



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
January 18, 2019

PRESENT:

Mr. Frank Thorwald,	Chairman of the Arizona Oil & Gas Conservation Commission (AOGCC)
Dr. Dale Nations,	Vice Chairman (via phone)
Mr. Bill Feyerabend,	Member (via phone)
Stephen Cooper,	Member
Mr. Rick Zeise,	AOGCC Counsel, Office of the Attorney General
Mr. Dennis Turner,	Program Administrator

CALL TO ORDER

Mr. Thorwald called the AOGCC Meeting of January 18, 2019 to order at 10:17 a.m. in Room 3100B at the Arizona Department of Environmental Quality, 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. Feyerabend, that the following minutes be approved:

- o December 7, 2018 Public Meeting
- o December 11, 2018 Public Meeting

Both motions were carried unanimously in two separate votes.

PLAINS LPG, BUMSTEAD FACILITY

Mr. Michael Olesko, Plains LPG Services, Calgary, Alberta, Canada, submitted a proposal to switch from 5 year to 10 year cycles for workovers of its cavern wells at the Bumstead facility (Glendale, AZ). His proposal demonstrates that the company can remain in compliance with A.A.C. R12-7-182(D) when performing capacity determinations and mechanical integrity tests (MIT) on a five year cycle (using downhole sonar tools) without doing a workover every time.

Mr. Olesko discussed his proposal in some detail and answered questions from Commission members and the Administrator. Following the discussion, Dr. Nations moved, seconded by Mr. Feyerabend, that:

THE PLAINS LPG BUMSTEAD FACILITY IN GLENDALE, AZ BE APPROVED TO CHANGE WORKOVER CYCLES OF THEIR CAVERN WELLS FROM FIVE YEARS TO 10 YEARS.

The motion was carried unanimously.

SCHEDULING A "CAVERNS 101" PRESENTATION TO THE COMMISSION

Mr. Olesko offered to make a PowerPoint presentation about the basics of underground gas storage facility design and operation. The dates of March 1 or April 12, coinciding with the regularly scheduled AOGCC meetings, will be decided after Commissioners' schedules are determined.

ARIZONA ENERGY PARTNERS (AEP) – CHANGE IN STATUS OF THE NZOG 17-1

Ms. Jamie Hogue, AEP consultant, requested a change in status of the NZOG 17-1 from temporary abandonment to shut in and requested a five-year extension. The current temporary abandonment status expires February 17, 2019.

AEP presented data as justification that included: surface casing depth 783 ft. (base of the Coconino at depth 719 ft.) with 250 sacks of cement, bridge plugs set at 1490 ft., 1380 ft. 1330 ft. and 1300 ft. The file includes a cement bond log of the borehole from 1800 ft. to surface. Intermediate casing extends to total a depth of 2296 ft. Testing was performed in 2005, 2014 and 2016. The lab noted possible contamination in the 2014 results, but the 2016 results are consistent with the 2005 results.

The Commissioners expressed concern about AEP's lack of timeliness in submitting this request and past re-entry activities. Mr. Gordon LeBlanc, AEP President, was advised at the February 23, 2018 meeting to submit any future requests for AOGCC consideration at least 60 days before the February 17, 2019 expiration. Mr. Zeise again reminded AEP's representative that the Commission must grant approval in advance of any work done on a well in temporary abandonment or shut in status, in accordance with A.A.C. R12-7-125(C). Any work done on a well without AOGCC approval could be subject to enforcement action.

After a brief discussion, Dr. Nations moved, seconded by Mr. Thorwald that:

THE STATUS OF THE AEP NZOG 17-1 WELL BE CHANGED FROM TEMPORARY BANDONMENT TO SHUT IN AND THAT SHUT IN STATUS BE EXTENDED FOR FIVE YEARS TO JANUARY 18, 2024.

The motion was carried unanimously.

REPORT BY THE ADMINISTRATIVE COUNSEL:

The Attorney General's office continues to review the jurisdictional issues of the AOGCC on Federal, State and Tribal lands. Mr. Zeise stated there is a supremacy clause in Federal statutes, which means that Federal law may supersede state law in the circumstance of permitting issues on Federal lands. Mr. Zeise advised that in such circumstances, the Oil and Gas Administrator will issue provisional permits to drill, subject to Federal government approval.

REPORT BY THE OIL AND GAS ADMINISTRATOR

Mr. Turner reported on the following items.

The Auditor General's Office has sent a sunset review notice, which is due October 1, 2021. The previous review was finished in 2015 by Mr. Lee Allison, former State Geologist and Director of the Arizona Geological Survey. Mr. Zeise suggests setting up a timeline, strategy and periodic reporting to the Commission on the progress of this report.

Dr. Nations' suggested additions to the AOGCC web site – Tabled until a future meeting.

Purposes and use of a Sundry Notice (Form 25) – Tabled until a future meeting.

REPORT BY THE AOGCC CHAIRMAN

No report.

LEGISLATION AFFECTING THE ARIZONA OIL AND GAS CONSERVATION COMMISSION

No report.

CALL TO THE PUBLIC

Mr. Joshua Pollard, Pollard Helium expressed his appreciation to the Commission for its help in trying to resolve the situation with his 16-1 well, located within the western expansion of the Petrified National Park land. He indicated the area may be excluded by the current administration under an executive order.

Ms. Hogue expressed AEP's support and interest in participating in any rule revisions contemplated by the AOGCC on section 117, or on revisions that involve the entire rule (Title 12 Chapter 7 of the Arizona Administrative Code).

REVIEW AND CONSIDER FUTURE AGENDA ITEMS

Additions to the AOGCC web site and purposes and use of a Sundry Notice were deferred to a future meeting.

ANNOUNCEMENTS

Mr. Cooper reported that Congressman O'Halleran was appointed this month to the House Energy and Commerce Committee, which means Arizona now has a voice on this committee. Mr. Cooper stated his understanding is that approximately 50% of all bills go through this committee.

EXECUTIVE SESSION: Mr. Feyerabend moved that the AOGCC convene an Executive Session, seconded by Mr. Thorwald. The motion carried and the AOGCC entered Executive Session at 10:59 a.m.

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

- o Operational steps for evaluating AOGCC submittals.
- o Draft rulemaking and Governor's exception memo
- o Effect of NoFrackingAZ and the ongoing development of AOGCC draft rules
- o Discussion of the meeting between the AOGCC Chairman and ADEQ's Executive Leadership Team regarding operations

The AOGCC returned to the Regular Session at 12:56 p.m.

PROPOSED REVISIONS TO A.A.C. R12-7-101, DEFINITIONS and R12-7-117, ARTIFICIAL STIMULATION

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

THE AOGCC ACCEPT THE PROPOSED REVISIONS TO A.A.C. R12-7-101 and R12-7-117 AS ADOPTED IN THE JANUARY 18, 2019 MEETING.

The motion was passed, with the Chairman abstaining.

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

THE PROPOSED MEMO REQUESTING AN EXCEPTION TO EXECUTIVE ORDER 2019-01, THE RULE MORATORIUM, BE FORWARDED TO THE NATURAL RESOURCE POLICY ADVISOR.

The motion was passed, with the Chairman abstaining.

ADJOURNMENT

Mr. Thorwald moved, seconded by Mr. Feyerabend:

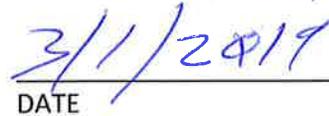
THAT THE MEETING BE ADJOURNED

Motion carried unanimously. The meeting was adjourned at 12:58 p.m.

REVIEWED



FRANK THORWALD
CHAIRMAN



DATE

GUESTS IN ATTENDANCE:

Joe Dixon, AZ State Land Dept.
Jason Abplanalp, AZ State Land Dept.
Scott Bowles, Triomphe Energy
Todd Clement, Triomphe Energy
Mike Olesko, Plains Midstream (via phone)

James H. Ballard
Joshua Pollard, Pollard Helium
Lauren Webster, Pollard Helium
Jamie Hogue, AEP consultant