

Douglas A. Ducey
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Misael Cabrera
Director

OIL & GAS CONSERVATION COMMISSION 1110 W. Washington Street Phoenix, AZ 85007

Minutes of Meeting Sept. 14, 2016

PRESENT:

Mr. Frank Thorwald, Member
Mr. Bill Feyerabend, Member
Mr. Robert Wagner, Member
Mr. Stephen R. Cooper, Member
Mr. Dennis Turner, Oil & Gas Program Administrator

CALL TO ORDER, INTRODUCTIONS

Mr. Thorwald, the Oil & Gas Conservation Commission ("OGCC") Chairman, called the Commission Meeting of Sept. 14, 2016 to order at 10:02 a.m. in Room 321, State Land Department Building, Phoenix, Arizona.

As this was Mr. Turner's first meeting as O & G Administrator, he introduced himself and talked about his background and experience. Each Commission member in turn was asked to give a brief bio of their professional experience.

As discussed at previous meeting, the Oil & Gas Administrator position was moved to the Arizona Department of Environmental Quality ("ADEQ") in July. Mr. Turner became ADEQ's O & G Administrator on August 29, 2016.

DISCUSSION AND APPROVAL OF THE MINUTES OF THE MEETING OF July 12, 2016

Mr. Cooper moved, seconded by Mr. Feyerabend:

THAT THE MINUTES OF THE MEETING OF March 7, 2016, BE APPROVED.

Motion carried unanimously.

GENERAL DISCUSSION ABOUT ADEQ'S DEVELOPMENT AND OPERATION OF THE OIL & GAS PROGRAM WITHIN ADEQ

Mr. Turner went into some detail about some key areas where ADEQ will operate differently from the AZGS:

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Licensing Time Frames ("LTF") – Mr. Turner explained that ADEQ adheres rigorously the permitting time frames spelled out in the rules for each permitting program and that this will also apply to LTF compliance for the Oil & Gas program. Agency-wide, ADEQ has developed a sophisticated permit tracking system, which will eventually include the Oil & Gas permitting actions.

A discussion followed that included Commission members, Rick Zeise, the OGCC Counsel, and Sherri Zendri, ADEQ's Admin. Counsel, on what authorities are presently granted to the OGCC Administrator for making permitting decisions; *i.e.*, whether they be interim authority, or final authority. Most, if not all authorities are now interim and a final licensing decision (*i.e.*, grant or deny a permit) is reserved until the OGCC meets. Therefore, a final permitting decision may be delayed beyond the established time frames. Furthermore, if a recommended licensing decision is to deny a permit, the permittee has no rights under the appealable agency action statute (ARS § 41-1092.02) until the OGCC makes the final decision.

In light of the above, Mr. Turner advised the Commission members that OGCC meetings will likely be more frequent, until the Commission can determine what approvals remain exclusive to the OGCC and what authorities can be delegated to the Administrator. This topic, along with discussing what time frames are in place for each type of permit action, will be formally addressed as an agenda item for the next meeting.

MyDEQ and Electronic Reporting: ADEQ is converting many of its permitting processes, collection of fees, fines, etc. to electronic format through its web page. Eventually, the processing of oil & gas permitting fees, permit applications and submittal of reports will occur through the MyDEQ portal. This will most likely include fillable PDFs for applications.

Inspections: Frequencies will increase, at least in the short term, so that Mr. Turner may become familiar with the operators' facilities and practices. ADEQ inspections have been transformed in recent years from a paper format with several interim approval steps to an electronic process that provides "instant feedback" for an operator to receive an inspection report at the time of inspection, or very shortly thereafter. ADEQ inspectors use Microsoft Surface Pro II tablets to generate reports, inspection rights forms, etc., which can be emailed to the operator onsite when completed.

Funding sources: ADEQ only recently acquired the oil and gas program from the Arizona Geological Survey ("AZGS") and new source(s) for long-term funding are being researched that meet appropriate criteria. The oil and gas program was transferred to ADEQ essentially unfunded. ADEQ is not supported by the state's General Fund for any environmental program and the \$25 fee collected for each oil and gas permit will not sustain the program owing to the very small permit volume.

Mr. Thorwald and Mr. Wagner said that the OGCC had submitted a funding plan in the recent past, but that the Governor's Office rejected it. The Commissioners directed the Administrator to revisit this plan for possible re-submittal.

During the general discussion concerns were raised about Mr. Turner's availability while travelling to the remote well sites. Mr. Turner said his out-of-office voice mail would direct callers to use his email address first as voice mail access might be limited. Most responses could be in writing and within 24 to 48 hrs. Mr. Feyerabend indicated that he is almost never completely out of contact even when travelling internationally.

PROPOSED CHANGE OF VENUE FOR ALL FUTURE MEETINGS OF THE ARIZONA OGCC

Mr. Turner recommended that all future meetings of the OGCC be held in ADEQ's building. The Commission agreed. For all future meetings, Rooms 3100A or 3100B will typically be the usual meeting location after today. The formal notice as required by statute shall state the meeting location. In addition, all members will be routinely advised via email of the room number in advance.

REPORT OF THE OIL AND GAS ADMINISTRATOR ABOUT NEW PERMITS AND DRILLING ACTIVITY

There was a general discussion about temporary and permanent plug and abandonment applications currently in the queue. Also discussed were the formal procedures for presenting permits to the Commission. Specific operators will be placed on the agenda for discussion/ approval at the next meeting.

DISCUSSION OF UPCOMING 2016 IOGCC ANNUAL MEETING, LITTLE ROCK, AR, OCT. 2 – 5.

Mr. Nations will not be attending, however, Mr. Turner will attend the entire meeting. Turner spoke to Dr. Nations on the phone before the meeting and is supportive.

DISCUSSION OF UPCOMING 2016 IADC ANNUAL MEETING, SCOTTSDALE, AZ, NOV. 2 – 4.

Mr. Thorwald will be attending and giving a presentation on oil and gas production in Arizona, including the recent changes to the OGCC in the summer of 2016. The chief message of his presentation will be to encourage exploration and development in Arizona. Mr. Turner will also attend the meeting on November 2 and 3, 2016.

CALL TO THE PUBLIC

No issues were raised as no members of the public were present for this meeting.

ANNOUNCEMENTS

A special meeting is scheduled for September 22, 2016 at 1:30 p.m. at ADEQ 1110 W. Washington Street, Phoenix, Room 145.

ADJOURNMENT

Mr. Wagner moved, seconded by Mr. Feyerabend

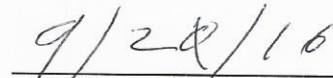
THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:30pm.

REVIEWED



FRANK THORWALD
CHAIRMAN



DATE

GUESTS IN ATTENDANCE

Mr. Rick Zeise, Assistant Attorney General
Mr. Joe Dixon, AZ State Land Department