



Douglas A. Ducey
Governor

State of Arizona
Oil and Gas Conservation Commission

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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

May 21, 2021

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 May 21, 2021 to order at 10:12 a.m. via virtual meeting at the Arizona Department of Environmental Quality (ADEQ), Phoenix, AZ. 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. Feyerabend, that:

THE MINUTES OF MARCH 29, 2021 PUBLIC MEETING BE ACCEPTED AS PRESENTED

Motion carried unanimously.

PINTA SOUTH OPERATING – SHUT-IN STATUS FOR WELLS

Ms. Hodan gave a brief background on Pinta South – they sent a request April 26, 2021 to request shut-in status for 10 of their wells for 2 years from the date of their request. Due to the unanticipated volume of produced water, they request to shut-in the wells until they come up with an adequate plan. Mr. Cooper asked either the Commission Chair or the Administrator to give a brief explanation of what regulatory authority we have over the issue of water, as it relates to oil & gas. Ms. Hodan explained that there is authority over regulating injection wells, but trucking water and disposing it elsewhere would be outside the authority of the Commission. Mr. Thorwald also explained a 3rd option would be letting it evaporate (in a field with a liner). Mr. Thorwald also explained that there are other regulations associated with these, which many of them require DEQ. Ms. Hodan explained that Pinta South provided evidence that several of the wells have potential for production, which is why they requested shut-in status instead of temporary abandonment status.

Mr. Wesley Marshall with Pinta South provided information to the Commission regarding the amounts of water that the wells produce. He explained that 8 or 9 of the 10 wells would produce helium. Their plan in the next few weeks is to sample the water in each of the wells and analyze the water composition.

Dr. Nations commented that it seems like there is no reason to not grant the extension that Pinta South is requesting. Mr. Thorwald asked Mr. Marshall if they have looked at the injection wells into the same formation. Mr. Marshall explained that is what they would really like to do – 1 well does not produce a lot of water or helium, and they would like to inject the water back into the same zone. Pinta South is currently looking at the requirements for injection wells.

Dr. Nations moved, seconded by Mr. Cooper to

APPROVE THE REQUEST FOR SHUT-IN STATUS FOR 2 YEARS ON 10 PINTA SOUTH WELLS

- Pinta South 14-4 SD State – Permit # 1243
- Pinta South 22-5 SD State – Permit # 1244
- Pinta South 22-7 SD State – Permit # 1245
- Pinta South 22-8 SD State – Permit # 1246
- Pinta South 28-7 SD State – Permit # 1247
- Pinta South 23-14 SD Fee – Permit # 1248
- Pinta South 21-13 SD Fee – Permit # 1249
- Pinta South 23-11 SD Fee – Permit # 1252
- Pinta South 23-13 SD Fee – Permit # 1253
- Pinta South 23-15 SD Fee – Permit # 1254

Motion carried unanimously

IOGCC RESOLUTIONS AND BYLAW AMENDMENTS FOR CONSIDERATION

Mr. Thorwald explained that he would like the Commission to vote on these resolutions and bylaw amendments that the IOGCC will send for approval or modification, in the future. In some cases, the Governor will want to know what the Commission's opinion is and a formal vote would help with that.

Mr. Thorwald asked the Commission to look at the resolutions and at the next meeting there can be discussion and a vote.

Dr. Nations asked why the Commission is being asked to vote now – in the past these have been passed by the IOGCC without the Commission giving any input. Mr. Thorwald explained that the IOGCC wants to start getting the Governor's support on these resolutions and therefore is asking the Commissions if they support them.

REPORT BY THE OIL & GAS ADMINISTRATOR

Rare Earth Exploration LLC 12-1 State and 28-1 State: P&A status update: Continuing the process for identifying a subcontractor to do the work. Using a State approved vendor, we have provided them a list of subcontractors and they will contact them and get quotes. This process will be complete over the next few months.

Pollard Helium 36-1 – P&A status update: Ms. Hodan was informed that the vendor should be moving on to the location in the next 3 weeks to complete the job.

Prize Energy Resources, Inc. – APP status update: In the last meeting it was discussed that an appeal to the APP permit was submitted. The appeal was reviewed and was voted for an order of dismissal. An order of dismissal was issued due to a lack of standing of the appellant.

Myriad Resources – Drilling update: New drilling permit approved – Aztec 3-1. This well has just completed drilling, and cementing casing and doing some remedial work to ensure adequate cementation behind pipe.

Desert Mountain Energy – New Permit issued: 11-1. Submitted a sundry notice that they intend to spud the well shortly – were having some trouble getting the rig in and will touch base when they have a clearer date for spud.

Website redesign: Ms. Hodan is still working with ADEQ staff to get going again. The project was handed off in December, however due to competing priorities and projects, the project has fallen behind. They are working on developing a new timeline for the project – that timeline should be finalized by the end of the month. Ms. Hodan briefed the Commission on what the website redesign entails.

Inspection – Adamana LPG: Ms. Hodan conducted the sub-annual inspection at the Adamana LPG facility 2 weeks ago. Inspection went well – everything was in-compliance.

REPORT BY THE AOGCC CHAIRMAN

Web portal: Haven't had any forward progress since COVID started, likely won't for a while.

Rules update: Mr. Thorwald has been working with Ms. Hodan and Mr. Skardon to bring these to the Governor's Office this summer. Mr. Thorwald has spoken with the Natural Resources person at the Governor's Office and they have done a preliminary review. Ms. Hodan is going through them right now, and once she is done they will be submitted to Mr. Skardon to review for legal purposes. After his review, they will be given to the Commission to look over and if there are no issues, a request will be sent to the Governor's Office asking for an expedited rulemaking.

Procedures manual/ SOPs: Ms. Hodan has been working on automating this. ADEQ has been working on getting an intern to assist with this process.

IOGCC: Mr. Thorwald has attended their last 3 meetings. He has informed them of what is going on here in Arizona (the types of drilling). There was discussion about carbon sequestration and storage of compressed air and the different salt formations, among various other topics. There was discussion around potential issues with Lithium and Helium 3 and the rights if it is found. They also talked about ESG funds and what that meant to the industry.

ONHIR Communications/Request: The Office of Navajo Hopi Indian Relocation – they buy up surface land for members of those tribal nations. The ONHIR attorney contacted us and asked if we would do the inspections at sites on ONHIR surface. ONHIR land is not technically tribal land until they transfer it. We have requested letters from ONHIR, the Navajo Nation and from the Chapter to allow us to do the inspections. IOGCC is working with Mr. Skardon to draft an intergovernmental agreement.

Dr. Nations asked if an inspection would include evaluation of the natural resources, to which Mr. Thorwald said they would add to the list of their discussion topics for the next meeting with them.

ADEQ: The working relationship has improved and have been working closely together.

Budget: Working on the budget – have been talking to ASU and others, as well as ADEQ, to bring an intern onboard.

Legislation affecting the Arizona Oil and Gas Conservation Commission: There has been no federal legislation that has caused the Oil & Gas Conservation Commission any issues. There has been some legislation that has gone through on the State level regarding groundwater protection and injection, but that won't take effect until 90 days after the session ends.

CALL TO THE PUBLIC

Mr. Joe Dixon brought up a situation with zeolite in Arizona, which was similar to the lithium situation that the IOGCC talked about. He said once people realized it was something good to mine, it took years to sort out in the courts.

Ms. Martha Pierce with Protect Our Water Arizona commented that as a concerned citizen in Navajo County she has been sitting in meetings for the last 3 years and she has concerns with Pollard Helium and Rare Earth Exploration. Her concerns include the length of time it takes after a permit has expired to clean up and perceived inconsistencies when it comes to bonds that companies are held accountable for. She also voiced a concern about the depth of the permit that Myriad was given, as it puts them below the aquifer. She also expressed concern about the conservation of water.

Mr. Wayne Pierce with Protect Our Water Arizona expressed concern regarding the use of water and drilling while being in a drought.

Mr. Jim Ballard commented regarding the bond amount for each company and explained that it is determined by statute, and that the statutes are available to the public. He also stated that the regulations and statutes main goals is to protect the water.

ADJOURN

Mr. Cooper moved, seconded by Mr. Feyerabend that
THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting adjourned at 11:02 a.m.

REVIEWED



FRANK THORWALD
CHAIRMAN

7/16/2021

DATE

GUESTS IN ATTENDANCE

David Haag, AZ State Land
Dr. Kevin L. Gibson
Jim Ballard
Joe Dixon, AZ State Land
Kevin McQueen
Lou Rozs

Max Maxwell
Tim Demko
Todd, AZ State Land
Wayne Pearce
Wesley Marshall, Pinta South
Martha Pearce