



Douglas A. Ducey
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State of Arizona
Oil and Gas Conservation Commission

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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 HEARING
ARIZONA ENERGY PARTNERS WELL SPACING EXCEPTION
JULY 13, 2018

PRESENT:

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

CALL TO ORDER

Mr. Thorwald called the AOGCC Public Hearing of July 13, 2018 to order at 10:36 a.m. in Room 145 at the Arizona Department of Environmental Quality, Phoenix, Arizona.

DISCUSSION and VOTE on ARIZONA ENERGY PARTNERS (AEP) 2-1 MS WELL SPACING EXCEPTION.

AEP submitted an application for a well spacing exception for the 2-1 MS (Manuel Seep), which is subject to an Arizona State Land Department lease. AEP consultant Jamie Hogue made a short presentation with the geologic and topographic reasons for the spacing exception request. The spacing application and presentation are appended to these minutes.

In the February 23, 2018 AOGCC meeting, Dr. Nations stated that AEP should be allowed to test for only hydrocarbons in geologic units below the Shinarump Conglomerate and Coconino Sandstone in well 16-1. Nations indicated that the well is a legitimate exploratory test for both commodities (hydrocarbons and gas), because it was drilling to the basement rocks and thru known formations with known occurrences of hydrocarbons and gas. However, because the well location does not meet the spacing requirements for gas, AEP should not be allowed to test for any gas horizons. In a letter dated March 29, 2018 the AOGCC confirmed to AEP that it could only test for oil in the 16-1, because it did not meet the spacing requirements for a gas well.

In today's presentation, Ms. Hogue indicated that AEP's primary target is oil (Devonian and Pennsylvanian strata). However, AEP also wanted to preserve its right to test for gas from the more shallow formations and if successful to begin production.

Ms. Hogue also asserted during her presentation that the March 29, 2018 letter was unclear, regarding testing for gas during the drilling phase, or afterward. Dr. Nations stated that the issue of safety testing while drilling is irrelevant; it is a standard procedure during drilling. Administrator Turner also informed Ms. Hogue that the AOGCC previously provided AEP with a clarifying email on the question of safety testing for gas during the drilling operation.

Dr. Nations said the spacing exception for the 2-1 MS is justified, based on the geological interpretation and moved, seconded by Mr. Thorwald:

THAT THE SPACING EXCEPTION FOR THE APPLICATION TO DRILL THE AEP 2-1 MS BE APPROVED AS SUBMITTED.

Mr. Thorwald asked for discussion.

Mr. Ballard, a member of the public, stated that he knew of no jurisdiction that would have authority to prohibit gas monitoring during the drilling operation phase of a well, due to safety issues. In Mr. Ballard's opinion, the need for a spacing hearing is necessary for geologic reasons and when adjoining leaseholders may be drained by the placement of a well outside the spacing prescribed by rule.

Ms. Hogue stated that the Manuel Seep may be positioned along a natural barrier (fault) that will protect adjoining leases from drainage.

Mr. Dixon, manager of the Minerals Section, Arizona State Land Department, stated the department had no objections.

The motion passed unanimously 4-0.

The Hearing was adjourned at 11:00 a.m.

REVIEWED



FRANK THORWALD
CHAIRMAN



DATE

GUESTS IN ATTENDANCE:

Joe Dixon, AZ State Land Dept.
Keenan Murray, AZ State Land Dept.
Jamie Hogue, Consultant for AZ Energy Partners

Michele Van Quathem, Attorney
James H. Ballard
Todd Clement, Triomphe Energy
Scott Bowles, Triomphe Energy