



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

Marta Hodan, Oil and Gas Administrator

Commissioners:
Frank Thorwald, Chair
J. Dale Nations, Ph.D., Vice Chair
Stephen R. Cooper
William C. Feyerabend

**MINUTES OF MEETING
NOVEMBER 20, 2020**

PRESENT:

Mr. Frank Thorwald,	Chairman, Arizona Oil & Gas Conservation Commission (AOGCC)
Dr. Dale Nations,	AOGCC Vice Chairman
Mr. Bill Feyerabend,	AOGCC Member
Mr. Stephen Cooper,	AOGCC Member
Mr. Jay Skardon,	AOGCC Counsel, Office of the Attorney General
Ms. Marta Hodan,	AOGCC Program Administrator
Ms. Tawnya Cook,	Arizona Department of Environmental Quality (ADEQ)

CALL TO ORDER

Mr. Thorwald called the AOGCC Meeting of November 20, 2020 to order at 10:00 am via virtual meeting 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. Feyerabend moved, seconded by Mr. Thorwald, that:

THE MINUTES OF SEPTEMBER 25, 2020 BE ACCEPTED AS PRESENTED

Motion carried unanimously.

RARE EARTH EXPLORATION LLC 12-1 STATE AND 28-1 STATE

Marta gave a brief background. At the last meeting it was brought up for vote to forfeit bond of these two wells, due to the Operator (Mr. Haycraft) failing to plug the wells by the deadline, as well as failing to communicate with the Commission. Since the last meeting, the Operator has reached out and asked for some consideration that he do the work himself. Upon the Operator reaching out, the Administrator asked for some additional documentation from him, as well as a timeline from him if he were to do the work himself. Mr. Haycraft has failed to send any of the requested documentation at this point, however the Administrator has been in communication with him this week, and has given him until close of business on Wednesday of this week to get the documents submitted. Mr. Haycraft sent an email to the Administrator saying that he would not be able to make the deadline, and asked that the Commission still take this into consideration. Ms. Hodan asked him to get the documents to her as soon as possible, and has not heard back since then. Ms. Hodan invited him to the meeting to speak on the matter – if he isn't in attendance, she isn't sure what else there is to say. Both the Administrator and Mr. Thorwald confirmed that Mr. Haycraft was not on the call.

Ms. Hodan's recommends, based on conversations with the AG's Office and Mr. Thorwald, the impression is that if Rare Earth were to get the proper plug & abandonment paperwork for consideration and it were approved, and Mr. Haycraft did the work before the Commission was able to put a bid out for the work for bond forfeiture, then there would be nothing to forfeit the bond to do.

Technically, Mr. Haycraft could still pursue that avenue if he wanted to, however Ms. Hodan recommends the Commission continue pursuing the avenue of bond forfeiture and seeking out bids for the work.

Mr. Thorwald asked if the Commission had any comments – Mr. Cooper noted that, per the minutes from the last meeting, the Commission has been working on this issue since November of last year, the Commission has given 4 plug & abandonment extensions in this matter and there has been no meaningful conversation since the July meeting. Mr. Cooper believes the recommendation is appropriate – he is concerned about needlessly wasting staff and AG time basically litigating and going forward to forfeit the bond. He suggests setting a deadline that the Commission would start the process that would give the Operator one last, final opportunity to get the wells properly plugged & abandoned. The Commission has more than done our part trying to work with the Operator.

Mr. Feyerabend shared the same feelings as Mr. Cooper – this has gone on long enough. Mr. Feyerabend asked for a brief description so all in attendance would be on the same page. Ms. Hodan gave a brief summary.

Dr. Nations feels that we have given the Operator plenty of time and the lack of response indicates that the Commission should go ahead and order the plug & abandonment of both wells.

Mr. Thorwald agreed that we have given the Operator more than enough time, and that the Commission should go ahead and proceed. It is less money for the State if the Operator does it, however he isn't doing it and it needs to get done. Mr. Thorwald suggested that the Commission move forward as was ruled in the last meeting. Mr. Feyerabend and Dr. Nations concurred. Mr. Cooper reminded the Commission that the motion from the last meeting was to order the plug & abandonment of Rare Earth 12-1 State and 28-1 State and the forfeiture of the bond. Per clarification from legal counsel, Mr. Cooper suggested that the minutes reflect that the Commission decided not to reconsider the prior order from the last meeting. If another motion is needed, it can certainly be addressed. Per Mr. Skardon, since the Commission has already voted on this, he doesn't see a need for another motion. Mr. Thorwald asked Ms. Hodan to fill the Commission in on the status of the bidding process to plug & abandon the wells. Ms. Hodan explained that given the type of bond that this is, the process requires bidding out the work. Ms. Hodan has been working with DEQ Procurement in order to get multiple bids for the work. Once all the bids are in, the Commission can vote on who they would like to do the work.

2021 MEETING CALENDAR

- Friday, January 15th, 2021
- Friday, March 19th, 2021
- Friday, May 21st, 2021
- Friday, July 16th, 2021
- Friday, September 17th, 2021
- Friday, November 19th, 2021

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

APPROVE THE DATES FOR NEXT YEAR'S MEETING CALENDAR

Motion carried unanimously.

REPORT BY THE OIL AND GAS ADMINISTRATOR

Permit activity: Since the last meeting on September 25, 2020, one permit to drill application has been received and approved (Desert Mountain Energy).

Pollard Helium 36-1 P&A: Update on status of plug & abandonment. The company that will be doing the work (Butler Petroleum) has had an internal COVID incident and is quarantining their rig crew. They will start work within week or 2 from now.

Prize Energy Resources, Inc.: Update on the Aquifer Protection Permit (APP). The last update from DEQ APP group is that they have reached out to Prize Energy regarding some additional information they have requested. They are continuing communication with Prize Energy on the matters, but it still has not moved forward yet.

Procedures manual/ SOPs: Ms. Hodan is currently working on updating & clarifying some of the standard work documents for Operators, particularly some of the checklists.

IOGCC Meeting update: The annual conference was held virtually about a week ago. Both Ms. Hodan and Mr. Thorwald attended the meetings, and were able to get a better understand of how COVID as well as Oil & Gas pricing has been impacting several states across the country as well as some provinces in Canada. There was also discussion on how overall, the focus has been on plugging abandoned wells in several states this year, and looking for funding to do that.

Website redesign: Ms. Hodan is finalizing a presentation/outline of some web updates to continue to create clarity and make website simpler and easier to use and provide more information as a resources to Operators and the public.

Future presentations: Ms. Hodan and Mr. Thorwald have come up with ideas for future presentations. The goal for the future is to try to make the presentations more broad for the audience to have better understanding of the material.

DEQ: Update in terms of relationship between the Commission & DEQ – everything has been great, communication continues with the APP group regularly. Additional, the Commission is working with DEQ on a “single point of failure” (back- up for the Administrator position).

Rules update: Continuing to work with the IOGCC on the updates in order to determine what is best for Arizona.

Web portal: Continuing to work the portal – there has been a lot of great input put into it. Ms. Hodan is hoping, pending funding, that it can move forward soon.

REPORT BY THE AOGCC CHAIRMAN

Legislation: There is no legislation at this time to report on.

IOGCC Meeting: There was a lot of interesting discussions. There was discussion surrounding the reserves and loans with regard to companies and effects of downturn on repayments of those loans, the discussion of what was termed “ESG” (environmental social and governmental) funds and requests and how that is affecting industry. The IOGCC has been very helpful with directing the Commission to grants and talking about orphaned wells that may be out there from the 40’s and the plugging of those wells.

Budget: Mr. Thorwald worked with DEQ and analyzed the Oil & Gas budget.

CALL TO THE PUBLIC

Ms. Debbie Gibson: Was wondering why the well permit issued for Desert Mountain Energy is not on the website yet (including where it is to be drilled). Mr. Thorwald explained that we cannot answer questions during the Call to the Public, but in general terms it typically takes a week or so to get information up on the website.

REVIEW AND CONSIDER FUTURE AGENDA ITEMS

Continuation of briefings from educators, companies, associations etc. to get diversified view from all perspectives.

ADJOURN

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

THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting was adjourned at 10:22 a.m.

REVIEWED



FRANK THORWALD
CHAIRMAN

1/15/2021

DATE

GUESTS IN ATTENDANCE

Jim Ballard
David Haag, ASLD
Pat Kane, ASLD
Noa Bruhis, ASU

Jacob McGill
Dr. Kevin L. Gibson
Lou Rozs
Wayne Pearce