



Douglas A. Ducey
Governor

State of Arizona
Oil and Gas Conservation Commission

1110 W. Washington Street, Phoenix, AZ 85007

602-771-4501

www.azogcc.az.gov

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 12, 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 July 12, 2019 to order at 10:04 am 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

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

THE MINUTES OF THE MEETING OF MAY 24, 2019 PUBLIC MEETING BE ACCEPTED AS PRESENTED

Mr. Cooper abstained from voting because he did not attend that meeting. The motion carried unanimously.

RARE EARTH EXPLORATION, LLC (RARE EARTH) – 12-1 STATE

Mr. Brad Haycraft of Rare Earth explained their request to obtain approval to move from current location, which would hinder construction for a safe and effective well pad suitable for a drilling rig, to a location approximately 200 feet away to a flatter, broader area.

Rare Earth has submitted all necessary paperwork to the State Land Department and is waiting for approval.

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

APPROVE REQUEST FOR CHANGE IN LOCATION ON RARE EARTH 12-1, SUBJECT TO THE APPROVAL BY THE STATE LAND DEPT FOR DRILLING PERMITS AND SURFACE ACCESS PERMITS

Motion carried unanimously.

RANGER DEVELOPMENT, LLC (RANGER)

Ranger Development previously shut in eight wells due to low production and economics. Ranger later drilled two more wells, and now requests Commission approval turning all of the wells back on for production in accordance with rule R12-7-125(D). Mr. Tony Hines stated new gathering lines will connect to two new wells, 27-1 NS and 28-1 NS (Navajo Springs) by July 22. Production will resume soon after.

Mr. Turner stated that Ranger satisfied all submittal requirements and recommended approval for all eight wells. Dr. Nations confirmed with Mr. Hines that pipelines were connected to the wells. Mr. Cooper questioned the wording on the agenda “approval to resume well activities,” because the regulation uses the term “return to beneficial use.” Mr. Turner stated that Ranger has demonstrated a beneficial use for the wells.

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

GRANT THE REQUEST OF RANGER DEVELOPMENT, LLC THAT THE EIGHT WELLS BE ALLOWED TO RESUME WELL ACTIVITY AND BE RETURNED TO BENEFICIAL USE

Motion carried unanimously.

Ranger 33-3 PD, Permit # 1220 – Mr. Turner summarized the completion activity for this well in March 2018. The AOGCC previously approved shut-in status, contingent upon completing remedial cement work on the surface casing and running another cement bond log (CBL). At some time in the future, Ranger would deepen the well.

Mr. Turner spoke to the driller, Brad Butler, earlier this year about the method used for very shallow placement of cement. Mr. Turner stated that a cement bond seems unnecessary, and is different from other situations where the Commission has required a CBL. Mr. Turner asked the Commission to reconsider the need for a cement bond log.

Mr. Hines provided additional information. The drilling contractor was unable to perform the remediation work in 2018 and the well was shut in without following the Commission’s remediation directive at the April 6, 2018 meeting. Ranger has an aquifer protection permit (APP), but the permit does not require a CBL, only that aquifers be protected for drinking water use. The method used directly injects cement into the annular space between the formation and the surface casing, therefore, Ranger believes the cost of a CBL is unnecessary and adds little benefit for a shallow cement job such as this.

Mr. Cooper stated that Ranger’s June 24, 2019 letter to Mr. Turner indicated the well could be a candidate for stimulating in the Shinarump, but only after pumping cement to the surface in both the surface casing and the production casing, in which case a cement bond log would be run. Mr. Cooper asked if Mr. Hines was still intending to do that. Mr. Hines replied that after evaluating the well, they have no plans at present to stimulate, but should they did stimulate the well in the Shinarump, he understands he must run the CBL.

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

APPROVE THE DEEPENING OF WELL 33-3 PD TO 2500 FEET WITHOUT SUBMITTAL OF THE CEMENT BOND LOG, THE CEMENTING OF THE SHALLOW ZONE IS ADEQUATE FOR APPROVAL TO CONTINUE THE DEEPENING OF THE WELL. AS PART OF GRANTING THIS MOTION WE ATTACH MR. HINES LETTER TO THE COMMISSION AMINISTRATOR DATED JUNE 24TH 2019 AND THE MATERIALS OUTLINING WHAT RANGER WILL DO TO PROTECT WATER ZONES.

Motion carried unanimously.

Continuation of Ranger’s Confidentiality Request from the May 24, 2019 Meeting – This agenda item is a continuation from the last meeting, as then-counsel Zeise needed more time to study the matter.

Mr. Skardon explained that if an operator makes a confidentiality request the rule requires the operator to make a demonstration to the Commission. This could compromise confidentiality if he has to discuss what he wants to keep confidential. Mr. Skardon has not seen any presentation as to why there is a

need for confidentiality. Nevertheless, he indicated he could answer some basic questions that Mr. Hines has about the rule. Mr. Skardon suggested that he not discuss his application for confidentiality in public session, but that they have it in Executive Session.

Mr. Hines confirmed to Mr. Thorwald that he could talk about the concerns without divulging any confidential information, and for the moment, without having to go into Executive Session.

Mr. Hines provided background and reasons for the confidentiality request, which was based on advice from AOGCC previous counsel. Any information they submitted becomes public record and puts Ranger at a competitive disadvantage, because there is acreage in the area that is unleased. This is acreage in unproven territory, and Ranger requests that it be kept confidential for the maximum length of time possible. Ranger is asking for clarification by the Commission so everyone knows exactly what the position of the Commission is about when and what will become public record.

A.A.C. R12-7-121(C)(1): the Commission will provide the operator with 60 days' notice before confidential records become available for public inspection. Ranger is requesting clarification from the Commission as to what do they need to do to receive a written notice that they are about to make the records public or not. What type of notification is required for that? Ranger has not received any kind of notice, but has been in discussion with Mr. Turner regarding requests to review their records. The question becomes – is it 60 days prior to someone requesting to review the records at any given time in the future, or is it 60 days before the end of the 1-year period? Can Ranger request that confidentiality be extended beyond what the rule says is up to two years more?

There was discussion regarding who is responsible to request an extension of confidentiality, that beyond the initial 1 year it should be with the company, not the Commission. There was some confusion as to how the rule reads. Mr. Skardon stated that, per the rule, if the 1 year expiration is not sufficient, the Commission must provide the well operator 60 days' notice, the operator must make a presentation as to why they are entitled to extend their confidentiality period for up to two more years. If the 60-day notice deadline is missed, Mr. Skardon interprets the rule as they don't automatically lose confidentiality, they should still have the opportunity to make their presentation. Information can be confidential for up to 3 years, but after 3 years, it becomes public.

There was discussion about whether the extension was from the completion date of the wells, or from the date of the request. Each well is an individual case based on the completion date.

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

EXTEND THE CONFIDENTIALITY OF RANGER WELLS FOR NOT LONGER THAN 3 YEARS TOTAL FROM THE COMPLETION DATE OF THE WELLS AS LISTED IN THE PREVIOUS PUBLIC MEETING AGENDA AND EXCLUDE ANY WELL THAT IS ALREADY IN THE PUBLIC DOMAIN.

Motion carried unanimously.

COBALT GROUP

Temporary Abandonment Request – Representatives from The Cobalt Group (Cobalt) were unable to attend meeting, so Mr. Turner spoke on their behalf. Mr. Turner gave background and justification for Cobalt's request for temporary abandonment of the 20-22-4 #1 State, permit 1236. Their Sundry notice submittal demonstrates a future beneficial use, in accordance with A.A.C R12-7-125(B).

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

GRANT TEMPORARY ABANDONMENT STATUS TO THE COBALT 20-22-4 #1 STATE FOR 5 YEARS

Motion carried unanimously.

Activities and drilling progress of all permitted Cobalt wells – Cobalt still plans to drill all six permitted wells. Cobalt is only using one rig, so they may seek permit extensions on some wells. Mr. Turner inspected both sites and discussed with Cobalt representatives well site inactivity, housekeeping items, etc. Mr. Cooper suggested keeping a log and if there are any problems Cobalt could be invited to a future meeting to discuss them. Mr. Turner said he will suggest it to Cobalt.

POLLARD HELIUM 36-1

Mr. Turner stated that prior to his June 18, 2019 inspection, the only documentation submitted by Pollard Helium (Pollard) showed that drilling ceased on May 7, 2019. By early July, no further notification had been received and Pollard was deemed out of compliance with AAC R12-7-125(A), (P&A after 60 days of inactivity) and no completion report (due within 30 days after completion, in accordance with R12-7-121(A)).

Mr. Charles Pollard and the Administrator spoke for the first time on July 11th and agreed to the following deadlines:

- July 31, 2019 – submit a complete Form 9 (Plug & Abandon application) (for approval at the August 9, 2019 AOGCC meeting); and
- September 13, 2019 – submit a complete Form 10 (the plug and abandon record). Otherwise, at the September 20, 2019 meeting, the Commission should consider voting that Pollard forfeit \$10,000 of their \$25,000 performance bond.

Mr. Pollard said the drillers returned to finish drilling on June 13, 2019. He instructed the drillers to clean up the well site at that time. Mr. Pollard later received Mr. Turner's email that the well was not cleaned up. Mr. Pollard talked to the drillers again on July 2nd, and the drillers confirmed that the well would be cleaned up the week of July 15, 2019.

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

TABLE THIS MATTER UNTIL THE NEXT MEETING TO SEE WHAT ACTION, IF ANY, WILL BE NECESSARY AND TO FOLLOW UP ON WHETHER THIS WORK HAS BEEN DONE.

Motion carried unanimously.

REPORT BY THE OIL AND GAS ADMINISTRATOR

Arizona Energy Partners (AEP) 16-1 – Mr. Turner inspected the site on June 18, 2019 for compliance under the Oil & Gas Commission regulations. Local residents have notified him of some issues with dust and road deterioration. Mr. Turner spoke with the operator who assured the Administrator of AEP's desire to be good neighbors. The operator has been as responsive as possible to address the dust issues. The Arizona Dept. of Environmental Quality has also visited the site and is satisfied the dust issue is being addressed as well as possible.

AEP permits 1216 (2-1 MS) and 1217 (2-1 NA) – Mr. Turner, asked on behalf of Arizona Energy Partners, that the Commission extend both permits (1216 and 1217), until October 27, 2020.

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

GRANT ARIZONA ENERGY PARTNERS AN EXTENSION ON WELL PERMITS 1216 AND 1217 TO OCTOBER 27, 2020

Motion carried unanimously.

Ranger Development, LLC – Ranger submitted an application for 40 acre spacing for the 27-6 NS well in Navajo Springs.

Enterprise Products, Adamana – Historically, Enterprise Products never complied with all of signage requirements at the well sites and at the facility; this was apparently due in large part to being unaware of the details of the rule’s requirements. Following the Administrator’s inspection in June, Enterprise created signs to place at all 12 of their injection wells and sent Mr. Turner supporting documentation. The company is in the process of creating a sign for the fence that encloses the brine pond area.

Merit Partners, Suncor 1-24 well – Mr. Turner spoke to the consultant well in spring 2018 about the plug and abandonment marker of this well. One of the requirements in the Commission’s approval was to record the GPS coordinates with the Maricopa County Recorder. Merit Partners, the responsible party, has not submitted any documentation that the well location was recorded with the County. Mr. Turner has spoken twice on the phone with the Mr. Nicholas Fischer, VP, Merit Partners, followed by two emails summarizing the conversations and Merit Partners’ commitment to follow through. Mr. Turner asked the Commission to discuss and consider other measures to motivate Merit Partners to fulfill their obligation.

Mr. Thorwald requested, with the consent of the other Commissioners, that the Attorney General’s Office send a letter to Merit Partners asking them to fulfill their agreement, and that the Commission would take action if they do not comply within a certain period. The Commissioners agreed.

Status update of ADEQ’s pursuit of primacy for the underground injection control (UIC) program
ADEQ is working on the draft rule.

REPORT BY THE AOGCC CHAIRMAN

The Legislature approved the change in the budget bill for AOGCC funding sources, which took effect July 1, 2019.

Mr. Thorwald will meet with the Acting Director of Air Quality next week to discuss the new funding and making modifications for the GIS and the website. He is coordinating with Mr. Turner and the Acting Director to make this happen in a timely fashion. Additional funding will allow Mr. Turner to get administrative help and spend more time in the field.

CALL TO THE PUBLIC

Kirk Jalbert, ASU professor thanked the Commission for allowing them to attend the meeting.

EXECUTIVE SESSION

Mr. Thorwald moved that the AOGCC convene an Executive Session, seconded by Dr. Nations. The motion carried and the AOGCC entered Executive Session at 11:21 a.m.

The purpose of the Executive Session was to seek legal advice on the status of:

- Automating and updating the AOGCC website and GIS data in conjunction with ADEQ.
- Rulemaking progress.
- The Attorney General’s Opinion 60-39 and related memo of April 11, 2019.

The AOGCC returned to the Regular Session at 11:52 a.m.

ATTORNEY GENERAL’S OPINION OF 60-39 AND RELATED MEMO OF APRIL 11, 2019

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

THE AOGCC REQUESTS THE ATTORNEY GENERAL REPRESENTATIVE TO REVIEW THE PREVIOUSLY DEVELOPED MATRIX OF OIL AND GAS RULES AS APPLIED TO THE OIL AND GAS ADMINISTRATOR. THIS

SHOULD BE WITHIN CONFORMITY OF A.R.S. § 49-104 (B)(18), AND MUST BE INCORPORATED IN HIS REVIEW.

The motion did not carry; Mr. Cooper and Mr. Thorwald abstained, based on the advice of AOGCC counsel who said that a motion was unnecessary. After significant discussion, the Commission agreed that Mr. Skardon should thoroughly review the matrix and all affiliated statutes and report his findings at a future meeting.

ADJOURN

Before the motion to adjourn, Mr. Turner advised the Commission that all future meeting dates for 2019 remain unchanged. The remaining meeting dates are August 9, September 20, November 1 and December 13, 2019.

Mr. Cooper moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting was adjourned at 11:58 a.m.

REVIEWED



FRANK THORWALD
CHAIRMAN



DATE

GUESTS IN ATTENDANCE

Tony Hines, Ranger Development LLC (via phone)
Brad Haycraft, Rare Earth (via phone)
Charles Pollard, Pollard Helium (via phone)
Jason Abplanalp, AZ State Land Department

James H. Ballard
Katherine Ball, Arizona State University
Kirk Jalbert, Arizona State University