



Missouri
Department of
Natural Resources

**STATE OIL AND GAS COUNCIL
APRIL 19, 2011
MISSOURI DEPARTMENT OF NATURAL RESOURCES
MISSOURI UNIVERSITY OF SCIENCE AND TECHNOLOGY
HAVENER CENTER
MISSOURI AND OZARKS ROOM
1346 NORTH BISHOP
ROLLA, 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; Mr. Kevin Gunn-Missouri Public Service Commission

MEMBERS ABSENT: None

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; Van Beydler-Division of Environmental Quality Public Information Officer; Hylan Beydler-Division of Geology and Land Survey Division Public Information Officer

GUESTS PRESENT: Paul Frick-D.E. Exploration; David Bleakley-Colt Energy; Bruce Taylor-Blue Tip Energy; David Nordt-Blue Tip Energy; Nick Powell-Colt Energy; Jim Stegeman-Colt Energy; Kenton Hupp-IGWT; Lester Town-Town Oil Company; Jeff Steinke-Warrior Operating Company; Jace Graham-Palo Petroleum

With a quorum being present, the open session was brought to order by Mr. Madras at 10:03 a.m. He noted that we were having this meeting in conjunction with Missouri University of Science and Technology's Energy Technology Symposium. He also noted that this meeting will be streaming live on the web. Mr. Madras introduced all Council members and asked for all guests and staff to introduce themselves.

MINUTES OF THE JANUARY 5, 2011 MEETING

Mr. Madras noted a name change on the minutes. Dr. Shari Dunn-Norman made a motion to accept the minutes of the meeting held on January 5, 2011 with the noted name change. Mr. Ransom seconded the motion. Mr. Gunn abstained from the vote because he was not a member of the Council at the last meeting. Motion carried.

2010 OIL AND GAS REPORT

Mr. Rollins gave a power point presentation on the 2010 Missouri oil and gas activities.

UPDATE ON LEMCO OPERATING COMPANY PLUGGING PROJECT

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

COLT ENERGY BLANKET SPACING EXEMPTION REQUEST

Mr. Bleakley with Colt Energy gave a power point presentation regarding their spacing exemption request for nine counties in Missouri. This petition requested the Council reduce the spacing unit size from 40-acres to 2.5-acres for the nine counties where oil reservoirs occur less than 1,200 feet below ground surface and allow for wells to be drilled no closer than 165 feet to the lease or property line. These counties include Bates, Caldwell, Cass, Clay, Jackson, Platte, Ray, St. Louis and Vernon. After extensive discussion and amendment, Mr. Gunn made the following motion: "For oil bearing formations in the counties of Bates, Caldwell, Cass, Clay, Jackson, Platte, Ray and Vernon, the spacing requirements for wells less than 1,200 feet be no less than 2.5-acres." Dr. Dunn Norman seconded the motion. Roll Call vote: Mr. Gunn, yes; Mr. Luebbert, yes; Mr. Gillman, yes; Mr. Madras, yes; Dr. Dunn Norman, yes; Mr. Ransom, yes. Motion carried.

OIL AND GAS COUNCIL REGULATION AMENDMENT UPDATE

Mr. Kaden updated the Council on the amendment of regulations. Staff received official word from the Department to proceed with rulemaking. Staff plans to have a general draft for Council to review at the next meeting.

PROCEDURE FOR APPLYING FOR AND MAKING DECISIONS ON EXEMPTIONS AND SPECIAL PROJECT REQUESTS

Mr. Prewett addressed the Council and explained the Council is becoming more active than in years past, and it is the goal of staff to accurately put together a briefing of items to be addressed at each meeting. Staff intends to improve this process and get more information to Council members prior to each meeting.

COLT ENERGY SPECIAL PROJECT REQUEST FOR ALT AND KENNEDY LEASES

Mr. Stegeman with Colt Energy gave a power point presentation regarding their special project request. Colt Energy requested special project status for their Alt and Kennedy leases in Vernon County. The Alt Lease is located in the west half of the southeast quarter and southwest quarter of the northeast quarter of Section 3, T35N, R33W. The Kennedy Lease lies in the west half of Section 28, T35N, R33W. Regulations have established spacing units for oil wells as a governmental quarter/quarter section (40 acres). Colt requested special project status be granted to set the unit boundary based on the lease line and allow for the liberal location of both

production and injection wells. This will allow Colt to utilize enhanced recovery techniques to recover oil on these leases which otherwise would be unrecoverable due to the geologic occurrence of the oil reservoir and the properties of the oil itself. Mr. Luebbert moved that the Council accept the request as submitted by Colt Energy. Dr. Dunn Norman seconded the motion. Roll Call vote: Mr. Gunn, yes; Mr. Luebbert, yes; Mr. Gillman, yes; Mr. Madras, yes; Dr. Dunn Norman, yes; Mr. Ransom, yes. Motion carried.

SCHEDULING OF JULY, 2011 MEETING

After discussion, Mr. Madras suggesting our next meeting be on Tuesday, July 12, 2011 in Lee's Summit, MO. He suggested the following additional meetings: October 18, 2011 in Joplin, MO and January 17, 2012 in Jefferson City, MO.

OTHER BUSINESS

Mr. Jeffrey Steinke with Warrior Operating Company asked what action was taken with the Laquinta Gas Pipeline Company's request for a gas well spacing exemption at the January, 2011 Council meeting. Mr. Madras stated that the request was approved. Mr. Steinke asked for a copy of the application and the related paperwork from that request. Mr. Steinke stated he would get with staff after the meeting to make arrangements for his request.

Mr. Gillman made a motion that the Oil and Gas Council meet in closed session at the next regular Council meeting for the purpose of discussing matters protected from disclosure by law as provided for in Section 610.021, RSMo., including but not limited to: legal actions, pending litigation, and attorney-client privileged matters with the Council attorney. Mr. Ransom seconded the motion. Motion carried.

As no other business was brought before the Council, Mr. Ransom moved to adjourn the meeting. Mr. Gunn seconded the motion. Motion carried. Open meeting was adjourned at 12.05 p.m.