial use. Mr. LeBlanc agreed that 180 days would be enough for completion, but not to go in to production. Dr. Nations explained that the issue is completion, not production.

There was quite a bit of discussion regarding the well and putting it into temporary abandonment status. Mr. Turner explained that the bottom line is if Arizona Energy Partners wants temporary abandonment status, they need to make a demonstration of future beneficial use.

Dr. Nations moved, seconded by Mr. Cooper, that:

GRANT TEMPORARY ABANDONMENT STATUS FOR ARIZONA ENERGY PARTNERS 16-1 FOR A PERIOD OF 180 DAYS, TO EXPIRE JUNE 3, 2020, IN ADDITION TO THE REQUIREMENT THAT THEY GET THE INFORMATION MR. TURNER IS REQUESTING TO HIM WITHIN THAT TIME FRAME

Motion carried unanimously.

RARE EARTH 12-1 STATE

Mr. Turner explained that he has not received any kind of demonstration of future beneficial use for the Rare Earth 12-1 State. AAC R12-7-125(A) applies to this well, because it has been inactive for approximately 80 days. The Administrator has been unable to reach the Operator, Mr. Brad Haycraft, by either email, phone or even voicemail on certain phone numbers. As of Wednesday December 4th, he only had a very incomplete description in a request for temporary abandonment, with no time frame specified. Mr. Turner will leave it up to the Commission to decide what they think are in the best interests of the Operator, the Commission and the State going forward.

No one from Rare Earth was present via phone or in person to speak. Mr. Cooper asked what the process is if the Board makes a decision – is there a time limit for an individual to ask for reconsideration of the Commission's decision – to which the answer from Mr. Skardon was generally 30 days and is an Appealable Agency Action.

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

INSTRUCT THE OIL & GAS ADMINISTRATOR TO ORDER PLUG & ABANDONMENT OF THE RARE EARTH 12-1 STATE CONSISTENT WITH RULE 12-7-127

Motion carried unanimously.

Mr. Cooper would ask the Chair to consider instructing the Administrator to notify this company of what rights they have to appeal/reconsider this order so that there isn't an issue down the road that they were not timely notified of their rights to contest a decision of the Board. Mr. Thorwald stated the Administrator is so notified.

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

Cobalt Group, LLC – Mobilized and were scheduled to start drilling the Cobalt 20-21-21 #1, west of Highway 77, north of their Triumph well.

Pollard Helium 36-1 State – Decided to let 16-1 well, located on the western expansion of the Petrified Forest, expire. There have been at least two communications with the operator regarding the missing cap on the Pollard 36-1 State. The cap is still is not installed, and the operator's latest message is that if their driller (Butler Oil) cannot replace the cap in the next couple of weeks, they will hire an out of state contractor.

SunCor #1-02 –K. Hovnanian Homes assumed control of the property with this abandoned well near Luke Air Force Base. K. Hovnanian Homes has finished excavation work around the well and removed 10 feet of casing, but due to weather, they are delayed in completing the project.

Prize Energy – This is a new company, not officially yet established in Arizona; parent company is Cimarex. They plan to request a public hearing for a 40 acre spacing exception for the January 24th meeting.

Mid-America Exploration, LLC – They acquired the south half of Ranger's acreage that was granted the 40 acre spacing exception and will be submitting potentially up to 10 well permit applications in 2020.

Ranger Development, LLC – The company plans to submit at least 10 new APDs in 2020.

Arzon Corp - The heirs to the company live in Canada. Mr. Turner has no direct address and will attempt to get more information from the Corporation Commission to see if they have any archived records with current contact information.

Gruy Petroleum – Cimarex' bond has been returned.

Evolution Exploration – Company has never drilled a well – it is Mr. Turner's understanding that they are not interested in pursuing drilling in Arizona. Mr. Turner notified them that they need to make a formal request to have their cash bond returned, but has received no response.

Year 2020 meeting schedule –The Commission has agreed to the 2020 schedule.

2020 MEETING SCHEDULE

ARIZONA OIL and GAS CONSERVATION COMMISSION

January 24, 2020

March 20

May 15

July 17

September 18

November 20

January 15, 2021

March 19, 2021

REPORT BY THE AOGCC CHAIRMAN

Mr. Thorwald has had discussions with Legislators explaining issues associated with certain pieces of legislation that may be put forth next year. The Legislators concerns were with regard to spacing with Oil & Gas, and that they didn't understand the difference. Mr. Thorwald clarified it for them and with regard to the time frame that things move forward here. He is unsure of whether they would proceed or not, but did not get the impression that they would.

Mr. Thorwald has a meeting with the Air Quality Director in regards to the website. Mr. Thorwald will fill him in on his discussions with the state of Indiana's Director of Oil & Gas and their staff. Mr. Thorwald discussed with them sharing the cost of a new website, and will discuss with their chairman via conference call to see how we might be able to develop the software together and then use it individually in each of the states, which would reduce the cost.

Separately, Mr. Thorwald has had an independent estimate done on the website from the private sector – those costs vary between \$10K - \$20K, which is substantially less than the ADEQ estimate.

Proposed Arizona oil & gas rule changes drafted by State Oil & Gas Regulatory Exchange (SOGRE)

Mr. Thorwald asked if all Commission members have been able to review SOGRE proposed rule changes, to which the answer was affirmative. Mr. Thorwald asked if there were any comments/suggestions/ changes with regard to the proposed changes.

Dr. Nations stated he is impressed with the thoroughness of SOGRE's review, and approves of the suggested amendments. One change he feels is necessary is rule R12-7-112, which has a reference to sending core samples to the Arizona Geological Society, which is now a non-deliverable address, since the agency closed in 2016. The rule should specify that the samples be sent to the Oil & Gas Commission. There was some discussion about whether or not the samples should continue to be kept there, or if they should be moved. A correction was made that it should be R12-7-121.

Mr. Cooper asked if the comments from legal counsel would be discussed or incorporated into the recommendation from the Commission – he wanted to make sure that whatever is submitted has had legal review. There was discussion regarding which comments to use, and if there was further discussion needed regarding the comments from legal counsel. Mr. Skardon explained that he reviewed and noted problems he spotted, but that he did not intend for them to be a final judgement on the rules. Mr. Cooper stated that he is comfortable in the discussion with the changes recognized by Dr. Nations and legal counsel, whatever needs to be done to move the process forward so it can be brought back to the Commission for a formal vote. It was confirmed that there is not a formal vote required to move forward, as well as that all Commission members are in agreement to adopt them as the basis for the changes to the Commission rules.

Proposed matrix of authorities to be delegated to the Administrator

Mr. Thorwald confirmed that the Commission members had read the matrix. His main concern is that the Administrator has sufficient oversight by the AOGCC for whatever authority is granted. Mr. Cooper suggested that if the Commission were to approve the delegation of authority, the Administrator would notify the Chair and the Vice-Chair of any actions they take, and if there are any concerns they can be brought to the attention of the Board, rather than having a mass email go out to everybody. Mr. Turner agreed, and suggested that there be a periodic meeting between the Chairman and the Administrator, where the Administrator briefs the Chairman. There was considerable discussion regarding how to keep the Chairman informed, especially when it came to an emergency situation where they need to be made

aware sooner rather than later. Mr. Skardon advised that the Commission be clear as to what is being delegated and what is not – there are items in the matrix that cannot be delegated.

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

IN THE SUMMARY OF COMMISSION’S PERMITTING AUTHORITIES AND DISGRESSIONARY AUTHORITIES DRAFT, ALL OF THE ITEMS THAT ARE LISTED AS “DELEGATE TO ADMINISTRATOR” SHOULD BE DELEGATED TO OUR ADMINISTRATOR WITH OVERSIGHT BEING PROVIDED BY THE ADMINISTRATOR EMAILING ALL OF THEIR ACTIONS TO THE CHAIRMAN, AND WHERE ACTIONS ARE INCURRED PER ITEM 5, EMAIL ALL THE COMMISSIONERS

Motion carried unanimously.

Mr. Thorwald stated, in regards to policies for oversight, that the other Boards & Commissions may have for their Administrator, that he will speak to GRR to see what he can find out, and bring back the information to the Commission at the next meeting.

It was decided that the Chairman would sign the document and it would be attached with the minutes.

CALL TO THE PUBLIC

Jim Ballard –Expressed his appreciation for the Board undertaking these revisions to the regulatory requirements. Would also appreciate knowing when any of the documents in their proposed state are going to be released to the public – would like to review them just for the benefit of the Commission, at whatever point that is deemed to be appropriate. Lastly, noticing the potential impact of increased activity for helium, he is glad that some measures are being taken to facilitate things even before the regulatory revisions are possible. Very encouraged to see a matrix of delegation being discussed, would appreciate the opportunity to see that as soon as possible.

Noa Bruhis (ASU) –Is a researcher, Doctoral student interested in the increasing helium activity in Arizona, and in some of the perceptions and misperceptions about helium exploration in Arizona, including communication lines between concerned citizens, industry and government.

ADJOURN

Mr. Cooper moved, seconded by Mr. Thorwald that:

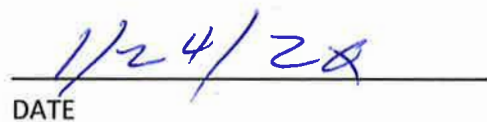
THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting was adjourned at 11:17 a.m.

REVIEWED



FRANK THORWALD
CHAIRMAN



DATE

GUESTS IN ATTENDANCE

Noa Bruhis, ASU
Jim Ballard

Gordon LeBlanc, Arizona Energy Partners