



Katie Hobbs
Governor

State of Arizona
Oil and Gas Conservation Commission

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Chris Schmidt, Oil and Gas Administrator

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Frank Thorwald, Chair
J. Dale Nations, Ph.D., Vice Chair
Stephen R. Cooper
William C. Feyerabend
F. Michael Conway, Ph.D.
Robyn Sahid, Land Commissioner
Ex Officio (non-voting member)

**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 (AZOGCC) and to the general public that the AZOGCC will hold an open public meeting:

Friday, July 21, 2023

10:00 A.M.

via Zoom using the link below:

<https://us02web.zoom.us/j/83584543811?pwd=aEt3ZUNyMEN5RnNRQUIENk1Tc0RMdz09>

Dial in:

+1 669 444 9171 US

Meeting ID:

835 8454 3811

Passcode:

892482

Please join a few minutes early to avoid technical difficulties and keep all microphones muted except when speaking. This virtual meeting will be recorded. If you experience difficulties logging into the meeting please contact Andrew Foss, Oil and Gas Project Manager, at foss.andrew@azdeq.gov or (602) 618-3588 for technical assistance.

Executive Session: Pursuant to A.R.S. § 38-431.03(A)(3), the AZOGCC may vote to go into executive session, which will not be open to the public for the purposes of obtaining legal advice on any item on the Agenda.

CALL TO ORDER

1. Establish a quorum and conflicts of interests.

INTRODUCTIONS

2. Oil and Gas Intern - Komal Matharu

AGENDA ITEMS FOR DISCUSSION, CONSIDERATION, AND POSSIBLE ACTION:

3. Administrator Updates - Chris Schmidt:

a. Approved Permit Well Information (since June 9, 2023 AZOGCC Meeting) (Attachment A)

- i. The Cobalt Group
 1. Permit #1285 Well ID: Cobalt 20-23-31 #1 Jeffers
- ii. Pinta South Operating Company, LLC
 1. Permit #1286 Well ID: Pinta South 15-10 SD
 2. Permit #1287 Well ID: Pinta South 23-12 SD
- iii. Myriad Resources, LLC
 1. Permit #1288 Well ID: Rattlesnake 1-15
 2. Permit #1289 Well ID: Aztec 1-35
- iv. Desert Mountain Energy Corp.
 1. Permit #1290 Well ID: DME O'Haco 29-1

b. Pending Permits (since June 9, 2023 AZOGCC Meeting)

- i. Pinta South Operating Company, LLC
- ii. Pinta Dome Operating, LLC
- iii. Desert Mountain Energy Corp.

c. Drilling Activity (since June 9, 2023 AZOGCC Meeting)

- i. Spudding of Pinta South 15-10 June 26, 2023
- ii. Spudding of Cobalt 20-23-31 #1 Jeffers scheduled August or September 2023

d. Orphaned Well Grant Program Updates (Attachment B)

- i. Budget Update
- ii. Self-Reporting Tool: <http://azdeq.gov/azorphanedwells>
- iii. Wells moving to Phase 2/Task Order 2 (Site Characterization)
- iv. Ground Water Protection Council
- v. University of Arizona

e. Five-Year Review Report

- i. Vote on Five-Year Review Report (Attachment C)
- ii. Vote on Submittal of Five-Year Review Report (Attachment D)

f. Rulemaking

- i. Vote on Request for Exemption from the Rulemaking Moratorium (Attachment E)

g. AZOGCC Website Updates

- i. Uploaded links to resources
- ii. Added meeting dates and agendas. "Save the dates" will be posted prior to meeting dates.

h. Approve Forms

- i. Vote on Confidentiality Request Form (Attachment F)
- ii. Vote on Application to Drill Payment Form (Attachment G)

4. AZOGCC Chairman Frank Thorwald Report

- a. Interstate Oil and Gas Compact Commission (IOGCC) - Carbon Credits
- b. Appointment of Commissioners

5. Call to the Public:

Members of the public may address the AZOGCC during this Call to the Public. In the interest of maintaining an orderly meeting, comments shall not exceed three minutes per speaker. For any specific issues, the total comment period shall not exceed ten minutes per side. If a member of the public wishes to speak, they may unmute their telephone by pressing *6.

Pursuant to A.R.S. § 38-431.01(H), the AZOGCC members shall not discuss or take legal action on matters raised during an open call to the public unless the matters are properly noticed for discussion and legal action. As a result of public comment, the AZOGCC members may respond to criticism, may direct staff to review a matter, or may ask that a matter be placed on a future agenda.

6. AZOGCC Requests for Future Agenda Items**7. Announcements****8. Adjournment of the AZOGCC**

For additional information about this meeting, contact Chris Schmidt, Oil and Gas Program Administrator, azogcc@azdeq.gov or (602) 771-4501. At least 24 hours prior to any meeting, a copy of the agenda will be available for public inspection at the Arizona Department of Environmental Quality (ADEQ), 1110 W. Washington Street, Phoenix, AZ 85007, or online at <http://www.azdeq.gov/ogcc-notices>. A copy of material provided to AOGCC (with exception to material relating to possible executive sessions) are available for public inspection upon request by contacting the ADEQ Records Center (602) 771-4380 or (800) 234-5677.

ADEQ will take reasonable measures to provide access to department services to individuals with limited ability to speak, write or understand English and/or to those with disabilities. Requests for language translation, ASL interpretation, CART captioning services or disability accommodations must be made at least 48 hours in advance by contacting the Title VI Nondiscrimination Coordinator at 602-771-2215 or Communications@azdeq.gov. For a TTY or other device, Telecommunications Relay Services are available by calling 711.

ADEQ tomará las medidas razonables para proveer acceso a los servicios del departamento a personas con capacidad limitada para hablar, escribir o entender inglés y/o para personas con discapacidades. Las solicitudes de servicios de traducción de idiomas, interpretación ASL (lengua de signos americano), subtítulo de CART, o adaptaciones por discapacidad deben realizarse con al menos 48 horas de anticipación comunicándose con el Coordinador de Anti-Discriminación del Título VI al 602-771-2215 o Communications@azdeq.gov. Para un TTY u otro dispositivo, los servicios de retransmisión de telecomunicaciones están disponible llamando al 711.

ATTACHMENT A

APPROVED PERMIT WELL INFORMATION (Since June 9, 2023 Commission Meeting)

PERMIT #	ORGANIZATION	WELL NAME	WELL TYPE	COUNTY	ELEVATION (GROUND)	TOTAL DEPTH (FT)	FORMATION
1285	Cobalt Group	Cobalt 20-23-31 #1 Jeffers	Helium	Navajo	5,731	1,100	Mitten Peak Gas Unit
1286	Pinta South	Pinta South 15-10 SD	Helium	Apache	5,733	1,113	Shinarump
1287	Pinta South	Pinta South 23-12 SD	Helium	Apache	5,758	930	Shinarump
1288	Myriad	Rattlesnake 1-15	O&G/Helium	Navajo	5,887	3,700	Big A Butte Amos Wash Martin Precambrian
1289	Myriad	Aztec 1-35	O&G/Helium	Navajo	5,346	3,900	Big A Butte Amos Wash Martin Precambrian
1290	Desert Mountain	DME O'Haco 29-1	Helium	Coconino	6,100 (est.)	3,950	Naco/TBD

TBD = To Be Determined

ATTACHMENT B (to AZOGCC Agenda)

Orphaned Well Grant Program Updates As of July 12, 2023

Budget Updates:

- FY23 Permit Revenue: \$425
- FY24 DOI Grant Budget: \$10,920,195
- FY23 DOI Grant Expenditures: \$1,569,501
- FY24 DOI Grant Expenditures: \$219,869

Current status of Task Order 1 and Task Order 2 (Contractor Update):

- # of wells moving from Task Order 1 to Task Order 2: 165
- # of outstanding Environmental Data Reports (EDRs):
 - Wendy: 14
 - Brooke: 0
 - Andrew: 0
- # of Right of Entry forms received:
 - Wendy: 12
 - Brooke: 5
 - Andrew: 0
- Cost per well to date:
 - Average cost: \$5,858.66
- # of contractor proposals for Task Order 2 remaining to review:
 - Wendy: 6
 - Brooke: 3
 - Andrew: 3

Current status of community outreach/engagement efforts including with tribal communities:

We are in the beginning stages of creating a Community Outreach Plan for this project. We started with creating a self-reporting tool and reaching out to tribal communities as part of the initial project launch.

- **Self-reporting tool:** We received 4 reports from the public for our team to research.

- One well is located nearby a well on our potential orphaned well list, so we sent this report to the orphaned well contractor assigned to that nearby well for further investigation.
- The second well appears to be a water well. The City of Goodyear was made aware of this abandoned water well, but there is nothing further they can do since this well is on private property. An email was sent to the person who reported the well with pictures, but no response has been received.
- The third well is located in Apache Junction outside a suburban development. It appears to be an environmental test well. An email was sent to the person who reported the well with pictures, but no response has been received.
- The fourth well is located north of Tucson in the lot next to the home of the person who reported it. We were given incorrect contact information, so we were unable to contact the person who reported it to request additional information. However, based on the information provided, we may be able to send a letter to the address next door to the lot where the potentially orphaned well is located.
- **The Hopi Tribe DNR**
 - We met with Hopi's Department of Natural Resources (DNR) to discuss wells that appear to be located on private land owned by the Hopi Tribe. Hopi DNR confirmed that these properties are indeed Hopi land, and the wells located there were subsequently removed from our list since the DOI grant money cannot be spent plugging wells on tribal land.
- **Community Outreach Plan**
 - Brooke has completed the week-long IAP2 training in preparation for building the outreach plan. We are meeting with Theresa Gunn and the community liaisons to build this plan.

SUBAWARDS:

Status of work completed to date by both of our subawards:

- **Ground Water Protection Council (GWPC):** Test version of the well, bond, and entities editors have been released to ADEQ for testing. Feedback submitted from this testing at the end of June will be incorporated into the final build.

- Task 1: This task includes creating the SQL database, tailoring it to ADEQ's needs, setting up an excel template to populate with data to import, and importing historical data from AZOGCC files.
 - Task 2: this task involves creating a web application that allows for easy managing and analysis of data in the core database. This task specifically focuses on well data, not well plugging data.
 - Task 3: similar to task 2, but for the orphan well plugging data. A number of plugging processes will be recorded in this app.
 - Task 4: Okta integration. Making sure the web apps use ADEQ's okta sign in.
 - Task 5: Provide installation details to ADEQ for final implementation
 - Task 6: Post-install support: 1 month
 - Current Progress: Testing is ongoing for the three editors listed above. Plugging module (for the orphaned wells) is being worked on and will be released for testing in August. GWPC is waiting on AZGS's updated well spreadsheet to upload into the well editor for the historical well data. Feedback has been provided to GWPC on the editor module.
- **Arizona Geological Survey (AZGS) (also referred to as U of A, as AZGS resides in the university)**: “Digitally preserving legacy paper description of oil and gas well for the Arizona Department of Environmental Quality“ work is being conducted on reviewing historical records sent to Tucson. There are 4 tasks for this subaward:
 - Task 1: Paper files provided to AZGS as well as the scanned PDFs. AZGS will go through the paper files and compare them to the scanned files, marking any pages that have not been scanned. Done at project end.
 - Task 2: ADEQ provided AZGS with a data table for AZGS to review and make sure terminology is consistent. Data from original sheet will be transferred over by AZGS to the new sheet, making sure everything is in a consistent format. Done within 6 months of project start.
 - Task 3: Data in this new table (Task 2) will be validated, referencing the paper files to make sure all entered data is accurate. Missing data from paper files will be added, incorrect data fixed. AZGS will not enter this into RBDMS database. Completed at project end.
 - Task 4: AZGS will make a digital search engine to track files internally. This will be used to keep track of project progress, confirm what files have been reviewed, where the digital files are,

and make documents text-searchable. Completed within 6 months of project start, maintenance through end.

- Current Progress: AZGS hired a handful of students to do the majority of the work and trained them in the task 1 and task 3 workflows. It appears the project will be completed ahead of schedule given the current rate of progress.

ATTACHMENT C

Arizona Oil and Gas Conservation Commission

Five-Year Review Report

Title 12. Natural Resources

Chapter 7. Oil and Gas Conservation Commission

ARTICLE 1. Oil, Gas, Helium, and Geothermal Resources

March 29, 2023

1. **Authorization of the rule by existing statutes**

The Arizona Oil and Gas Conservation Commission (AZOGCC) is granted authority to prevent the waste of oil and gas and non-hydrocarbon gasses in Arizona Revised Statutes (A.R.S.) § 27-503. The Commission is granted authority under A.R.S. §§ 27-516(A) and 27-656(A) to adopt the rules in 12 Arizona Administrative Code (A.A.C.) 7, Article 1.

2. **The objective of each rule:**

Rule	Objective
R12-7-101	The definition section defines unique terms and acronyms, words with uncommon meanings and technical terms used in the oil and gas industry as used in 12 A.A.C., Chapter 7, Article 1.
R12-7-102	Repealed.
R12-7-103	This section specifies the mandatory financial assurance to be posted by operators, prescribing performance bond amounts and terms for the purpose of the proper plugging and abandonment of the well. In addition, the performance bond shall cover well site reclamation (including ARS § 27- 516.18) and removal of equipment and debris and backfilling of all mud pits. The AZOGCC requires operators to fill out one of two notarized forms (cash or performance bond), which are available online for recording performance bond deposits with the state.
R12-7-104	This section specifies procedures, requirements and timeframes for permitting all wells under jurisdiction of the AZOGCC, including oil, gas, injection (R12-7-175 through 182) and geothermal wells. The AZOGCC must issue a permit before any such well can be drilled in the state. A fee of \$25 per well is required.
R12-7-105	This section specifies the procedures an operator must follow if there is a change in the approved location before drilling. The emergency relief well situation overrides the normal routine of permitting simply because it is an emergency. The rule allows the Administrator and the Commission discretion to address the emergency first, then require a post-drilling permit and post a performance bond, if necessary.
R12-7-106	This section specifies the minimum requirements for identification that must be present in the field when drilling and signage that must identify wells, producing leases, tanks, refineries, buildings, and oil and gas related facilities.
R12-7-107	This rule specifies well spacing and acreage dedication requirements, which then become dedicated drilling units. If an operator wants to deviate from the standard requirement, the

	AZOGCC may grant a formal exception in a public hearing. The rule's intent is to protect adjoining landowners and other oil and gas interests, who may be damaged by drilling too close to their holdings. An operator must justify his request for a deviation from spacing and acreage requirements based on geological, geophysical, or other subsurface information. Such deviation may be allowed if the information defines a known geologic structure.
R12-7-108	This section specifies requirements for drilling mud and construction of reserve pits during drilling
R12-7-109	Repealed.
R12-7-110	This section specifies depth, size, cementing, and integrity requirements for surface casing.
R12-7-111	This section specifies size, depth, cementing, and integrity requirements of casing and tubing installed in a well.
R12-7-112	This section defines defective casing or cementing and standards for remediation.
R12-7-113	This section specifies blowout control equipment installation and testing requirements.
R12-7-114	This section specifies requirements for recovery of casing.
R12-7-115	This section specifies requirements for directional drilling and deviation surveys.
R12-7-116	This section specifies requirements for well completions with more than one production zone in a well.
R12-7-117	This section specifies requirements for artificial stimulation and chemical treatment of wells.
R12-7-118	This section specifies requirements to follow when drilling in hydrogen sulfide environments in order to protect human health.
R12-7-119	This section specifies requirements for wellheads and other lease equipment to prevent waste, protect the environment and ensure safety at the well site.
R12-7-120	This section specifies requirements operators must follow for preventing and reporting fires, spills, and blowouts at any drilling, producing, injection, disposal, transportation or storage facility.
R12-7-121	This section specifies completion and filing requirements for drilled wells and their compliance time frames for submission to the AZOGCC. The rule grants confidentiality to certain types of wells.
R12-7-122	This section specifies requirements on workovers, recompletions, or stimulation of wells.

R12-7-123; R12-7-124	Reserved.
R12-7-125	This section specifies requirements for operations that are suspended for 60 days or more.
R12-7-126	This section requires operators to submit plugging plans to the AZOGCC for review and approval.
R12-7-127	This section specifies plugging methods, procedures, and reporting requirements to prevent subsurface contamination by oil, gas, and geothermal drilling and production activities.
R12-7-128	This section specifies requirements for holes drilled to obtain stratigraphic or seismic information.
R12-7-129	This section specifies requirements for converting any well or exploratory hole to a water well for use by persons who need a potable water source.
R12-7-130 — R12-7-134	Reserved.
R12-7-135	This section requires operators to conduct specific tests for the purpose of measuring oil / gas ratios in producing oil fields. This prevents waste and protects adjoining leaseholders' shared interests in the oil and gas produced.
R12-7-136	This section specifies initial and periodic testing requirements for oil and gas wells to ensure prevention of waste of oil and gas resources.
R12-7-137	This section specifies requirements for accounting of production from separate pools to prevent waste and protect adjoining interests from being illegally drained. Protects all producers in a unitized pool by requiring a public hearing and AZOGCC approval.
R12-7-138	This section regulates the production, sale and transport and venting of all casinghead gas in order to prevent waste. Specifies measurement and reporting requirements to the AZOGCC for gas produced from oil wells.
R12-7-139	This section prohibits the use of vacuum pumps unless authorized by the AZOGCC in order to prevent waste and protect adjoining leaseholders from improper drainage of their interests. The Commission has statutory authority over all wells in A.R.S. § 27-516. Furthermore, the AZOGCC has broad discretionary authority to promulgate rules that address the overall production rate and the method of production, pursuant to A.R.S. § 27-515, A.R.S. §§ 27-524(A) and 525.
R12-7-140	This section requires operators to prevent surface/ subsurface pollution, surface damage, and minimize noise caused by drilling activity.
R12-7-141	Renumbered.
R12-7-142	This section requires precise measurement of oil produced, purchased or transported in order to minimize and/or prevent waste. Requires oil to be measured before transporting from a lease.

R12-7-143	This section specifies safety requirements for oil tanks, fire walls, and preventing fire hazards pursuant to the Declaration of Policy in A.R.S. 502(A)(6) “Safeguard the health, property and public welfare of citizens of the state and other interested persons.”
R12-7-144 - R12-7-149	Reserved.
R12-7-150	This section requires capacity tests for wells in a certain timeframe.
R12-7-151	This section requires precise measurement by metering of gas produced, purchased or transported in order to minimize and/or prevent waste. Requires accurate measurement of geothermal resources produced.
R12-7-152	This section restricts and prohibits the use of gas from wells by well owners and operators to specific uses in order to prevent waste.
R12-7-153	This section expands the scope of this chapter to include non-hydrocarbon gasses (“helium, carbon dioxide, and any other non-hydrocarbon gas.”).
R12-7-154 - R12-7-159	Reserved.
R12-7-160	This section gives the AZOGCC authority to limit, allocate or apportion oil, gas or geothermal production under specific conditions where waste is, or may be caused. The Commission’s purpose is to promote the production of oil and gas in the state of Arizona, as stated in A.R.S. § 27-502.
R12-7-161	This section specifies that operators are required to report all oil, water, and gas produced from all wells regulated by the AZOGCC in the state. It also specifies what operators must report to the AZOGCC on production from each producing lease and the timeframe for submittal.
R12-7-162 - R12-7-169	Reserved.
R12-7-170 - R12-7-171	Renumbered.
R12-7-172 - R12-7-174	Reserved.
R12-7-175	This section identifies the types of injection wells that require a permit from the AZOGCC, pursuant to R12-7-104, and further specifies which types of wells are covered under specific sections of the rule.
R12-7-176	This section specifies special requirements for permitting injection wells before the AZOGCC will allow any substance to be injected into any geologic stratum.
R12-7-177	Repealed.

R12-7-178	This section requires operators to keep the AZOGCC informed of the operational status of all regulated injection wells in the state, including start-up, cessation, temporary abandonment, plugging and abandonment or transfer of injection wells.
R12-7-179	This section specifies testing, monitoring, and reporting requirements for operators of injection wells. The testing, monitoring and recordkeeping requirements are to ensure operators are in compliance with the AZOGCC rules on injection wells.
R12-7-180	This section specifies additional requirements an operator must include in any application for drilling storage (injection) wells to store liquid or gaseous hydrocarbons, or any other substances under the jurisdiction of the Commission.
R12-7-181	This section specifies minimum design, construction and maintenance requirements for underground storage of liquid or gaseous hydrocarbons, or any other substances under the jurisdiction of the Commission. This includes the storage wells that service these cavities to prevent waste, leakage or loss of product and/ or exposure of hazardous gasses to people, pursuant to the Declaration of Policy in A.R.S. 502(A)(6) "Safeguard the health, property and public welfare of citizens of the state and other interested persons."
R12-7-182	This section specifies operation, inspection, reporting and abandonment requirements for underground storage wells for natural gas to prevent waste, leakage or loss of product and/ or exposure of hazardous gasses to people. The information from required reports assists the AZOGCC in monitoring the operator's compliance with the oil and gas rules and the amount of product produced. The Commission is authorized to adopt this rule, pursuant to the Declaration of Policy in A.R.S. 502(A)(6) "Safeguard the health, property and public welfare of citizens of the state and other interested persons."
R12-7-183	This section specifies requirements to transport oil and gas from a lease. The AZOGCC issues a certificate, which authorizes an operator or producer to transport oil, gas, or geothermal resources from a lease for each well.
R12-7-184	This section specifies requirements for transport of load oil that is recovered from the well after treatment. The AZOGCC approves this activity by issuing a certificate of load oil credit and permit to transport.
R12-7-185	This section specifies requirements to track an oil transporter's stocks of oil and condensate on hand and all movements within the state of oil and condensate by pipeline, trucks, or other conveyances except railroads. This is done through a system of monthly reports submitted to the AZOGCC. The information assists the AZOGCC in monitoring the operator's compliance with the rules and the amount of product produced.
R12-7-186	This section requires purchasers of gas and geothermal products to report monthly on the acquisition and disposition of gas or geothermal resources produced from a well. The information assists the AZOGCC in monitoring the operator's compliance with the rules and the amount of product produced.
R12-7-187	This section requires injection well operators to submit monthly reports including locational data, operational parameters and production data. The information assists the AZOGCC in monitoring the operator's compliance with the rules and the amount of product produced.

R12-7-188	This section requires refinery operators to report monthly on oil, condensate and other hydrocarbon products and by-products produced at such a facility. The information assists the AZOGCC in monitoring the operator’s compliance with the rules and the amount of product produced.
R12-7-189	Repealed.
R12-7-190	This section specifies reporting requirements of all operators of plants that extract any hydrocarbon liquids (e.g., gasoline, kerosene, condensate, oil, etc.) from gas. The information assists the AZOGCC in monitoring the operator’s compliance with the rules and the amount of product produced.
R12-7-191	Reserved.
R12-7-192	This section specifies requirements for books and records to verify data reported to the AZOGCC on prescribed forms. The rule gives the AZOGCC legal access to inspect/ audit production data for up to six years after a well is completed.
R12-7-193	Repealed.
R12-7-194	This section specifies information required in a legal document (organization report) that must be submitted with an application to drill or with a Sundry Notice when the operator name changes. It is a statement made under oath of who the operator/ applicant is and that the operator is a legitimate business/ person doing business in the state of Arizona.
R12-7-195	Repealed.
Appendix 1	Repealed.

3. **Are the rules effective in achieving their objectives?** Yes x No

The rules are generally effective in achieving their objectives, except for the rules found in the table below. **Minor clarifications can be made as described in the proposed courses of action found in Section 14.**

Rule	Explanation
R12-7-103	Performance bond amounts are inadequate to cover the current costs of properly plugging and abandoning a well.
R12-7-121	The AZOGCC reviewed well records and discovered that there may be confusion regarding the definition of a “completed well” and “the date the work is done” that has interfered with timely compliance for submitting completion data. The AZOGCC developed a specific form for compiling completion data, but the rule does not require operators to use it.

R12-7-175	Generally, the rule is effective in achieving the immediate objectives of the AZOGCC, but there remains the potential for overlap with competing rules adopted by USEPA and ADEQ, which also require permits for injection wells.
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4. **Are the rules consistent with other rules and statutes?** Yes No

The AZOGCC judges the consistency of its rules in connection with its statutory declaration of policy (A.R.S. § 27-502), obligation to prevent physical waste (A.R.S. § 27-503), authorizing statutes (A.R.S. §§ 27-515, 27-516, and 27-656), and the Arizona Administrative Procedures Act (A.R.S. §§ 41-1001 et seq.). A.A.C. Title 12, Chapter 7 is consistent with all applicable state and federal statutes and rules applicable to oil, gas, helium, and geothermal resources, with one possible exception. That exception is EPA’s Class II and V injection well requirements. This issue is discussed below in Section #12 under the discussion of R12-7-175.

5. **Are the rules enforced as written?** Yes No

The rules are generally enforced as written. A statement of the Commission's general policy regarding enforcement of these rules is below.

Rule	Explanation
General Policy Statement	The Arizona Administrative Code sets forth rule requirements to drill and produce oil, gas and geothermal resources in a manner that conserves these resources. The AZOGCC enforces the rules by conducting inspections, reviewing numerous submitted forms and reports, and when necessary, referring enforcement actions to the Arizona Attorney General’s Office.

6. **Are the rules clear, concise, and understandable?** Yes No

The rules are clear, concise, and understandable. Minor clarifications can be made as described in the table below.

Rule	Explanation
Generally	<p>Generally, the rules are clear, concise, and understandable. They are consistent with the applicable statutes and rules, unless stated otherwise in the proposed courses of action or written criticisms.</p> <p>For consistency and to add clarity, one common recommendation throughout this report is to, “add clarifying language on a form approved by the Commission”. Over time, the AZOGCC has created about twenty forms for operators to use. However, their use is inconsistent and the oil and gas program’s reporting requirements could be met more timely and efficiently, if use of these forms were required in the rule. Only two places in the current rule refer to a form by a proper name: R12- 7-125(B) (“Sundry Notice”) and R12-7-129(B) (“notarized water-well responsibility form”). This revision would reduce the regulatory burden while achieving the same regulatory objective, consistent with EO2017-02.</p> <p>Several AZOGCC actions to permit or otherwise authorize an operator action require the Commissioners to vote on approval at a public hearing. The rules could be improved by clearly stating in each instance the time frame for a public notice before the hearing. For example: R12-7- 176(A)(B), 15 days is specified for a hearing for an injection well permit;</p>

	<p>R12-7-107(E)(4) provides 10 days for change of a well classification; elsewhere, the time frame is unspecified. Currently, if the time frames are unspecified, the AZOGCC infers it to be 15 calendar days. The rules could be improved by a consistent time frame of 15 calendar days to give the public adequate notice and allow time for preparation. Rule language should be added where noted in the Section by Section Analysis.</p> <p>The AZOGCC recommends amendments to R12-7-107(E), 107(F), 107(G), 116, 137, 139 and 152(B) to clearly designate that 15 calendar days' notice is required before any public hearing.</p>
R12-7-101	<p>R12-7-153 expands the scope of this rule to include non-hydrocarbon gasses (helium, carbon dioxide, etc.). This was an amendment to the rule, effective February 23, 1993, but no other changes were made to harmonize other rules, such as the definition of "gas well," with this amendment. Also, to improve clarity of what constitutes a completed well, a definition for "completion operations" is needed in this section.</p>
R12-7-107	<p>Two issues in this section are vague and could benefit from more precise rule language. R12-7-107(B) and (E) require the operator to provide the Commission extra supporting information, such as subsurface geologic and seismic data, to be submitted with any drilling application (R12-7-104) when the applicant seeks a well spacing exception. The rule could be improved by clearly stating the extra requirements, in accordance with similar specifics that are found in R12-7-176(B) for injection wells.</p> <p>The second issue is that the rule is silent on the duration of the public notice period for a well <i>spacing exception</i>, although -107(E)(4) requires 10 days' notice for a hearing to change a well's <i>classification</i>. The AZOGCC has always required 15 days' notice for hearings on well spacing exceptions. R12-7-107 should be clarified and public notice requirements made consistent throughout the entire rule. The rule should clarify that a request for a spacing exception should be made at least 45 days in advance of an AZOGCC hearing.</p>
R12-7-110	<p>The rule could be improved by replacing "witness" with "observe" to improve the public's understanding of the rule's intent and replacing "corrective measures" and "remedial action" with "corrective actions" to improve clarity and conciseness. Cement requires a minimum of 12 hours curing time, which is the industry standard. No Commission authority is required for additional curing time for the cement.</p>
R12-7-111	<p>Replacing "corrective measures" and "remedial action" with "corrective actions" could improve clarity and conciseness.</p> <p>Replacing "witness" with "observe" could improve understandability.</p>
R12-7-112	<p>Wording about reporting to the Commission is awkward.</p> <p>Replacing "corrective measures" and "remedial action" with "corrective actions" in R12-7-112(B) could improve clarity and conciseness.</p>
R12-7-116	<p>The time frame for a hearing is not specified and should be consistent throughout the article.</p> <p>A new definition that differentiates "multiple zone completions" from "commingling production" could improve understandability. Alternatively, clarification language could be placed in section 116 and section 137 to differentiate the context of the two terms and improve conciseness.</p> <p>Replacing "witness" with "inspect" or "observe" could also improve understandability.</p>
R12-7-121	<p>The AZOGCC reviewed well records and discovered that there has been long-term confusion regarding the definition of a "completed well" and "the date the work is done" that has interfered with timely compliance for submitting completion data. The AZOGCC developed a specific form for compiling completion data, but the rule does not require operators to use it.</p>

	SB 1530 transferred administrative responsibilities to the Arizona Department of Environmental Quality, effective August 6, 2016 and the mailing address must be updated in R12-7-121(B)(3).
R12-7-122	An operator who wants to re-enter an existing well shall file with the Commission an application for permit to drill or re-enter an existing well (Form #3) and pay the applicable fee. The rule language could be clarified by cross-referencing it with R12-7-104(A). "Zone" is an industry term with a common definition.
R12-7-126	The rule could be improved by adding language that the Sundry Notice is used for this purpose.
R12-7-127	The rule could be improved by replacing "witness" with "observe" to improve understandability.
R12-7-137	The time frame for a hearing is not specified. "Pool" is defined in A.R.S. § 27-501(16). The rule could be improved by adding a new definition, to differentiate "multiple zone completions" from "commingling production." Alternatively, clarifying language could be added to R12-7-116 and 137 to differentiate the context of the two terms to improve conciseness. Replacing "witness" with "inspect" or "observe" would also improve understandability.
R12-7-139	The rule is silent on the duration of the public notice period for an AZOGCC hearing on the use of a vacuum pump in a well.
R12-7-142	The term "measure" requires clarification.
R12-7-152	The time frame for a hearing is not specified.
R12-7-175	This rule is not clear on a few key issues, all of which are related to the Underground Injection Control (UIC) program administered by the US Environmental Protection Agency (USEPA) and the Arizona Department of Environmental Quality's (ADEQ) Aquifer Protection Program. The rule references "Class II" and "Class V" wells, which is assumed to be the UIC program, but these terms are not defined in R12-7-101. Furthermore, the rule may have overlapping authorities with the Aquifer Protection Program and UIC with respect to regulatory oversight and financial assurance requirements.
R12-7-176	The requirement in section 176(A)(B) for a 15 day notice before a public hearing conflicts with the requirement in section 107(E)(4), change of well classification, which is ten days. A single time frame of 15 calendar days is recommended for consistency and to give the public adequate notice.
R12-7-178	The rule could be improved by changing "1" to "one" in R12-7-178(3).
R12-7-181	Section 181(A) provides: "... applicant shall demonstrate to the Commission that ..., etc." implies that the Commission must approve the applicant's demonstration that the proposed design will preserve the structural integrity of the host rock. However, the rule is not clear regarding what type of hearing is required or that approval can be administratively granted. In the past the AZOGCC has required this demonstration as part of the drilling application (R12-7-104). The rule is silent on any time frame the Commission must comply with, in accordance with R12-7-104(C). R12-7-181(D) preserves Arizona's two underground storage facilities, however, if it is determined that the AZOGCC has jurisdiction over the PHMSA Interim Rule in the state, these design and construction requirements may change.
R12-7-182	"Witness", "observe", "inspect" are used interchangeably in regards to AZOGCC activity at the site. For consistency, the AZOGCC may consider replacing "witness" with "observe".
R12-7-186	The rule needs more specificity on content for a typical geothermal report.
R12-7-190	Should a gasoline plant be constructed in Arizona, this rule would satisfy the basic requirements of reporting typical data from such a facility that would be of interest to the state. The rule may have to be amended in the future to accommodate factors applicable to a gasoline plant in this state. The rule should not be repealed.

7. Has the agency received written criticisms of the rules within the last five years? Yes x No

Rule	Explanation
R12-7-103	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the performance bonding requirements in neighboring states as compared to Arizona:</p> <p><i>“These are essential funds to ensure wells are safely plugged according to the statutes. The cost for this work has increased over the years.</i></p> <p>A. 1. The bonds for individual wells, \$10,000 or \$20,000 should be increased by the amount of inflation since they were established, not any amount more.</p> <p><i>The higher charge for deeper wells does not carry over to multiple wells, should be re considered.</i></p> <p>A. 2. The number of wells included in multiple well bonds is too large. See recommendation below, note the Operator would specify a number of wells, for example 5 wells would be \$37,500 and 8 wells would be \$50,000;</p> <p>A. 2. a. \$25,000 for 3 wells; A. 2. b. \$50,000, or \$7,500 per well for more than 3 but fewer than 10 wells, whichever is less; or A. 2. c. \$250,000, or \$5,500 per well for 10 or more wells, whichever is less.”</p> <p><i>“These amounts would also be adjusted for inflation as in A. 1.”</i></p> <p>The AZOGCC views this comment as additional support for its proposed course of action.</p>
R12-7-104	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the application for permit to drill:</p> <p><i>“The language should support the change to electronic communication. Also suggest a new section to include the initial request for a deviated well or horizontal segment. Someday this should be routine.</i></p> <p>A. 3. Also include plats for deviated wells and horizontal segments, if applicable. B. Every reference to “mail” and “written” should be modified to electronic communication. B. 2. As above</p> <p>B. 6. \$25 should be increased by the amount of inflation since it was established, not any amount more.</p> <p><i>Note R12-7-105 B. specifies the use of electronic communication for a change of drilling location, can use similar language in other sections.”</i></p> <p>The AZOGCC views this comment as additional support for its proposed course of action.</p>
R12-7-107	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the spacing of wells:</p> <p><i>“The spacing for oil and gas wells is generally too large. This can be addressed under sections E and F, but more flexibility for Operators up front is suggested. The use of larger or smaller spacing units, including other than 40 or 160 acres,</i></p>

should be at the discretion of the Commission, and can be requested by the Operator.

A. The initial drilling unit for oil wells should be approximately 40 contiguous surface acres, a single governmental quarter-quarter section.

A. 1. The last sentence should change to 38 acres and 1,500 feet

A. 2. Do not need the reference to 330 feet from center line, no center line like this with 40 acre spacing. A. 3. Not needed with 40 acre spacing.

B. The initial drilling unit for gas should be approximately 160 contiguous surface acres, a single governmental quarter section.

B. 1. The last sentence should change to 150 acres and 3,000 feet.

B. 2. For 160 acre spacing, this would be 660 feet.

D. This is too brief to really address horizontal drilling, but refer to “horizontal segments within a drilling unit”...

D. 2. For 160 acre spacing, this would be 660 feet.

Add D. 4. As approved or modified by the Commission in the case of horizontal segments involving two or more drilling units.

E. 2. and 4. These should be more consistent. Some changes may not effect anyone else. It could be a very large task to notify “all adjoining lessees” or operators “within a one mile radius”, lots of potential complications. Proof is only mentioned in E4. I recommend that the requirement be to notify “effected offset operators, lease holders or mineral owners”. It will be reviewed at the hearing.

Minor note, the reference to (C) in E and F is redundant, C has well spacing to be determined.”

The AZOGCC received the following comment from Brittany Rothe, Myriad Resources, LLC, regarding the spacing of wells:

“The 1,660’ minimum standard distance from a section line for any gas well seems excessive when compared to nearby states. However, the provision afforded in subpart E. that allows a variance to that distance, is appropriate in our eyes. The only alteration we would suggest would be altering the rules to allow for a private hearing with all necessary parties as opposed to a public hearing. This would allow confidential information to be maintained if the planned well is exploratory in nature.”

The AZOGCC received the following comment from Clare Brophy Bellendir, Aztec Land and Cattle Company, Ltd., regarding the spacing of wells:

“The setback of 1,600’ seems inconsistent and far too great in comparison to nearby states. However, at this time we would suggest altering the rules to allow for a private hearing with all necessary parties as opposed to a public hearing. This would allow confidential information to be maintained.”

The AZOGCC received the following comment from Scott Sears, Nighthawk Resources, regarding the spacing of wells:

“Spacing of Wells for gas (1,660’ from a section line). If this footage could be reasonably narrowed (similar to surrounding states), it would be immensely helpful for entities that are taking on considerable geologic risk in their drilling programs. Let me explain. As it stands today, in order for this setback to be to be

	<p>narrowed, a geologic case must be made in a public hearing. In my experience (at Pinta Dome and Navajo Springs), the Commission has been very receptive and helpful with such requests. However, geologic information is highly proprietary and valuable. Sharing such information in a public forum allows for competitors to get a free look at valuable geologic profiles. Failing a confidential hearing for setback relief, the simplest way help this issue would be by reasonably narrowing this setback.”</p> <p>The AZOGCC views this comment as additional support for its proposed course of action.</p>
R12-7-110	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the surface casing requirements:</p> <p><i>“Just a few ideas here, need to directly compare this section with other State’s regulations. A. May want to incorporate a standard depth of 300 feet, or at a sufficient depth to protect...</i></p> <p>C. In addition to pressure testing, documentation of quality and quantity of cement used is standard practice. Part on cable drilling from surface is historic and should be dropped, if they can’t pressure test, cable drilling should no longer be an option.</p> <p>D. This seems an unnecessary task for every well. The Administrator can make arrangements as needed.”</p> <p>The AZOGCC views this comment as additional support for its proposed course of action.</p>
R12-7-111	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the intermediate and production casing requirements:</p> <p><i>“As above, a few suggestions, need to compare to a standard or a review by a drilling engineer.</i></p> <p>C. In addition to pressure testing, a bond log should be required to demonstrate integrity of cement job.</p> <p>C. 1. Drop this, if cable drilling is not on par as far as safety and environmental compliance is concerned, it should not be an option.</p> <p>D. Again, this seems an unnecessary task for every well. The Administrator can make arrangements as needed.”</p> <p>The AZOGCC received the following comment from Brittany Rothe, Myriad Resources, LLC, regarding the intermediate and production casing requirements:</p> <p><i>“It may be appropriate to discuss altering the rules pertaining specifically to drilling with cable tools. In our experience, this method of drilling is no longer used.”</i></p> <p>The AZOGCC received the following comment from Clare Brophy Bellendir, Aztec Land and Cattle Company, Ltd., regarding the intermediate and production casing requirements:</p>

	<p>“It may be appropriate to discuss altering the rules pertaining specifically to drilling with cable tools.”</p> <p>The AZOGCC views this comment as additional support for its proposed course of action.</p>
R12-7-114	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the recovery of casing:</p> <p><i>“This would be better located as part of R12-7-127, part of P&A, very unlikely to be approved.”</i></p>
R12-7-115	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding deviation of hole and directional drilling:</p> <p>“B. This information should be with the original permit to drill, so it could be routinely approved if it was all within the appropriate spacing and maybe not the first one in the field. A hearing could be required for approval if necessary.</p> <p>C. D. and E. This is kind of a mess. Section E implies you are required to run a directional survey for every directionally drilled well. C and D list certain circumstances under which an operator may be required to run a directional survey. C and D are not needed.”</p>
R12-7-116	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding multiple zone completions:</p> <p><i>“This appears cumbersome and overly detailed.</i></p> <p>A. I see no reason the Commission should maintain a list.</p> <p>B. The specification of documents should go, what if the Commission wanted something in addition? Recommend the requirement be for “adequate documentation”</p> <p>B.3 and B.4 Should certainly go. Each individual completion must be at an approved spacing for that formation and oil versus gas, either standard or as approved by the Commission. Being a multiple completion does not have any special bearing on spacing infringement, which is addressed elsewhere.</p> <p>C.1, C.2 and C.3 should go, enough said the Commission may approve administratively.</p> <p>D. These are additions to the completion report. It could stay here or be in section 121. Completion reports are due in 30 days, there is no reason to make this 15 days. I don’t think special notifications should be required.</p> <p>E. I suggest eliminating “and offset operators”</p>
R12-7-117	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the artificial stimulation of oil and gas wells:</p> <p>“This is really too brief to address artificial stimulation. In some cases, artificial stimulation can refer to routine acidizing, and it includes hydraulic fracturing. In the latter case, approval should be required in advance.</p> <p>A. This should go and be replaced with the approval process. With just a notification requirement, it implies that you just do it and then report it.”</p>

<p>R12-7-121</p>	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the well completion and filing requirements:</p> <p>“A. and B. Instead of multiple due dates. The completion report, logs etc. and samples should all be due 30 days after the well is completed, temporarily abandoned or plugged and abandoned.</p> <p>C. 1. Suggest “drilled for oil and gas in unproven territory” be eliminated, also eliminate “unless the operator gives written permission to release the information at an earlier date” and substitute “at the operators request to the Commission”. In the second sentence, eliminate “shall provide notice to the operator 60 days before confidential records become subject to public inspection and” and substitute “may”. At the end of C. 1. Eliminate “with respect to unleased land in the vicinity of the well.”</p> <p>C. 2. This is not needed if all wells included in C. 1. as recommended.”</p> <p>The AZOGCC received the following comment from Brittany Rothe, Myriad Resources, LLC, regarding the well completion and filing requirements:</p> <p>“Would the AZOGCC consider making the requirement to catch samples every 30’, rather than every 10’, given the speeds of today’s drilling? Should the address of where the cuttings are delivered be updated to where Myriad sent them? 400 W. Congress St., Suite 433, Tucson, AZ 85701?”</p> <p>The AZOGCC received the following comment from Clare Brophy Bellendir, Aztec Land and Cattle Company, Ltd., regarding the well completion and filing requirements:</p> <p><u>“Would the AZOGCC consider making the requirement to catch samples every 30’, rather than every 10’, given the speeds of today’s drilling? And should the address of where the cutting are delivered be updated?”</u></p> <p>The AZOGCC received the following comment from Scott Sears, Nighthawk Resources, regarding the well completion and filing requirements:</p> <p><u>“I was recently involved (as a non-operating working interest owner) with a well drilled near Holbrook Arizona (Myriad Aztec SD 3-1 Fee. I was at the site for the drilling and the collection of drill samples at 10 ft. intervals was very difficult due to the fast drilling. Drill technology has greatly improved since (perhaps) this rule was crafted. I would suggest 30 ft. as a reasonable footage for catching samples. This would be very helpful.”</u></p>
<p>R12-7-122</p>	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the well completion and filing requirements:</p> <p>“Between section 117 and 122 C. below, the Commission may currently have no approval process required for hydraulic fracturing in some circumstances.</p> <p>A. I believe the permit to drill/recomplete form is used for this now. “Written” and “in writing” should be modified to allow all this to happen electronically.</p> <p>B. As above, “written” and “writing”</p> <p>C. BETTER GET FRACTURING OUT OF THIS SECTION</p>

	D. I think a sundry notice form is used for this. Again not “written”, and why not 30 days?”
R12-7-125	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding temporarily abandoned and shut-in wells:</p> <p>“A. 60 days is too short, should not have to TA or SI wells so quickly, 120 days?</p> <p>B. Remove “if the operator demonstrates to a quorum of the Commission a future beneficial use of the well” and substitute “with approval of the Commission”</p> <p>A future beneficial use has shown to be too vague. It’s their investment, obviously they want to get more out of it. Partly this has been a problem on new wells because the performance bonds are too low. But never the less, this should move toward more routine Administrative approval.</p> <p>D. Sundry notice, electronically, 30 days”</p> <p>The AZOGCC received the following comment from Carmon Decker Bonanno, Blackstone Exploration Inc., regarding the well completion and filing requirements:</p> <p>“It is different and not exploration company friendly. The State of Arizona, the ADEQ and AZ State Land department are anti oil, gas or helium exploration. For example, Kansas has a ten year temporarily abandoned rule and then you can re-apply.”</p>
R12-7-126	This section requires operators to submit plugging plans to the AZOGCC for review and approval.
R12-7-127	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the plugging methods and procedures:</p> <p>“H. Notification should not be required on every well.</p> <p>I. Sundry notice, electronically, 30 days”</p>
R12-7-135	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the gas oil ratio and potential tests:</p> <p>“Sundry notice, electronically, 30 days”</p>
R12-7-136	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding subsurface pressure tests and reservoir surveys:</p> <p>“Sundry notice, electronically, 30 days”</p>
R12-7-139	<p>The AZOGCC received the following comment from Jim Ballard, Retired Petroleum Geologist, regarding the use of vacuum pumps:</p> <p>“This is now referred to as gas compression”</p>
R12-7-181	The AZOGCC received the following comment from Mike Olesko, Plains Midstream Canada, regarding the design and construction of storage wells and cavities:

	<p>“C, 1.: “The final cemented casing string...shall be set a minimum of 200 feet into the formation to be used for the storage cavity.”. Although the caverns at Bumstead, AZ comply with this criteria, due to abundant thickness of salt, it may be impractical elsewhere in Arizona where the storage formation does not have this thickness of salt in addition to the thickness of the intended storage cavity. Practically, a minimum of 40 feet would be appropriate.”</p>
R12-7-182	<p>The AZOGCC received the following comment from Mike Olesko, Plains Midstream Canada, regarding the design and construction of storage wells and cavities:</p> <p>“D.: “A capacity determination for each storage cavity...shall be verified at least once every 5 years.”. Industry Convention is typically every 10 years for capacity determinations, with the exception of certain states mandating a 5-year frequency, but only in some operating permits in fields with high potential for rapid cavern growth or geotechnical issues. While we can continue to conduct capacity determinations every 5 years, we have not seen large growth (<1%/yr.) or any geotechnical issues at Bumstead (such as roof falls, wall spalling or preferential solution mining). Consequently, conducting capacity determinations every 10 years, as is Industry Convention, would be the appropriate baseline, provided the Commission should have discretion to require capacity determinations every 5 years in instances where concerns over large growth or geotechnical issues have been historically observed or anticipated.</p> <p>F.: “Storage wells shall be plugged and abandoned in accordance with R12-7-126 and R12-7- 127”. Plains disagrees that cavern storage should be treated the same as conventional wells in this section. Sections R12-7-126 and R12-7-127 were written for temporary abandonment or plugging for conventional wells and not specific to cavern wells. Cavern wells are not typically conducive to conventional oil and gas plugging methods or timelines because doing so could potentially lead to fracking to other caverns or formations. Plains recommends considerations be made for “nonconventional” storage wells to have a period of pressure/temperature monitoring until the cavern well can be abandoned safely, and abandonment methods suitable for the specific cavern well completion. It may be advisable for the Commission to simply state that a pre-abandonment and abandonment plan be submitted (for caverns) for review by the Commission.”</p>

8. Economic, small business, and consumer impact comparison:

At least seven companies (two publicly-owned businesses, two publicly-owned small businesses, and three privately-owned small businesses) are engaged in oil and gas exploration or development activity in Arizona; two operate 14 liquefied petroleum gas (LPG) storage wells, four operate 41 producing oil and gas wells, and one or more are currently drilling wells.

These rules directly impact the companies engaged in oil, gas, or geothermal exploration or development activities. In the opinion of the AZOGCC, the rules are mostly procedural in nature and do not significantly impact the economy, small businesses or consumers. The AZOGCC has not identified any information that would alter the economic, small business, and consumer impact statements that were submitted with the rulemakings in 2007, 2005, 2002, 2000, 1998, 1997, 1993, and 1992. These economic, small business and

consumer impact statements concluded that the rules would not significantly impact the economy or have a significant impact upon small businesses or consumers.

9. **Has the agency received any business competitiveness analyses of the rules?** Yes ___ No x

10. **Has the agency completed the course of action indicated in the agency’s previous five-year-review report?**

In its March 16, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to pursue a rulemaking moratorium exception to amend various rules for clarity and consistency. In each of the courses of action described below, since the last 5YRR, the AZOGCC continued to assess the listed rulemaking priorities. Unless otherwise noted below, due to ongoing workload constraints, the proposed changes are still in process and the AZOGCC plans to move forward with these changes and any newly acknowledged changes over approximately the next 12 months, contingent on the necessary statutory changes and rulemaking approvals.

Rule	Objective
R12-7-101	<p>In its March 16, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to revise the definition for “gas” to harmonize with R12-7-153. Many definitions are already covered in A.R.S. § 27-501, such as “completed well,” “drilling unit,” “drainage unit,” “pool,” and “well” apply everywhere. The Commission will consider adding other terms not defined in the current rule, such as “formation,” “reservoir,” and “source of supply” (or replacing these terms with one term) and moving other definitions within individual rules to this section.</p> <p>To reduce confusion and enhance clarity of what constitutes a well completion, the AZOGCC will add the statutory definition of well completion to the rule so that R12-7-101 is consistent with A.R.S. § 27- 551(2). For purposes of consistency and where applicable, definitions in A.R.S. § 27-551 will be incorporated into this rule where they are applicable on non-state land.</p>
R12-7-102	Repealed.
R12-7-103	<p>In its March 16, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to revise Arizona’s performance bond amounts and determine what appropriate increases will meet current financial assurance needs. The Commission has reached out to operators and plugging vendors to determine the range of actual costs to plug and abandon a well in compliance with regulatory requirements as the basis for rule revisions. The Commission will revise the rule to allow adjustment of individual performance bonds, consider a base amount and a surcharge per foot of depth, and update performance bond amounts to reduce financial risk to the state for taking over improperly abandoned wells.</p> <p>The AZOGCC is still considering requiring a financial assurance demonstration by all operators to establish their financial capability of conducting oil and gas business in Arizona. A statutory change would be necessary to authorize the AZOGCC to make financial capability determinations.</p> <p>The AZOGCC plans to use the term “performance bond” consistently throughout the rules. Also, the Commission plans to add clarifying language, “on a form approved by the Commission” to direct operators to use clearly identified forms that must accompany a performance bond deposit (i.e., cash, cashier’s check or surety bond).</p>
R12-7-104	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission”.

	<p>The \$25 permit fee, established both in statute and rule, has never been reviewed since its inception and is now too low to support the costs of administering the program. The Commission has reviewed other states' oil and gas fee programs and intends to propose adopting a higher rate that can cover at least some of the expenses of administering Arizona's program.</p> <p>The Commission will consider adding a definition of "commence" or adding detail to the action that must be commenced, for example, that "drilling" must commence.</p>
R12-7-107	<p>In its March 22, 2017 report to the Governor's Regulatory Review Council, the AZOGCC stated its intent to clarify the language that requires supplemental information to be submitted with all well spacing exceptions. Also, new language in R12-7-107(E), 107(F) and 107(G) must clearly specify that a 15 calendar day public notice period is required before holding a public hearing on well spacing exceptions or well re-classifications, and that exceptions need to be submitted at least 45 days prior to an AZOGCC hearing.</p> <p>The AZOGCC will add language that includes horizontal drilling in the category requiring public notice and hearing (R12-7-107(E)) and clarifying hearing requirements in 107(F). This request was first made in the last two five-year reports.</p> <p>The AZOGCC plans to consider revising the language that requires all operators to appear in a public hearing so that operators who control all contiguous acreage will no longer be bound by this requirement. The Commission would still require that operator to comply with all other application requirements in R12-7-104.</p>
R12-7-110	<p>In its March 22, 2017 report to the Governor's Regulatory Review Council, the AZOGCC stated its intent to replace "witness" with "observe" and also replace "corrective measures" and "remedial action" with "corrective actions." The Commission will review the sufficiency of the 1- hour minimum requirement in 110(C).</p>
R12-7-111	<p>In its March 22, 2017 report to the Governor's Regulatory Review Council, the AZOGCC stated its intent to consider replacing "witness" with "observe."</p>
R12-7-112	<p>In its March 22, 2017 report to the Governor's Regulatory Review Council, the AZOGCC stated its intent to rephrase existing rule language with either, "The operator shall report to the Commission <u>in writing</u> the corrective actions taken"; or, "The operator shall report <u>in writing</u> to the Commission the corrective actions taken" to improve consistency with similar language elsewhere in the rules.</p>
R12-7-113	<p>In its March 22, 2017 report to the Governor's Regulatory Review Council, the AZOGCC stated its intent to change the language in R12-7-113(A) to, "high pressures may be encountered that would result in safety or environmental hazards."</p>
R12-7-116	<p>In its March 22, 2017 report to the Governor's Regulatory Review Council, the AZOGCC stated its intent to include language in this section that clearly specifies a 15 calendar day public notice period is required before a public hearing on multiple zone completions.</p> <p>The AZOGCC has worked with the Interstate Oil and Gas Compact Commission (IOGCC) and other states' oil and gas commissions to determine the need for clarifying language for "multiple zone completions" and "commingling production" and revise this rule. In addition, the Commission intends to revise the rule to use one term uniformly throughout.</p> <p>The AZOGCC intends to replace "witness" with "observe."</p>
R12-7-117	<p>In its March 22, 2017 report to the Governor's Regulatory Review Council, the AZOGCC stated its intent to work with ADEQ to develop minimum requirements in the oil and gas rule that would meet the requirements of an aquifer protection permit to eliminate a duplicate permit burden, when the operator is performing artificial stimulation of a well under the oil and gas rules. The Commission intends to update the rules to current industry standards. The AZOGCC</p>

	has been working with ADEQ’s Aquifer Protection Program to understand permitting requirements for AZOGCC operators. We continue to work together to establish a framework for delineating regulatory responsibility in order to reduce the regulatory burden and eliminate the permitting redundancies. Further work is still needed to accomplish the proposed course of action expressed in the last review.
R12-7-121	<p>In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to update the mailing address of the Oil and Gas Program Administrator to 1110 W. Washington St., Phoenix, Arizona 85007. Mail is no longer delivered to 416 W. Congress St., Tucson. To reduce confusion and enhance clarity of what constitutes a well completion, the AZOGCC will incorporate the definition in A.R.S. § 27-551(2) of “completion operations” into R12-7-101.</p> <p>To reduce confusion, enhance clarity and expedite reporting of well completion data, the AZOGCC will add clarifying language, “on a form approved by the Commission” and enforce the use of Form #4 by operators, and provide flexibility to require electronic submittals.</p>
R12-7-122	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to consider adding language, “on a form approved by the Commission” and provide flexibility to require electronic submittals. The AZOGCC may need to work with the IOGCC on the intent of this rule in order to determine what form best serves this purpose. Since the last 5YRR, the AZOGCC continued to assess the necessary rulemaking priorities. The AZOGCC did establish a working relationship with the IOGCC to discuss the intent of this rule and determined it is consistent with other state regulations and no changes were suggested for the language.
R12-7-126	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission” and provide flexibility to require electronic submittals. The AZOGCC will consider more specific situations for the use of a Sundry Notice throughout the article.
R12-7-127	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to make the following revisions: change the wording from “witness” to “observe” where applicable; change “bore hole” to “borehole;” add requirements for a wellbore schematic diagram in the application; and require a photograph of the marker in place and its GPS coordinates with the plugging record.
R12-7-137	<p>In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to include language in this section that clearly specifies a 15-calendar day public notice period is required before a public hearing on commingling production from pools.</p> <p>Additionally, the AZOGCC intended to work with the Interstate Oil and Gas Compact Commission (IOGCC) and other states’ oil and gas commissions to determine the need for clarifying language for “commingling production.” The AZOGCC may consider replacing “witness” with “observe” where appropriate. Since the last 5YRR, the AZOGCC continued to assess the necessary rulemaking priorities and did establish a working relationship with the IOGCC to provide feedback on the language for “commingling production”</p>
R12-7-139	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to include language in this section that clearly specifies a 15 calendar day public notice period is required before a public hearing on the use of a vacuum pump in a well. The AZOGCC plans to consult with the IOGCC as to the applicability of this rule in Arizona and revise the applicability language, if appropriate.
R12-7-142	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to update the rules to current industry standards.
R12-7-143	This section specifies safety requirements for oil tanks, fire walls, and preventing fire hazards pursuant to the Declaration of Policy in A.R.S. 502(A)(6) “Safeguard the health, property and public welfare of citizens of the state and other interested persons.”

R12-7-151	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to update the rules to current industry standards.
R12-7-152	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add language in section 152(B) that clearly specifies that a 15 calendar day public notice period is required before a public hearing on whether to approve the utilization of gas in the manufacture of carbon black.
R12-7-153	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to consider adding geothermal wells to the list, especially in the case of steam generation as a gas is produced in this process.
R12-7-161	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission.” Since the last 5YRR, the AZOGCC continued to assess the necessary rulemaking priorities.
R12-7-175	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to work with USEPA and ADEQ to understand which permitting requirements are redundant and overlapping with the other programs to remove the conflicts and inconsistencies, streamline the permitting process and amend the oil and gas rules accordingly to reduce the regulatory burden while still achieving the same objectives, consistent with EO2017-02. Since the last 5YRR, the AZOGCC continued to assess the necessary rulemaking priorities. The AZOGCC has opened lines of communications with USEPA and ADEQ in order to develop an understanding of redundancies. We have been working with ADEQ’s Water Quality Division’s Aquifer Protection Program to understand permitting requirements for AZOGCC operators. We continue to work together to establish a framework for delineating regulatory responsibility in order to reduce the regulatory burden.
R12-7-176	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to amend the rule to designate that a 15 calendar day notice is required before a public hearing on permitting new injection wells and to change section 176(A) to, “... is prohibited unless 1st first authorized by ... ”
R12-7-181	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to amend this section to refer to the application requirements in R12-7-104. Additionally, the AZOGCC proposed to make any necessary revisions to comply with the new PHMSA Interim Final Rule on underground natural gas storage, but the AZOGCC has since determined these changes are not necessary under AZOGCC regulation.
R12-7-182	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to change “Storage-well” to “Storage Well”, as in R12-7-181 and replace “witness” and “observe” with "be present for the inspection."
R12-7-185	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission” and provide flexibility to require electronic submittals. Since the last 5YRR, the AZOGCC continued to assess the necessary rulemaking priorities.
R12-7-186	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission” and provide flexibility to require electronic submittals. Since the last 5YRR, the AZOGCC continued to assess the necessary rulemaking priorities.
R12-7-187	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission” and provide flexibility to require electronic submittals.
R12-7-188	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission” and provide

	flexibility to require electronic submittals. Since the last 5YRR, the AZOGCC continued to assess the necessary rulemaking priorities.
R12-7-190	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission” and provide flexibility to require electronic submittals.
R12-7-194	In its March 22, 2017 report to the Governor’s Regulatory Review Council, the AZOGCC stated its intent to add clarifying language, “on a form approved by the Commission” and provide flexibility to require electronic submittals.

11. **A determination that the probable benefits of the rule outweigh within this state the probable costs of the rule, and the rule imposes the least burden and costs to regulated persons by the rule, including paperwork and other compliance costs, necessary to achieve the underlying regulatory objective:**

The rules are procedural in nature and the AZOGCC believes that these rules impose the least burden and costs to regulated persons, including paperwork and other compliance costs, which are necessary to achieve the underlying regulatory and statutory objectives. The AZOGCC encourages exploration and development of oil and gas resources consistent with industry standards and requirements in surrounding states. In the long experience of the Commission, the issues that arise are of a technical nature, rather than legal, and do not lend themselves to retaining legal counsel.

12. **Are the rules more stringent than corresponding federal laws?** Yes ___ No x

The oil and gas rules in Article 12 are consistent with and not more stringent than the federal regulations applicable to oil and gas conservation. The one possible exception to this is the USEPA Underground Injection Control requirements. In this case, the AZOGCC may recommend amendments to the requirements under R12-7-175 through R12-7-179. The AZOGCC plans to continue its working relationship with EPA and ADEQ, who is currently seeking UIC primacy from the USEPA. The AZOGCC plans to review and consider updates to its rules and associated statutes in order to better align with corresponding federal law. The AZOGCC has been working closely with ADEQ’s Aquifer Protection Program as they pursue UIC primacy and plans to amend AZOGCC rules and statutes to better align with UIC requirements and prevent unnecessary burden and permitting redundancies.

13. **For rules adopted after July 29, 2010 that require the issuance of a regulatory permit, license, or agency authorization, whether the rules are in compliance with the general permit requirements of A.R.S. § 41-1037 or explain why the agency believes an exception applies:**

The rules were originally adopted and any amendments were promulgated prior to July 29, 2010.

14. **Proposed course of action**

In each of the courses of action described below, since the last 5YRR, the AZOGCC continued to assess the committed rulemaking priorities. Due to ongoing workload constraints and staff turnover, the proposed changes are still in process and the AZOGCC plans to move forward with these changes and any newly acknowledged

changes over approximately the next 12 months, contingent on staff resources and the necessary statutory changes and rulemaking approvals.

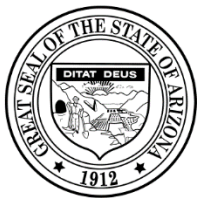
Rule	Objective
R12-7-101	<p>The AZOGCC plans to revise the definition for “gas” to harmonize with R12-7-153. Many definitions are already covered in A.R.S. § 27-501, such as “completed well,” “drilling unit,” “drainage unit,” “pool,” and “well” apply everywhere. The Commission will consider adding other terms not defined in the current rule, such as “formation,” “reservoir,” and “source of supply” (or replacing these terms with one term) and moving other definitions within individual rules to this section.</p> <p>To reduce confusion and enhance clarity of what constitutes a well completion, the AZOGCC will develop consistency between the statutory definition A.R.S. § 27- 551(2) and rules about “completion operations” in R12-7-101. For purposes of consistency and where applicable, definitions in A.R.S. § 27-551 will be incorporated into this rule where they are applicable on non-state land.</p>
R12-7-103	<p>The AZOGCC will revise Arizona’s performance bond amounts and determine what appropriate increases will meet current financial assurance needs. The Commission is conducting a survey to determine information on the range of actual costs to plug and abandon a well in compliance with regulatory requirements as the basis for rule revisions. The Commission will revise the rule to allow adjustment of individual performance bonds, consider a base amount and a surcharge per foot of depth, and update performance bond amounts to reduce financial risk to the state for taking over improperly abandoned wells.</p> <p>The AZOGCC will also consider requiring a financial assurance demonstration by all operators to establish their financial capability of conducting oil and gas business in Arizona. A statutory change would be necessary to authorize the AZOGCC to make financial capability determinations.</p> <p>The AZOGCC plans to use the term “performance bond” consistently throughout the rules. Also, the Commission plans to add clarifying language, “on a form approved by the Commission” to direct operators to use clearly identified forms that must accompany a performance bond deposit, either as cash, cashier’s check or as a surety bond.</p>
R12-7-104	<p>The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow flexibility for the use of electronic forms.</p> <p>The \$25 permit fee, established both in statute and rule, has never been reviewed since its inception and is now too low to support the costs of administering the program. The Commission will review other states’ oil and gas fee programs and propose adopting a higher rate that can cover at least some of the expenses of administering Arizona’s program.</p> <p>The Commission will consider adding clarity about what must “commence.”</p>
R12-7-107	<p>The AZOGCC plans to consider specifying additional potential spacing requirements for wells, as are found in rules of nearby states. This would expedite the process of changing a gas well from 640 acres to 160 acres, for example. Also clarify the language that requires supplemental information to be submitted with all well spacing exceptions.</p> <p>New language in R12-7-107(E), 107(F) and 107(G) must clearly specify that a 15 calendar day public notice period is required before holding a public hearing on well spacing exceptions or well re-classifications, and that spacing exemption requests must be submitted at least 45 days prior to the next hearing.</p> <p>The AZOGCC will add language that includes horizontal drilling in the category requiring public notice and hearing (R12-7-107(E)) and clarifying hearing requirements in 107(F). This request was first made in the previous five-year report.</p>

	<p>The AZOGCC plans to revise the language that requires all operators to appear in a public hearing so that operators who “control” all contiguous acreage will no longer be bound by this requirement. The Commission would still require that operator to comply with all other application requirements in R12-7-104. “Control” would also need to be defined to include ownership, royalties, etc.</p>
R12-7-110	<p>The AZOGCC will replace "witness" with “observe.” The AZOGCC will also replace “corrective measures” and “remedial action” with “corrective actions.” The Commission will review the sufficiency of the 1-hour minimum requirement in 110(C).</p>
R12-7-111	<p>The AZOGCC will replace "witness" with “observe.”</p>
R12-7-112	<p>The AZOGCC plans to rephrase existing rule language with "The operator shall report <u>in writing</u> to the Commission the corrective actions taken" to improve consistency with similar language elsewhere in the rules.</p>
R12-7-113	<p>The AZOGCC will change the language in R12-7-113(A) to, “high pressures may be encountered that would result in safety or environmental hazards.”</p>
R12-7-116	<p>The AZOGCC will include language in this section that clearly specifies a 15 calendar day public notice period is required before a public hearing on multiple zone completions.</p> <p>The AZOGCC will work with the Interstate Oil and Gas Compact Commission (IOGCC) and other states’ oil and gas commissions to determine the need for clarifying language for “multiple zone completions” and “commingling production” and revise this rule. In addition, the Commission will consider revising the rule to use one term uniformly throughout the rule.</p> <p>The AZOGCC will replace "witness" with “observe.”</p>
R12-7-117	<p>The AZOGCC will work with ADEQ to develop minimum requirements in the oil and gas rule that would meet the requirements of an aquifer protection permit to eliminate a duplicate permit burden, when the operator is performing artificial stimulation of a well under the oil and gas rules. The rules were consistent with industry standards at the time of adoption. If the governor extends the option to the AZOGCC to redraft the rules, the Commission will update the rules to current industry standards.</p>
R12-7-121	<p>At a minimum, the AZOGCC plans to update the mailing address of the Oil and Gas Program Administrator to 1110 W. Washington St., Phoenix, Arizona 85007. Mail is no longer delivered to 416 W. Congress St., Tucson.</p> <p>The AZOGCC is working on creating a new form for confidentiality demonstrations in conformance with A.R.S. § 44-1374, which allows operators to claim geologic and seismic data, submitted as part of a drilling application, as a trade secret and therefore be protected from public disclosure. The AZOGCC informs oil and gas operators that submit drill permit applications to the Commission to use the new form, requesting confidentiality. An update to the rule referencing the form will be helpful.</p> <p>To reduce confusion and enhance clarity of what constitutes a well completion, the AZOGCC will incorporate the definition in A.R.S. § 27-551(2) of “completion operations” into R12-7-101.</p> <p>To reduce confusion, enhance clarity and expedite reporting of well completion data, the AZOGCC will add clarifying language, “on a form approved by the Commission”, allow electronic submittal requirements, and enforce the use of Form #4 by operators.</p>
R12-7-122	<p>The AZOGCC will consider adding language, “on a form approved by the Commission” and allow electronic submittal requirements,. The AZOGCC may need to work with the IOGCC on the intent of this rule in order to determine what form best serves this purpose.</p>

R12-7-126	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittal requirements, The AZOGCC will consider more specific situations for the use of a Sundry Notice throughout the article.
R12-7-127	The AZOGCC will make the following revisions: change the wording from “witness” to “observe” where applicable; change “bore hole” to “borehole;” add requirements for a wellbore schematic diagram in the application; and require a photograph of the marker in place and its GPS coordinates with the plugging record.
R12-7-136	The AZOGCC plans to include language in this section that clearly specifies a 15-calendar day public notice period is required before a public hearing on commingling production from pools. The AZOGCC plans to work with the Interstate Oil and Gas Compact Commission (IOGCC) and other states’ oil and gas commissions to determine the need for clarifying language for “commingling production.” The AZOGCC will replace "witness" with “observe”.
R12-7-137	This section specifies requirements for accounting of production from separate pools to prevent waste and protect adjoining interests from being illegally drained. Protects all producers in a unitized pool by requiring a public hearing and AZOGCC approval.
R12-7-138	This section regulates the production, sale and transport and venting of all casinghead gas in order to prevent waste. Specifies measurement and reporting requirements to the AZOGCC for gas produced from oil wells.
R12-7-139	The AZOGCC plans to include language in this section that clearly specifies a 15 calendar day public notice period is required before a public hearing on the use of a vacuum pump in a well. The AZOGCC plans to consult with the IOGCC as to the applicability of this rule in Arizona and revise the applicability language, if appropriate.
R12-7-142	If the governor extends the option to the AZOGCC to redraft the rules, the Commission will update the rules to current industry standards.
R12-7-151	The rules were consistent with industry standards at the time of adoption. If the governor extends the option to the AZOGCC to redraft the rules, the Commission will update the rules to current industry standards.
R12-7-152	The AZOGCC plans to add language in section 152(B) that clearly specifies that a 15 calendar day public notice period is required before a public hearing on whether to approve the utilization of gas in the manufacture of carbon black.
R12-7-153	The AZOGCC will add geothermal wells to the list, especially in the case of steam generation as a gas is produced in this process.
R12-7-161	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittal requirements.
R12-7-175	The AZOGCC shall work with USEPA and ADEQ to understand which permitting requirements are redundant and overlapping with the other programs. The end result should be to remove the conflicts and inconsistencies, streamline the permitting process and amend the oil and gas rules accordingly to reduce the regulatory burden while still achieving the same objectives, consistent with the rulemaking moratorium.
R12-7-176	The AZOGCC plans to amend the rule to designate that a 15 calendar day notice is required before a public hearing on permitting new injection wells and to change section 176(A) to, “... is prohibited unless first authorized by ...”
R12-7-178	The AZOGCC plans to change R12-7-178(3)(c) to, “The Commission shall return one copy of the request for transfer to the operator and one to the proposed new operator ...” and to change 178(3)(c)(ii) to, “the Commission shall return one copy of the request to the operator and one copy to the proposed operator ...”

R12-7-181	This section may need revision to comply with the new PHMSA Interim Final Rule on underground natural gas storage. Regardless of that outcome, this section should be amended to refer to the application requirements in R12-7-104.
R12-7-182	“Storage well” should not be hyphenated in the rule’s title. The AZOGCC will change “Storage-well” to “Storage Well”, as in R12-7-181 and replace “witness” with “observe”.
R12-7-185	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittals.
R12-7-186	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittals.
R12-7-187	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittals.
R12-7-188	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittals.
R12-7-190	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittals.
R12-7-194	The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow electronic submittals.

ATTACHMENT D



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



July 21, 2023

SENT VIA EMAIL ONLY

Nicole Sornsins, Chair
Governor's Regulatory Review Council
100 N. 15th Ave., #305
Phoenix, AZ 85007
grrc@azdoa.gov

Re: Submittal of Five-Year Review Report for A.A.C. Title 12, Chapter 7, Article 1

Dear Chair Sornsins:

I am pleased to submit to you, pursuant to A.R.S. § 41-1056 and A.A.C. R1-6-301, our agency's Five-Year Review Report for A.A.C. Title 12, Chapter 7, Article 1: Arizona Oil and Gas Conservation Commission – Oil, Gas, Helium, and Geothermal Resources.

Pursuant to A.R.S. § 41-1056(A), I certify that the Arizona Oil and Gas Conservation Commission (AZOGCC) is in compliance with A.R.S. § 41-1091 requirements for filing of notices of substantive policy statements and annual publication of a substantive policy statement directory.

Please contact me at 202-470-5939 or thorwald.frank@azogcc.az.gov if you have any questions.

Sincerely,

Frank Thorwald
AZOGCC Chairman

Enclosure

ATTACHMENT E



Memorandum

To: Maren Mahoney, Director of the Office of Resiliency
Blaise Caudill, Policy Advisor

From: The Arizona Oil and Gas Conservation Commission

Subject: Request for Exemption from the Rulemaking Moratorium:
A.A.C. Title 12, Chapter 7, Article 1 – Oil, Gas, Helium, and Geothermal
Resources

Date:

Request: The Arizona Oil and Gas Conservation Commission (AZOGCC) seeks an exemption from the Rulemaking Moratorium (A.R.S. § 41-1039) to update rules that it committed to update in its Five-Year Review submitted to the Governor's Regulatory Review Council (GRRC). The requested rulemaking will modify A.C.C. Title 12, Chapter 7 to accomplish the following goals:

1. Clarify terms in the rules to harmonize them with the statutes and provide clarity generally; and
2. Modify rules to support more secure financial assurance, prepare the AZOGCC for potentially regulating artificial stimulation through the Aquifer Protection Program and the Underground Injection Control Program, update well spacing requirements, and require electronic submittals.

If this rulemaking does not proceed, the AZOGCC will continue to have outdated rules that do not allow for adequate protection of public health and the environment and provide confusion for regulated parties.

Justification: This rulemaking is eligible for an exemption from A.R.S. § 41-1039 pursuant to paragraph (A)(1), (A)(2), and (A)(3) because it will ensure that Arizona is creating an environment that supports responsible oil and gas exploration and production that protects public health and the environment and that regulations are clear and concise.

Statutory Authority for rulemaking: The AZOGCC has general rulemaking authority under A.R.S. § 27-516.

Discussion: The AZOGCC is established in the Arizona Department of Environmental Quality (ADEQ) and is provided staff support by ADEQ, but the AZOGCC members are independently appointed by the Governor and make decisions independent of ADEQ, to administer and enforce the rules and laws relating to conservation of oil and gas.

In the most recent Five-Year Review Report submitted to GRRC, the AZOGCC identified outdated rules that must be clarified or modified. The AZOGCC is seeking to make the following changes that were provided to GRRC in the recent report submittal:

Rule	Objective
R12-7-101	<p>The AZOGCC plans to revise the definition for “gas” to harmonize with R12-7-153. Many definitions are already covered in A.R.S. § 27-501, such as “completed well,” “drilling unit,” “drainage unit,” “pool,” and “well” apply everywhere. The Commission will consider adding other terms not defined in the current rule, such as “formation,” “reservoir,” and “source of supply” (or replacing these terms with one term) and moving other definitions within individual rules to this section.</p> <p>To reduce confusion and enhance clarity of what constitutes a well completion, the AZOGCC will develop consistency between the statutory definition A.R.S. § 27-551(2) and rules about “completion operations” in R12-7-101. For purposes of consistency and where applicable, definitions in A.R.S. § 27-551 will be incorporated into this rule where they are applicable on non-state land.</p>
R12-7-103	<p>The AZOGCC will revise Arizona’s performance bond amounts and determine what appropriate increases will meet current financial assurance needs. The Commission is conducting a survey to determine information on the range of actual costs to plug and abandon a well in compliance with regulatory requirements as the basis for rule revisions. The Commission will revise the rule to allow adjustment of individual performance bonds, consider a base amount and a surcharge per foot of depth, and update performance bond amounts to reduce financial risk to the state for taking over improperly abandoned wells.</p> <p>The AZOGCC will also consider requiring a financial assurance demonstration by all operators to establish their financial capability of conducting oil and gas business in Arizona. A statutory change would be necessary to authorize the AZOGCC to make financial capability determinations.</p> <p>The AZOGCC plans to use the term “performance bond” consistently throughout the rules. Also, the Commission plans to add clarifying language, “on a form approved by the Commission” to direct operators to use clearly identified forms that must accompany a performance bond deposit, either as cash, cashier’s check or as a surety bond.</p>
R12-7-104	<p>The AZOGCC plans to add clarifying language, “on a form approved by the Commission” and allow flexibility for the use of electronic forms.</p> <p>The \$25 permit fee, established both in statute and rule, has never been reviewed since its inception and is now too low to support the costs of administering the program. The Commission will review other states’ oil and gas fee programs and propose adopting a higher rate that can cover at least some of the expenses of administering Arizona’s program.</p> <p>The Commission will consider adding clarity about what must “commence.”</p>
R12-7-107	<p>The AZOGCC plans to consider specifying additional potential spacing requirements for wells, as are found in rules of nearby states. This would expedite the process of changing a gas well from 640 acres to 160 acres, for example. Also clarify the language that requires supplemental information to be submitted with all well spacing exceptions.</p>

	<p>New language in R12-7-107(E), 107(F) and 107(G) must clearly specify that a 15 calendar day public notice period is required before holding a public hearing on well spacing exceptions or well re-classifications, and that spacing exemption requests must be submitted at least 45 days prior to the next hearing.</p> <p>The AZOGCC will add language that includes horizontal drilling in the category requiring public notice and hearing (R12-7-107(E)) and clarifying hearing requirements in 107(F). This request was first made in the previous five-year report.</p> <p>The AZOGCC plans to revise the language that requires all operators to appear in a public hearing so that operators who “control” all contiguous acreage will no longer be bound by this requirement. The Commission would still require that operator to comply with all other application requirements in R12-7-104. “Control” would also need to be defined to include ownership, royalties, etc.</p>
R12-7-110	The AZOGCC will replace "witness" with “observe.” The AZOGCC will also replace “corrective measures” and “remedial action” with “corrective actions.” The Commission will review the sufficiency of the 1-hour minimum requirement in 110(C).
R12-7-111	The AZOGCC will replace "witness" with “observe.”
R12-7-112	The AZOGCC plans to rephrase existing rule language with "The operator shall report <u>in writing</u> to the Commission the corrective actions taken" to improve consistency with similar language elsewhere in the rules.
R12-7-113	The AZOGCC will change the language in R12-7-113(A) to, “high pressures may be encountered that would result in safety or environmental hazards.”
R12-7-116	<p>The AZOGCC will include language in this section that clearly specifies a 15 calendar day public notice period is required before a public hearing on multiple zone completions.</p> <p>The AZOGCC will work with the Interstate Oil and Gas Compact Commission (IOGCC) and other states’ oil and gas commissions to determine the need for clarifying language for “multiple zone completions” and “commingling production” and revise this rule. In addition, the Commission will consider revising the rule to use one term uniformly throughout the rule.</p> <p>The AZOGCC will replace "witness" with “observe.”</p>
R12-7-117	The AZOGCC will work with ADEQ to develop minimum requirements in the oil and gas rule that would meet the requirements of an aquifer protection permit to eliminate a duplicate permit burden, when the operator is performing artificial stimulation of a well under the oil and gas rules. The rules were consistent with industry standards at the time of adoption. If the governor extends the option to the AZOGCC to redraft the rules, the Commission will update the rules to current industry standards.
R12-7-121	<p>At a minimum, the AZOGCC plans to update the mailing address of the Oil and Gas Program Administrator to 1110 W. Washington St., Phoenix, Arizona 85007. Mail is no longer delivered to 416 W. Congress St., Tucson.</p> <p>The AZOGCC is working on creating a new form for confidentiality demonstrations in conformance with A.R.S. § 44-1374, which allows operators to claim geologic and</p>

	<p>seismic data, submitted as part of a drilling application, as a trade secret and therefore be protected from public disclosure. The AZOGCC informs oil and gas operators that submit drill permit applications to the Commission to use the new form, requesting confidentiality. An update to the rule referencing the form will be helpful.</p> <p>To reduce confusion and enhance clarity of what constitutes a well completion, the AZOGCC will incorporate the definition in A.R.S. § 27-551(2) of "completion operations" into R12-7-101.</p> <p>To reduce confusion, enhance clarity and expedite reporting of well completion data, the AZOGCC will add clarifying language, "on a form approved by the Commission", allow electronic submittal requirements, and enforce the use of Form #4 by operators.</p>
R12-7-122	The AZOGCC will consider adding language, "on a form approved by the Commission" and allow electronic submittal requirements. The AZOGCC may need to work with the IOGCC on the intent of this rule in order to determine what form best serves this purpose.
R12-7-126	The AZOGCC plans to add clarifying language, "on a form approved by the Commission" and allow electronic submittal requirements. The AZOGCC will consider more specific situations for the use of a Sundry Notice throughout the article.
R12-7-127	The AZOGCC will make the following revisions: change the wording from "witness" to "observe" where applicable; change "bore hole" to "borehole;" add requirements for a wellbore schematic diagram in the application; and require a photograph of the marker in place and its GPS coordinates with the plugging record.
R12-7-136	<p>The AZOGCC plans to include language in this section that clearly specifies a 15-calendar day public notice period is required before a public hearing on commingling production from pools.</p> <p>The AZOGCC plans to work with the Interstate Oil and Gas Compact Commission (IOGCC) and other states' oil and gas commissions to determine the need for clarifying language for "commingling production." The AZOGCC will replace "witness" with "observe".</p>
R12-7-137	This section specifies requirements for accounting of production from separate pools to prevent waste and protect adjoining interests from being illegally drained. Protects all producers in a unitized pool by requiring a public hearing and AZOGCC approval.
R12-7-138	This section regulates the production, sale and transport and venting of all casinghead gas in order to prevent waste. Specifies measurement and reporting requirements to the AZOGCC for gas produced from oil wells.
R12-7-139	The AZOGCC plans to include language in this section that clearly specifies a 15 calendar day public notice period is required before a public hearing on the use of a vacuum pump in a well. The AZOGCC plans to consult with the IOGCC as to the applicability of this rule in Arizona and revise the applicability language, if appropriate.
R12-7-142	If the governor extends the option to the AZOGCC to redraft the rules, the Commission will update the rules to current industry standards.

R12-7-151	The rules were consistent with industry standards at the time of adoption. If the governor extends the option to the AZOGCC to redraft the rules, the Commission will update the rules to current industry standards.
R12-7-152	The AZOGCC plans to add language in section 152(B) that clearly specifies that a 15 calendar day public notice period is required before a public hearing on whether to approve the utilization of gas in the manufacture of carbon black.
R12-7-153	The AZOGCC will add geothermal wells to the list, especially in the case of steam generation as a gas is produced in this process.
R12-7-161	The AZOGCC plans to add clarifying language, "on a form approved by the Commission" and allow electronic submittal requirements.
R12-7-175	The AZOGCC shall work with USEPA and ADEQ to understand which permitting requirements are redundant and overlapping with the other programs. The end result should be to remove the conflicts and inconsistencies, streamline the permitting process and amend the oil and gas rules accordingly to reduce the regulatory burden while still achieving the same objectives, consistent with the rulemaking moratorium.
R12-7-176	The AZOGCC plans to amend the rule to designate that a 15 calendar day notice is required before a public hearing on permitting new injection wells and to change section 176(A) to, "... is prohibited unless first authorized by ..."
R12-7-178	The AZOGCC plans to change R12-7-178(3)(c) to, "The Commission shall return 1 <u>one</u> copy of the request for transfer to the operator and 1 <u>one</u> to the proposed new operator ..." and to change 178(3)(c)(ii) to, "the Commission shall return 1 <u>one</u> copy of the request to the operator and 1 <u>one</u> copy to the proposed operator ..."
R12-7-181	This section may need revision to comply with the new PHMSA Interim Final Rule on underground natural gas storage. Regardless of that outcome, this section should be amended to refer to the application requirements in R12-7-104.
R12-7-182	"Storage well" should not be hyphenated in the rule's title. The AZOGCC will change "Storage-well" to "Storage Well", as in R12-7-181 and replace "witness" with "observe".
R12-7-185-188, -190, -194	The AZOGCC plans to add clarifying language, "on a form approved by the Commission" and allow electronic submittals.

Stakeholder Concerns/Approach: Stakeholders include permit holders, U.S. Environmental Protection Agency, the general public and ADEQ. The AZOGCC intends to conduct a robust and extensive stakeholder process to fully understand stakeholder concerns and will consult with ADEQ to ensure the rules align with ADEQ regulations. The AZOGCC will carefully consider any comments, studies, or data submitted by stakeholders regarding the cost, effectiveness, and impacts of any proposed rules. Prior to finalizing the rulemaking, the AZOGCC will conduct a formal comment period as required by A.R.S. § 41-1023(B).

Recommendation of rules to eliminate: The requirements of A.R.S. § 41-1039(C) do not apply because the AZOGCC is not requesting to adopt additional rules and does not anticipate that any rule amendments will increase regulatory burden beyond what is already statutorily required to

be set. During this rulemaking, the AZOGCC will strive to decrease regulatory burden by identifying and amending unduly burdensome or unclear rules.

Recommendation: The AZOGCC recommends that this exemption from the Rulemaking Moratorium be approved so the AZOGCC may amend A.A.C. Title 12, Chapter 7, Article 1 to update the Oil, Gas, Helium, and Geothermal Resources rules.



ATTACHMENT F

AZOGCC Confidentiality Request Form

For a period not to exceed two (2) years, you may assert a claim of confidentiality regarding well completion and other documents you are supplying to the Arizona Oil & Gas Conservation Commission (AZOGCC). In order to claim confidentiality you must complete Sections I, II, and III of this form. Mail completed form to the address below or submit via email to: azogcc@azdeq.gov.

Organization Name

Well Name / Number

- I. I do do not claim confidentiality for these records.
Complete Sections II and III below if you are claiming confidentiality.
- II. Please state whether confidentiality is claimed for all or part of the document(s). If for part only, specify parts for which confidentiality is claimed.
- III. Please state reason for confidentiality.

Document(s) contain information sensitive to homeland security.
Explanation:

Document(s) contain trade secrets
Explanation:

Document(s) contain information that if made public is likely to cause substantial harm to person's competitive position.

Explanation:

Other reason

Explanation:

IV. Additional Comments

Responsible Party Signature, Title	Date
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Mail completed form to:

ATTN: Christopher Schmidt, Administrator
Arizona Oil and gas Conservation Commission
In care of: Arizona Department of Environmental Quality
1110 W. Washington Street, Phoenix, AZ 85007

If you have any questions regarding this form please contact the Arizona Oil and Gas Conservation Commission at (602) 771-4501 or via email at azogcc.azdeq.gov.



Katie Hobbs
Governor

ATTACHMENT G

State of Arizona

Oil and Gas Conservation Commission

1110 W. Washington Street, Phoenix, AZ 85007

602-771-4501

www.azogcc.az.gov

Chris Schmidt, Administrator

APPLICATION TO DRILL PAYMENT FORM

Instructions. Fill out the information below. The permit application fee is \$25 per well. In the table provided, please indicate the well name or identification number for which the fee is to be applied, the check number, amount, and total remittance. Mail the completed form with your payment to the address shown.

Name _____ Date _____

Organization _____

Address _____

City _____ State _____ Zip _____

Phone _____ email _____

<u>Well Name</u>	<u>Check Number</u>	<u>Amount</u>
TOTAL AMOUNT PAID:	\$	

Please Remit Payment To:

ATTN: Christopher Schmidt, AZOGCC Administrator
Arizona Oil and Gas Conservation Commission
In care of: Arizona Department of Environmental Quality
1110 W Washington Street
Phoenix, AZ 85007