

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
Robert L. Wagner, Vice Chair
Stephen R. Cooper
William C. Feyerabend
J. Dale Nations, Ph.D.

**NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION
ARIZONA OIL AND GAS CONSERVATION COMMISSION**

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Arizona Oil and Gas Conservation Commission (OGCC) and to the general public that the OGCC will hold a meeting open to the public on **January 6, 2017, at 10:00 a.m. in Room 3100B**, third floor of the of the Arizona Department of Environmental Quality, 1110 W. Washington Street, Phoenix, Arizona.

AGENDA:

1. Call to order
2. Discuss and approve the minutes of:
 - o October 21, 2016 meeting
 - o November 15, 2016 Public Hearing
3. Discuss Ranger's comingling production from the Coconino Sandstone and Shinarump Conglomerate, pursuant to Multiple Zone Completions, A.A.C. R12-7-116 and Commingling of Production from Pools, A.A.C. R12-7-137.
4. Hortenstine 35-1 (Permit 919): status, inspection by the OGCC Admin. & responsibilities of interested parties.
5. Interpretation of A.A.C. R12-7-121(C) [Confidential Records]
 - o Discuss the meaning of "unproven territory";
 - o Discuss its application with respect to confidential records;
 - o Applicability to a well that's been inactive for several years since the original spud date.
6. Extending blanket temporary abandonment (TA) status: OGCC minutes of 2013.01.18
7. Report of the Oil and Gas Administrator on new permits and drilling activity:
 - o Twin Bridges, LLC (Ranger Dev., LLC) – permit applications & well spacing exceptions approved on Nov. 18, 2016; inspected Dec. 8, 2016
 - o Kinder-Morgan submitted Sundry Notices to plug three wells in TA status that recently failed casing pressure tests
 - o Merits of accepting deposits for financial assurance (*i.e.*, bond money) in advance of any drilling applications, A.A.C. R12-7-103
 - o Other helium interests in Arizona
 - o New certification document to replace carbonless copy "permit" issued in the past
 - o Concepts for a new permit document that plainly states what is expected of an operator who drills for oil and gas in the state of Arizona
8. Status of drill cutting samples, well files, misc. files and OGCC web site

9. Call to the public: This is the time for the public to comment. Members of the Commission may not discuss items that are not on the agenda. Therefore, action taken as a result of public comment will be limited to directing staff to study the matter or scheduling the matter for further discussion and decision at a later date.

10. Announcements

- Five year rule review of A.A.C. Title 12, Chapter 7: the Chairman of the Commission will announce that the Five Year rule will be opened for discussion and will be included in an agenda at a future meeting.

11. Adjourn

Members of the Oil and Gas Conservation Commission will attend either in person or by telephone conference call. The public may be afforded an opportunity to comment on any item on the agenda; however, at the beginning of the meeting, the Commission may vote to set up a time limit on individual comments.

NOTE: The Oil and Gas Conservation Commission may vote to go into Executive Session, pursuant to AR.S. § 38-431 .03(A)(3) or (4), which will not be open to the public, to consult with its attorney and receive legal advice with respect to any regular agenda item listed on this agenda.

For additional information about this meeting, contact Dennis L. Turner, Oil and Gas Program Administrator, (602) 771-4501. A copy of the agenda and background material provided to Commission members (with the exception of material relating to possible executive sessions) is available for public inspection at the Arizona Department of Environmental Quality, Records Management Center, 1110 W. Washington Street, Phoenix, AZ 85007. Note also that the agenda items may be taken out of order.

To request an auxiliary aid or service for accessible communication, please contact Caroline Oppleman, (602) 771-2215 or co2@azdeq.gov or dial 7-1-1 for TTY/TTD Services.

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William C. Feyerabend
J. Dale Nations, Ph.D.

Public Meeting of the Oil & Gas Conservation Commission
10:00 a.m., Jan. 6, 2017, Room 3100B

Name / Organization – please print	email	phone
DENNIS TURNER / ADEQ - OGCC	ogcc@azdeq.gov	602/771-4501
BOB WAGNER / OEGCC	rl.wagner@cox.net	602-318-0026
Bill Feyerabend	billfeyerabend@ Yahoo.com	928-830-0721
Ray Hobbs - United Helium	r.hobbs@unitedhelium.com	602-427-7648
Tom Wallace - Ranger Drup.	twe@twinklbridgesllc.com	303-308-8962
Rick Porter - Ranger Drup.	rppiney@aol.com	303-748-4582
Stephen Cooper	src@centinlazlaw.com	520, 836, 8265
Gordon LeBlanc Jr. / ASIP	gordon.leblanc.jr@gmail.com	602 4876486
GORDON DUDLEY UNITED Helium	ged@UNITEDHELIUM.COM	480-949-2755
Joe Dixon - AZ State Land	jdixon@azland.gov	602-542-2685
Thomas White Kinder Morgan	Thomas.White@KinderMorg.com	928-242-4133
MIKE HANNIGAN KINDER MORGAN CO2 Co.	MICHAEL_HANNIGAN@KINDERMORGAN.COM	970.882.5532

Oil & Gas Conservation Commission, Jan. 6, 2017, cont'd

Name / Organization – please print	email	phone
Rick Zeise	Rick.Zeise@az.gov	(602) 542-8033
NYAL NIEMUTH	NIEMUTH.NYAL@AZDEQ.gov	602-266-0244
F. THORWALD	FRANK.Thorwald@Hormel.com	948-238-5848
J. D. NATIONS, Ph.D.	dalenations2@gmail.com	

COPY



Douglas A. Ducey
Governor

State of Arizona
Oil and Gas Conservation Commission
416 W. Congress, Suite 100, Tucson AZ 85701
520-770-3500
www.azogcc.az.gov
Nyal J. Niemuth, Oil and Gas Administrator

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

April 21, 2016

919

Mr. Gordon LeBlanc, Jr.
Holbrook Energy
5339 E. Valle Vista Rd.
Phoenix, AZ 85018

Twelve Mile Bayou
Member
5527 E. Camelback Rd.
Phoenix, AZ 85018

Wallace S. Olsen, Jr.
Statutory Agent
Holbrook Energy
5339 E. Valle Vista Rd.
Phoenix, AZ 85018

Somador Farms
Member
5527 E. Camelback Rd.
Phoenix, AZ 85018

Kash Kempton
Member
3941 E. Redfield Ct.
Gilbert, AZ 85234

Twelve Mile Bayou, LLC
Member
5527 E. Camelback Rd.
Phoenix, AZ 85018

West Carroll Investments
Member
5527 E. Camelback Rd.
Phoenix, AZ 86018

Little Fork and Trees, LLC
Member
5527 West Camelback Rd.
Phoenix, AZ 86018

Asace Investment Group, LLC
Member
5527 E. Camelback Rd.
Phoenix, AZ 86018

7005 0390 0005 7636 7402

7005 0390 0005 7636 7419

Dear Gentlemen,

Holbrook Energy, a Limited Liability Company ("Holbrook Energy") previously held the lease to well 35-1 Hortenstine, permit 919, north east of Holbrook, Az. As part of the lease, the Arizona Oil & Gas Conservation Commission required a performance bond "Bond" as part of the permit process. From our records, Holbrook Energy placed a \$10,000 Certificate of Deposit Bond on well 35-1 Hortenstine.

In review of the Arizona Oil & Gas Conservation Commission well records, it appears as if Holbrook Energy intended to plug and abandon the subject well. We note that Holbrook Energy previously requested a six month extension of time from the Oil & Gas Conservation Commission to complete the intended plug and abandonment of the well. On July 21, 2010, Steve Rauzi of the Arizona Geologic Survey made written demand upon Holbrook Energy to submit plans to complete the plug and abandonment of well 35-1. To date we have had no response from Holbrook Energy as to its current plans to plug and abandon the well.

April 21, 2016

Page 2

Arizona Revised Statutes ("A.R.S.") 27-524 (E) provides that if "the owner or operator of the well fails to properly plug and abandon the well, the commission may: 1. Forfeit the bond and use the money for that purpose and/or 2. Sue the owner or operator for costs in excess of the amount of the bond and the owner or operator is liable for that amount."

Arizona Administrative Code ("A.A.C.") R12-7-125 (C) provides that, "before the time-frame for a temporary abandoned or shut-in well expires, the operator shall return the well to beneficial use under a plan approved by the Commission, permanently plug and abandon the well, or apply for an extension to temporarily abandon or shut-in the well." Holbrook Energy has failed to take any of the required steps as called for by rule.

The Arizona Oil & Gas Conservation Commission has scheduled a Special Meeting for May 20, 2016, at 10:00 a.m. at the State Land Department Building, 1616 West Adams, Phoenix, 85007, at which time the Commission will take up the issue of bond forfeiture of the Certificate of Deposit, certificate number "Bank of America 91000057645689" for \$10,000, for well 35-1 Hortenstine at the publicly noticed meeting. This may result in the Commission ordering forfeiture of the Bond.

If you have any questions or wish to discuss further, please contact Nyal Niemuth, at 602-771-1604 or E-mail at nyal.niemuth@azgs.az.gov. Thank you for your courtesy and cooperation.

Sincerely,



Frank Thorwald, Chair
Arizona Oil and Gas Conservation Commission

cc: Nyal Niemuth, Az. Geologic Survey
: Kendra Decker, Az. Geologic Survey

OIL AND GAS CONSERVATION COMMISSION
416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
January 21, 2011

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Wagner, Vice-chairman
Mr. Stephen R. Cooper, Member
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of January 21 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 15, 2010

Mr. Cooper moved, seconded by Mr. Wagner:

THAT THE MINUTES OF THE MEETING OF OCTOBER 15, 2010, BE ACCEPTED AS
PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

None

REPORT OF STATE GEOLOGIST AND DIRECTOR OF ARIZONA GEOLOGICAL SURVEY

Mr. Rauzi reported that Dr. Allison was at the fiscal year 2012 budget hearing at the legislature. He talked about two bills that Dr. Allison wanted the Commissioners to be aware of: one cleaned up language about the Commissioners' terms of appointment and the other would prevent agencies from enacting rules that were stricter than federal rules.

REPORT OF THE OIL AND GAS ADMINISTRATOR

The activity report of Mr. Rauzi was sent to the Commissioners and has been made a part of these minutes. Mr. Rauzi reported that HNZ Potash permitted ten new wells, Ridgeway drilled three wells in its St Johns Unit, and SunCor plugged its Kakerlee well at Luke since the October meeting. He noted that HNZ Potash submitted nine new applications to drill in addition to the ten they had already permitted and that Passport Potash also contacted him about permitting ten additional wells.

DISCUSSION OF RIDGEWAY ARIZONA OIL CORPORATION WELLS WITHIN THE ST JOHNS UNIT AND POSSIBLE DECISION CONCERNING EXTENSION OF CURRENT STATUS

Mr. Rauzi reported that Ridgeway submitted a written request to grant temporary abandonment to the three wells they drilled in November 2010 (Permits 979, 990, and 991) and retain the current status of either temporary abandonment or shut-in of all of their wells within the St. Johns Unit boundary for the term of the St. Johns Unit Agreement. He recommended approval of the request for temporary abandonment and the request to retain the current status of the wells for the term of the unit agreement.

Mr. White reported that the term of the St. Johns Unit was three years and that if Ridgeway was not actively in production or constructing a plant or pipeline in three years then the unit would go away.

Mr. Dixon stated that the State Land Department had no objection to retaining the current status to all the wells and pointed out that the three years extended from February.

Mr. Wagner moved, seconded by Mr. Cooper:

TO GRANT TEMPORARY ABANDONMENT TO PERMITS 979, 990, AND 991

Motion carried unanimously.

Mr. Wagner moved, seconded by Mr. Cooper:

TO RETAIN THE CURRENT STATUS OF ALL RIDGEWAY WELLS WITHIN THE ST JOHNS UNIT BOUNDARY FOR THE TERM OF THE ST JOHNS UNIT AGREEMENT

Motion carried unanimously.

STATUS OF RIDGEWAY ARIZONA OIL CORPORATION DRILLING PROGRAM BETWEEN ST JOHNS AND SPRINGVILLE INCLUDING POSSIBLE REPORT FROM RIDGEWAY

Mr. White discussed the recent drilling and completion techniques and better helium shows than in previous wells. He noted that testing was done with the drilling rig and because of time constraints they were not able to plug three wells that needed to be plugged. Mr. White stated that Ridgeway would plug those wells when it brought in a completion rig to conduct longer-term flow tests.

CALL TO THE PUBLIC

Mr. Dixon talked about the bill to prevent agencies from enacting rules stricter than federal rules.

ANNOUNCEMENTS

Dr. Nations announced that the IOGCC annual meeting in Tucson in November was successful and described some of the speakers and topics discussed. The Commission scheduled its next meeting at 10:00 a.m. on April 15, 2011, in room 321 at the State Land Department Building in Phoenix.

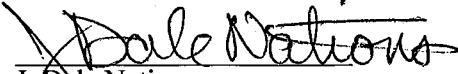
ADJOURNMENT

Mr. Cooper moved, seconded by Mr. Wagner:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:24 a.m.

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Mr. Curtis Cox	Assistant Attorney General
Mr. Joe Dixon	State Land Department
Mr. Thomas White	Ridgeway Arizona Oil Corporation

OIL AND GAS CONSERVATION COMMISSION

416 West Congress #100
Tucson, Arizona 85701

Minutes of Meeting
January 18, 2013

Present:

Dr. J. Dale Nations, Chairman
Mr. Robert L. Wagner, Vice-chairman
Mr. Stephen R. Cooper, Member
Mr. Frank Thorwald, Member
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

Dr. Nations, Chairman, called the regular Commission Meeting of January 18 to order at 10:00 a.m. in Room 321, State Land Department Building in Phoenix, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 19, 2012

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MINUTES OF THE MEETING OF OCTOBER 19, 2012 BE ACCEPTED AS
PRESENTED

Motion carried unanimously.

CONFLICTS OF INTEREST

None

REPORT OF THE OIL AND GAS ADMINISTRATOR

The activity report of Mr. Rauzi was sent to the Commissioners and has been made a part of these minutes. Mr. Rauzi reported that 18 new permits were issued and 12 wells were drilled since the October 2012 meeting and that 53 wells were permitted and 42 wells were drilled in 2012. Mr. Rauzi noted that all but three permits and wells drilled were stratigraphic tests for potash and passed out a map showing the location of the wells drilled in 2012.

FIVE-YEAR REVIEW OF OIL AND GAS RULES

Mr. Rauzi reported that the Governor extended the rulemaking moratorium from June 30, 2012 to December 31, 2014. He noted this would delay the rulemaking to include exception to the spacing of horizontal wells after notice and hearing approved in the five-year-review report in January 2012.

STATUS OF THE KINDER MORGAN PROJECT BETWEEN ST JOHNS AND SPRINGVILLE

Mr. Rauzi reported that Kinder Morgan drilled the 11-3-30 Fee (Permit 989), 11-25-30 Fee (Permit 1083), and the lateral extension in the 10-5-30 State (Permit 964) and had submitted all the required paperwork for the wells. Mr. White reported that the lateral extension flowed 9 million cubic ft of gas a day from fractures in the granite and that Kinder Morgan would be taking a close look at the relationship of fractures to production.

KINDER MORGAN REQUEST TO TEMPORARILY ABANDON THE 11-3-30 FEE (989) AND 11-25-30 FEE (1083) AND FUTURE PERMITTED AND DRILLED WELLS WITHIN THE ST JOHNS UNIT

Mr. Rauzi reported that Kinder Morgan submitted a request to temporarily abandon its 11-3-30 Fee (Permit 989), 11-25-30 Fee (Permit 1083), and all future wells permitted and drilled for the duration

of the St Johns Unit. He reviewed the Commission's motion in the January 21, 2011 meeting to approve temporary abandonment for wells within the St. Johns Unit for the duration of the St. Johns Unit Agreement and noted that both the State Land Department and the Commission's counsel agreed with the motion of January 2011. He discussed the need to shut-in productive wells until a pipeline was built and the unit was in operation. Mr. Rauzi recommended approval of the request.

Mr. Dixon reported that the State Land Department had extended the term of the St Johns Gas Unit through January 2017 and that the unit would remain in force as long thereafter as long as there was production.

Mr. Thorwald moved, seconded by Mr. Wagner:

TO GRANT TEMPORARY ABANDONMENT TO PERMITS 989 & 1083 AND FUTURE PERMITTED AND DRILLED PRODUCTIVE WELLS FOR THE DURATION OF THE ST JOHNS UNIT

Motion carried unanimously.

CALL TO THE PUBLIC

Ms. Conrath reported that four Arizona parcels would be auctioned at the February 14, 2013 oil and gas lease sale in Denver, Colorado. She indicated that the four parcels were near Gray Mountain.

ANNOUNCEMENTS

Dr. Nations reported that he had contacted Ms. Linda Stiles at the Governor's Office of Boards and Commissions. He reported that there had been no action about appointments or re-appointments and for the Commissioners to continue serving until replaced or reappointed as long as they were willing.

The Commission scheduled its next meeting at 10:00 a.m. on April 19, 2013 in room 321 at the State Land Department Building in Phoenix.

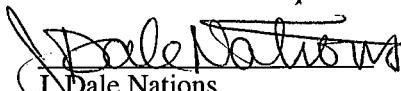
ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Thorwald:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 10:21 a.m.

APPROVED


J. Dale Nations
Chairman

GUESTS IN ATTENDANCE

Ms. Karen Conrath
Mr. Joe Dixon
Mr. Thomas White

U.S. Bureau of Land Management
Arizona State Land Department
Kinder Morgan

White, Thomas

Subject: FW: T.A. Conversation

From: Steve Rauzi [<mailto:steve.rauzi@azgs.az.gov>]
Sent: Wednesday, January 15, 2014 2:49 PM
To: White, Thomas
Subject: RE: T.A. Conversation

Yes. R12-7-125(C) would require an integrity test upon expiration of a TA period IF the integrity of the well casing were in question. **Your TA period is for the duration of the unit.**

From: White, Thomas [<mailto:Thomas.White@kindermorgan.com>]
Sent: Wednesday, January 15, 2014 2:29 PM
To: Steve Rauzi
Subject: T.A. Conversation

Steve,

Before I submit this to my supervisor I just want to summarize our conversation concerning our TA status:

Due to the ruling made by the Commission at the January 18 2013 Oil and Gas Meeting, Kinder Morgan has T.A. status granted to all wells with in the St. Johns unit that includes all wells drilled in the future and according to the Title 12 Natural Resource Rules there are no required M.I.T. for these wells...

Would this be correct?

Thomas White
Ops. Sup. Co2 St. Johns
Kinder Morgan Inc.
P 928-337-3230
C 928-242-4133
F 928-337-3162
Thomas.white@kindermorgan.com

ARIZONA OIL and GAS CONSERVATION COMMISSION



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**CERTIFICATE for PERMIT to DRILL an
OIL, GAS, INJECTION or GEOTHERMAL WELL**
PERMIT / LTF NUMBER _____

Has been issued to _____

to drill a well known as _____

Said well shall be drilled substantially as described in the Application and is subject to terms and conditions of the permit to drill and all applicable Arizona Revised Statutes (A.R.S.) Title 27, Chap. 4, Art. 1 and 4, and the Arizona Administrative Code (A.A.C.) R12-7-104, R12-7-106 to 107 and R12-7-175 to 176.

API No.: _____

Issued: _____

Receipt No. _____

Expires*: _____

*The permit to drill expires if operations are not commenced within 180 days from date of this certificate (see A.A.C R12-7-104(D))

Dennis L. Turner, Oil & Gas Program Administrator
(602)771-4501

**OPERATOR SHALL DISPLAY THIS CERTIFICATE
IN A CONSPICUOUS PLACE ON-SITE**

CONCEPTS FOR ACTUAL PERMIT FORMAT:

COVER SHEET/ INSTRUCTIONS (?):

Procedures to obtain a permit to drill oil, gas, helium, or geothermal wells in Arizona (R12-7-101 to 107)

PERMIT CONTENTS

PART 1 (STANDARD):

Requirements for drilling, casing, and testing of wells. (R12-7-108 to 118)

PART 2 (STANDARD):

Requirements for completion, recompletion, plugging, and abandonment of wells. (R12-7-119 to 129)

PART 3 (STANDARD):

Requirements for testing and production of wells. (R12-7-135 to 161)

PART 4 (OPTIONAL/ RESERVED):

Requirements for injection, re-injection, enhanced recovery, disposal, and storage wells.
(R12-7-175 to 182)

PART 5 (STANDARD):

Reporting requirements. (R12-7-183 to 194)

APPENDIX (STANDARD)

Completed Form 3, with surveyor's plat