



**STATE OIL AND GAS COUNCIL
JANUARY 5, 2011
MISSOURI DEPARTMENT OF NATURAL RESOURCES
LEWIS & CLARK STATE OFFICE BUILDING
GASCONADE CAMP CONFERENCE ROOM
1101 RIVERSIDE DRIVE
JEFFERSON CITY, MO**

OPEN SESSION

MEMBERS PRESENT: Mr. John Madras, Clean Water Commission; Dr. Shari Dunn-Norman, Missouri University of Science and Technology; Mr. William Luebbert, Public Member; Mr. Joe Gillman, Division of Geology and Land Survey; Mr. Donald Ransom, Missouri Department of Economic Development

MEMBERS ABSENT: Mr. Robert Clayton, Missouri Public Service Commission

LEGAL COUNSEL: Mr. Don Willoh, Assistant Attorney General

STAFF PRESENT: Mr. Jerry Prewett, Geological Survey Program Director; Mr. Scott Kaden, Economic Geology Unit Chief; Mr. Kyle Rollins, Geologic Resources Section Geologist; Ms. Jane Williams, Geological Survey Program Executive and State Oil and Gas Council Secretary; Mr. Refaat Mefrakis, Water Protection Program

GUESTS PRESENT: Mr. Paul Pettit, Zero CO₂, LLC; Mr. Mark Phillips, Zero-CO₂, LLC; Mr. Frank Schuh, Palo Petroleum, Inc.; Mr. William Frew, Palo Petroleum, Inc.; Mr. Jace Graham, Palo Petroleum, Inc.; Mr. Jerry McNay, LaQuinta Gas Pipeline Co.; Mr. Gregory Dusselier, Geo-Force Environmental, Inc.; Mr. Tim Morrison, MegaWest Energy; Mr. Jim Long, MegaWest Energy; Mr. Phil Frick, D.E. Exploration; Mr. Jim Stegeman, Colt Energy, Inc.; Mr. David Bleakley, Colt Energy, Inc.; Mr. Lester Town, Town Oil Co.; Mr. Ruben Alza, Iromad Consultant; Mr. Joe Taglieri, Running Foxes Petroleum

With a quorum being present, the open session was brought to order by Mr. Madras at 1:32 p.m. Mr. Madras asked for introductions of council members.

MINUTES OF THE OCTOBER 18, 2010 MEETING

Dr. Dunn-Norman moved to accept the minutes of the meeting held on October 18, 2010 as circulated. Mr. Ransom seconded the motion. Motion carried unanimously.

UPDATE ON LEMCO OPERATING COMPANY PLUGGING PROJECT

Mr. Kaden updated the Council on the Lemco Operating Company plugging operation.

BLANKET SPACING EXEMPTION FOR VERNON COUNTY OR DELEGATION OF AUTHORITY TO STATE GEOLOGIST

Mr. Kaden updated the Council regarding this previous agenda item that was tabled at the last meeting. At that time, the Council asked for a legal opinion on this. At this meeting, Mr. Willoh stated the Council could not delegate the authority to approve a spacing exemption without a regulation change. Therefore, these requests will require Council approval.

COLT ENERGY SPECIAL PROJECT STATUS REQUEST FOR THE CLAYPOOL UNITIZED LEASE

Mr. Jim Stegeman with Colt Energy gave a power point presentation explaining their request for special project status for the Claypool unitized lease. After discussion, several questions, and staff recommendation, Mr. Ransom moved to approve Colt Energy's special project status request for the Claypool unitized lease. Dr. Dunn-Norman seconded the motion. Motion carried unanimously.

COLT ENERGY SPECIAL PROJECT STATUS REQUEST FOR THE BERNARD JOHNSON LEASE

Mr. Jim Stegeman with Colt Energy gave a power point presentation explaining their request for special project status for the Bernard Johnson lease. After discussion and staff recommendation, Dr. Dunn-Norman moved to approve Colt Energy's special project status request for the Bernard Johnson lease. Mr. Ransom seconded the motion. Motion carried unanimously.

PALO PETROLEUM SPECIAL PROJECT STATUS REQUEST FOR THE BUSHWACKER LEASE

Mr. Frank Schuh with Palo Petroleum gave a power point presentation explaining their request for special project status for the Bushwacker lease and explaining the continuous heavy oil production "chop" process involving horizontal wells. After discussion, several questions, and staff recommendation, Mr. Ransom moved to approve Palo Petroleum's special project request for the Bushwacker lease. Mr. Luebbert seconded the motion. Motion carried unanimously.

ZERO-CO₂, LLC SPECIAL PROJECT STATUS REQUEST FOR THE JOE IDA LEASE

Mark Phillips with Zero-CO₂ gave an explanation to the Council regarding their request for special project status for the Joe Ida lease. After staff recommendation, Dr. Dunn-Norman moved to approve Zero-CO₂'s special project status request for the Joe Ida lease. Mr. Gillman seconded the motion. Motion carried unanimously.

LAQUINTA GAS PIPELINE COMPANY GAS WELL SPACING EXEMPTION REQUEST FOR TOWNSHIPS 55 AND 56 OF RANGE 30 WEST IN CLINTON COUNTY

Mr. Jerry McNay with LaQuinta Gas Pipeline gave an explanation to the Council regarding their request for a gas well spacing exemption in Clinton County. This request includes 72 sections of Township 55 and 56 North, Range 30 West. After discussion, several questions, and staff recommendation of 40 acre spacing, Dr. Dunn-Norman moved to approve LaQuinta Gas Pipeline Company's request for 10 acre spacing and strongly suggested the applicant utilize the Missouri University of Science and Technology's well drilling expertise in determining geologic properties of the reservoir when drilling commences. Mr. Gillman seconded the motion. Three Council members voted yes to approve and one Council member voted no. Motion carried.

RUNNING FOXES PETROLEUM VOLUNTARY UNITIZATION REQUEST FOR EMMERSON AND STONER/BUSHMAN LEASES

Mr. Taglieri with Running Foxes gave an explanation to the Council regarding their request for voluntary unitization for the Emmerson and Stoner/Bushman leases. Mr. Gillman moved to approve Running Foxes Petroleum's voluntary unitization request for the Emmerson and Stoner/Bushman leases. Mr. Ransom seconded the motion. Motion carried unanimously.

SCHEDULING OF QUARTERLY MEETINGS FOR 2011

Mr. Kaden suggested the Council have quarterly meetings due to the increase in issues that need to be addressed. He suggested having meetings in January, April, July, and October. Mr. Madras stated staff would work with Council on scheduling quarterly meetings.

Mr. Madras commended staff on the pre-meeting information.

OTHER BUSINESS

Mr. Bleakley with Colt Energy had a question regarding the blanket spacing exemption of Vernon County. Mr. Gillman suggested we table this issue and make this an agenda item for the next meeting in order to receive a legal opinion. Mr. Kaden asked Mr. Bleakley for an official request for the blanket spacing exemption of Vernon County.

Dr. Dunn-Norman announced the Missouri University of Science and Technology will be hosting a two-day technical meeting on April 18 and 19, 2011 and invited everyone to attend.

Mr. Kaden updated the Council on the regulation changes. Staff has asked for permission to begin rulemaking at the Department level. Once this approval is received, staff will initiate development of proposed amendments.

As no other business was brought before the Council, Mr. Gillman moved to adjourn the meeting. Mr. Ransom seconded the motion. Motion carried unanimously. The open meeting of the State Oil and Gas Council was adjourned at 3:31 p.m.