

OIL AND GAS CONSERVATION COMMISSION
MEETING: June 10, 1964
Mr. John Bannister, Executive Secretary

A G E N D A

OIL AND GAS CONSERVATION COMMISSION
1624 West Adams, Room 202
Phoenix, Arizona

June 10, 1964
9:30 a.m.

1. Approval of the minutes of the previous meeting.
2. Consideration of the hearing in the matter of the application of Eastern Petroleum Company for the creation of a Navajo Springs unit.

3. *Bill Cooper - No - report on Temp.*

NOTE: We apologize for this short notice; however it was unavoidable.

9/10 Owens

*Bundle of Minutes
9/10/64*

[Handwritten scribbles]

D R A F T
MINUTES
State of Arizona
Oil and Gas Conservation Commission
1624 West Adams, Room 202
Phoenix, Arizona
May 27, 1964

COMMISSIONERS PRESENT:

Lynn Lockhart, Chairman
R. Keith Walden, Vice Chairman
Charles Kalil, M.D., Member
Lucien B. Owens, Member

OTHERS PRESENT:

John Bannister, Executive Secretary
John K. Petty, Petroleum Geologist

COMMISSIONER ABSENT:

Orme Lewis, Member

Chairman Lynn Lockhart called the meeting to order at 9:30 a.m. in the Conference Room adjoining the Auditorium of the State Highway Department at 206 South 17th Avenue, Phoenix, Arizona. It was noted that Commissioner Orme Lewis was not present because he had disqualified himself in the matter of Eastern Petroleum Company's application for unitization of the Navajo Springs Unit to be heard at 10 a.m. today. He had notified the Commission beforehand that unless his presence was required for a quorum at this portion of the Commission meeting preceding the hearing, he would not be present at all this morning.

Commissioner Lucien B. Owens' motion to accept the minutes of the previous meeting as prepared was seconded by Commissioner R. Keith Walden, unanimously approved, and so ordered.

The Commissioners then discussed the scheduling of a meeting to render the decision regarding the hearing to be conducted today immediately following this meeting. It was pointed out that since Commissioner Lynn Lockhart, Mr. John Bannister, and Mr. John Petty would be attending the Interstate Oil Compact Commission Meeting in Billings, Montana, June 22nd through 24th; it might be well to schedule the regular June Commission meeting for some date other than the usual meeting date of the fourth Wednesday of the month which would be June 24th. Since the Commissioners had no way of predicting whether time would allow them to reach a decision today in the matter to be heard, it was agreed that the Commissioners would meet June 10th in lieu of June 24th at which time they would handle regular Commission business and also render a decision if not done so today.

Commissioner Charles Kalil advised that the other Commissioners should make whatever plans they wished regarding the June meeting as he would be unable to attend since he had some previous plans which would prevent his being present at any Commission meeting in the near future. He advised that he was not certain that he would be able to remain throughout the proceedings today.

Commissioners Kalil, Owens and Walden advised they would be unable to attend the Billings Interstate Oil Compact Commission Meeting June 22nd through June 24th.

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It was pointed out that in connection with the hearing today, the interested parties are allowed ten days to offer additional material and the Commissioners are allowed thirty days in which to reach a decision.

Mr. Bannister reported the new Eastern permit No. 282 on the #30 Well, and also mentioned the conflict between Richard Harless and the Bureau of Land Management. Commissioner Kalil commended Mr. Bannister for his tact and diplomacy in the handling of Commission matters. Mr. Bannister reported briefly on the potash problem and advised that Mr. Petty has it pretty well solved by having obtained many samples, with many more samples available.

Mr. Petty then reported that on the field trip it was noticed that Eastern and Kerr-McGee wells were not marked, but that it appeared that some signs had been torn down since they had been put up. He also reported that Mr. Henry Fullop, President of Eastern Petroleum had advised him that he would repair the leaking well which is reported in Mr. Petty's written report.

Mr. Petty was asked to comment on the well abandoned in Kaibab Forest (Rip C. Underwood - Jacob Lake Unit Well #1-32, File #275) which he did stating that it had been drilled down to 3600 feet and logged to that depth and that they could not get logging tools down to the extra 268 feet. He also explained to the Commissioners the process of drilling with air and using foam.

Commissioner Walden reported on the problem encountered and solution of same in connection with a water well he had drilled at Sahuarita to 2,500 feet.

Commissioner Charles Kalil reported on an article in a recent issue of the Oil and Gas Journal dealing with the Secretary of Interior's proposed meeting with the big oil and pipeline people on May 26th, to consider somehow taking up the deposits that exist in the reservoirs, particularly in Southern California. He advised that whether the oil industry is seriously going to consider additional pipelines tapping the reserves of the mid-continental area or whether imports would be relaxed more to permit more foreign oil to come in would have a bearing on the attractiveness and desirability of exploration in the state of Arizona. He reported he had talked personally with Mr. Charles Anderson, Chairman of the Utah Oil and Gas Commission, in Miami a year and a half ago who told him how Utah had taken necessary precautions in reserving certain percentage of any pipeline traversing the state to the West Coast and that the New Mexico Oil Conservation Commission had advised him they were sorry that they had not put some reservations providing them with a priority of their production from pipelines in certain parts of that state. He expressed the opinion that it would behoove this Commission to very seriously consider approaching this problem in this coming session of the Legislature, whether it be through a statute which we have which can be enhanced under the jurisdiction of the Corporation Commission or the Oil and Gas Conservation Commission, whereby we here in this state would reserve a certain percentage of the capacity of any additional pipeline traversing

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this state if and when we have the production. He advised that it would be well to become informed on Utah's handling of the situation in their state, and that this matter should be considered seriously soon.

In response to Commissioner Kalil's above suggestion, Commissioner Walden made the motion that this Commission look into the matter of reserving a percentage for the transportation of Arizona production of future pipelines traversing the state of Arizona, with the intent of probing the possibility of sponsoring some legislation in this matter, and that Mr. John Bannister be delegated to visit the Oil and Gas Conservation Commission of the State of Utah at his convenience to investigate their handling of the situation in their state. Motion was seconded by Commissioner Kalil, unanimously approved, and so ordered.

Upon motion duly made, seconded, and unanimously approved, the meeting was adjourned at ten a.m., and the Commissioners proceeded to the Auditorium of the State Highway Department for the hearing of Case No. 15.

JB/mkc

June 5, 1964

TO THE COMMISSIONERS:

Re: Case No. 15
Navajo Springs Unitization

Gentlemen:

Enclosed herewith please find a letter directed to Eastern Petroleum Company from Mr. C. M. Carraway, Petroleum Engineer with James A. Lewis Engineering, Inc.

As you will recall, during the hearing held May 27th concerning the captioned unit, it was discovered that Eastern Petroleum Exhibits No. 8 and No. 10 were in error due to a mathematical error in calculation in net sand thickness allocated to the Santa Fe No. 35 Well. The enclosed are Eastern's corrected figures as prepared by James A. Lewis Engineering, Inc. As you will note, the net effect of this error is extremely slight and in essence does not materially change the overall picture presented by Eastern.

We will attempt to establish a conference call between this office and each of you on Monday, June 8th, in order to discuss the Commission's order which will be forthcoming on June 10th.

Yours very truly,

John Bannister
Executive Secretary

JB:mko
Encl.

1. Enclosures: Letter dated May 29, 1964, File No. 5542, from C. M. Carraway, James A. Lewis Engineering, Inc., to Eastern Petroleum Company.
 2. Table 5 - Calculated Gas-In-Place by Tracts (Two pages)
 3. Map: "Isopachous Map, Net Productive Coconino Sand, Figure 4, 5542"
 4. Table showing Gas Productive Volume, Acre Feet, Participation Factor, Decimal Fraction.
- To: Mr. Lynn Lockhart, Chairman
Mr. R. Keith Walden, Vice Chairman
Mr. Lucien B. Oress, Member
Office of The Attorney General

STATE OF ARIZONA
OIL, GAS & HELIUM PRODUCTION
APRIL 1964

COMPANY	WELL NAME AND NUMBER	FIELD	FORMATION	BARRELS	CUMULATIVE
OIL					
Humble Oil & Refining Co.	Navajo Tribe of Indians "E"	E. Boundary Butte	Paradox	86	28,960
Humble Oil & Refining Co.	Navajo Tribe of Indians	E. Boundary Butte	Paradox	157	2,450
Pan American Petroleum Co.	Navajo Tribal "F" #1	Undesignated Paradox	Paradox	97	6,221
Shell Oil Company	Navajo Tribal #23-11	E. Boundary Butte #8	Paradox	197	8,251
Shell Oil Company	Franco Western Navajo #1	North Toh-Atin	Paradox	8,824	9,183
The Superior Oil Company	Navajo "H" #14-16	Twin Falls Creek	Paradox	5	599
Texas Pacific Oil Co.	Navajo Tract 138	Dry Mesa	Mississippian	507	118,870
Texas Pacific Oil Co.	Navajo Tract 138	Dry Mesa	Mississippian	2,179	120,683
Texasaco, Inc.	Navajo Tribe "AG" #1	Walker Creek	Devonian	2,013	27,878
				<u>14,065</u>	<u>323,095</u>
TOTAL OIL					
HELIUM GAS					
Kerr-McGee Oil Industries	Fee #1 Unit III	Pinta Dome	Cocconino	8,422	183,569
	Fee #2 Unit VIII	"	"	6,831	148,047
	State #1 Unit VI	"	"	2,837	92,881
	State #3 Unit IV	"	"	124	4,976
	State #2 Unit V	"	"	14,115	331,278
	State #4 Unit I	"	"	484	39,456
	Barfoot State #1	Navajo Springs	"	4,130	4,130
Eastern Petroleum Company	State #1-28 Unit II	Pinta Dome	"	7,538	140,460
	State #1-2 Unit IX	"	"	3,470	62,599
	State #1-10 Unit X	"	"	653	15,540
				<u>48,604</u>	<u>1,022,936</u>
TOTAL HELIUM GAS					
NATURAL GAS					
Humble Oil & Refining Co.	Navajo Tribe of Indians	E. Boundary Butte	Paradox	34,197	350,571
Humble Oil & Refining Co.	Navajo Tribe of Indians "E"	E. Boundary Butte	Paradox	4,650	421,086
El Paso Natural Gas Co.	Navajo Tribal - Bita Peak #1	Bita Peak	Bita Peak	6,227	297,479
Shell Oil Company	Navajo Tribal #23-11	E. Boundary Butte 8	Paradox	18,252	388,072
Shell Oil Company	Navajo Tribal #2	E. Boundary Butte 7	Paradox	12,370	205,101
Shell Oil Company	Franco Western - Navajo #1	North Toh Atin	Paradox	0	228,394
The Superior Oil Company	Navajo "H" #14-16	Twin Falls Creek	Paradox	1,037	93,750
				<u>76,733</u>	<u>1,984,453</u>

Mailed 6/4/64

The Arizona Republic ☒ Phoenix, Sat., May 29, 1934

Resignation Accepted

Gov. Fannin said yesterday he will accept the resignation from the Arizona Oil and Gas Commission of Dr. Charles Kalil, Phoenix physician.

Dr. Kalil sent the governor a letter of resignation Thursday after serving 4½ years on the commission. He indicated he was dissatisfied with progress of oil and gas exploration in the state.

Gov. Fannin declined to comment on Kalil's resignation, except to say he does not have a successor in mind.

"I hope to find a businessman with a background in the field of oil and gas development if I can, because the work of this commission can mean a great deal to Arizona," Fannin said.

Commissioner Kalil Quits Oil, Gas Post

Dr. Charles Kalil resigned from the Arizona Oil and Gas Commission yesterday.

Gov. Fannin was in Tucson to address a meeting of the Tucson Chamber of Commerce when Dr. Kalil's letter of resignation was delivered to his office. Fannin is due back today.

Kalil has been a dissident voice on the oil and gas commission for most of the 4½ years he has served on it. He reportedly was unhappy because of failure of the legislature to pass a bill to appropriate \$250,000 to offer as a bonus to the first operator to bring in a 1,000-barrel producing oil well.

OTHER MEMBERS of the oil and gas commission, headed by Lynn Lockhart, have expressed gratification at the progress of exploration, particularly since drilling permits recently were obtained to put a well down on the Black Mesa formation on the northern part of the Hopi Reservation and the start of exploration in North Kaibab.

In his letter to the governor, Kalil declared: "My principal purpose of accepting a five-year appointment to the commission, which entailed sacrificing time from my medical practice, was my sincere desire to participate in guiding the development of oil and gas resources

within the State of Arizona, exclusive of the Indian reservations. I have sincerely and honestly attempted to accomplish this goal.

"RELIEF TO our taxpayers, which could have resulted through a more concentrated effort with the anticipated exploration and development program, has not in my opinion been equitable in comparison to any actual advancement made in their behalf. Arizona has a great potential for petroleum development. I am confident that the potential will someday be realized."

Lockhart expressed surprise at Kalil's resignation.

"We passed a resolution at our meeting Wednesday that he recommended," said Lockhart. "It was a good resolution, requiring that any oil pipeline right-of-way granted across Arizona should stipulate that a portion of the pipeline capacity be available for Arizona oil."

LOCKHART SAID other members of the commission differ sharply with Kalil over progress made in oil and gas development in Arizona. "We met all day Wednesday working on a unitization program with Kerr-McGee and Eastern Oil on another helium area, but Dr. Kalil left at noon, and he never said anything to us about resigning."

Lockhart, a Democrat, praised Gov. Fannin for his efforts to encourage oil and gas development.

"He is a Republican but he certainly has worked for Arizona," Lockhart said.

Blast At Fannin

KALLIL RESIGNS

STORY, PAGE 3

Cool, Zoo, Cool

The cool, cool Phoenix Zoo today (brrr) announced (shiver) that it will initiate (sheesh, it's cold) summer hours tomorrow.

The new operating hours will be from 9 a. m. until sundown daily.

Earl L. Bimson, president of the Arizona Zoological Society, said that the zoo probably is the coolest unrefri-

gerated place in the Valley of the Broiling Sun.

"We have five lakes," he said, huddled in his overcoat, "and one gets breezes off lakes." (Ed. Note--that's what he said.)

Turning blue with the cold, Bimson said that the climate is so arctic-like, the zoo plans to exhibit Polar bears and snow leopards next summer.

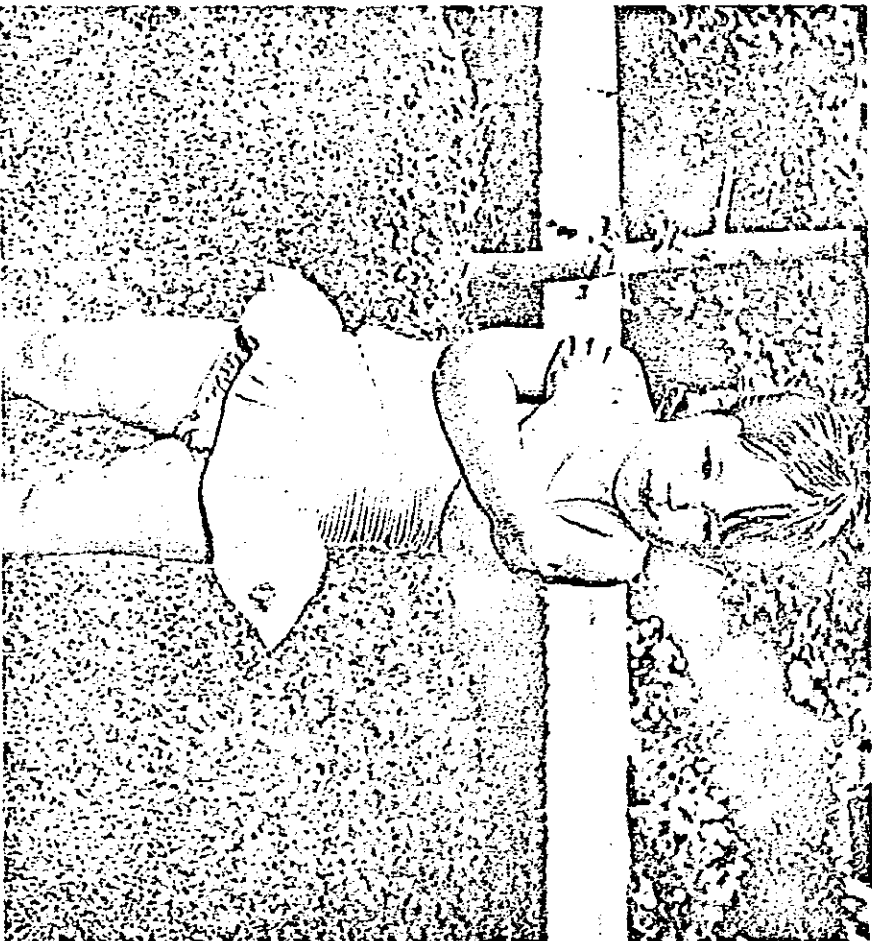
Javits Screams

Names at GOP:

Barry Counts

STORY, PAGE 2

Bimson's a Cool One!



AN ACTRESS -- Ann Torrence, 2-year-old daughter of Mr. and Mrs. Dale Torrence, 3412 W. Glenrosa, gets in the swing of things as far as Earl B. Bimson, president of the Arizona Zoological Society, is concerned. Bimson may think it's cold outside and Ann is perfectly willing to act the part. But she really knows that the mercury is at a warm 90 degrees today. (American Photo by Earl McCartney)

Fannin Keeps State Oil Poor

Governor Fannin has taken a major part in blocking development of oil resources in Arizona.

The Fannin appointed Arizona Oil and Gas Commission is "useless" and follows the governor's line of non-action on development of natural resources essential to cutting taxes on property.

Are major oil companies deliberately refusing to drill for oil and gas here so they can make Arizona a pipe transmission state for foreign oils to California?

These charges were made and this question asked today by Dr. Charles Kail, Phoenix physician and member of the Arizona Oil and Gas Commission, in announcing he had sent Governor Fannin his resignation from the state agency. Kail, a prominent Maricopa County Republican, was a Fannin appointee.

Kail, in his letter of resignation to Fannin, stated that his own personal goal of seeking to achieve tax relief for homeowners by development of gas and oil within Arizona had met only with failure because of inaction by the state.

In an interview, Kail charged that Fannin had been "a major stumbling block" in expanding oil and gas production in Arizona. He asked simultaneously, "Do the major oil companies really want any production here or do they just want to use our state for a pipe transmission line?"

The Phoenix physician, well known in the state for his knowledge of the oil and gas industry, stated, "I have been a lone voice among the other Fannin appointees on the commission in endeavoring to make Arizona a real production center on oil and gas exclusive of the Indian reservations. The state simply has to encourage and develop natural resources to decrease taxes or we will all owe our collective and individual shits to the government."

Kail said that he had finally gotten rid of the restrictive market demand statute in Arizona. This controlled and regulated the flow of oil and gas.

Dear Governor Fannin:

After nearly five years, without missing a single meeting as a member of the Arizona Oil and Gas Conservation Commission, I am tendering my resignation effectively immediately.

Although six months remain to complete my five year tenure in office, I deem it advisable to resign at this time.

My principle purpose of accepting a five year appointment to the Commission, which entailed sacrificing time from my medical practice, was my sincere desire to participate in guiding the development of oil and gas resources within the State of Arizona exclusive of the Indian Reservations. I have sincerely and honestly attempted to accomplish this goal.

Relief to our taxpayers which could have resulted through a more concentrated effort with the anticipated exploration and development program, has not in my opinion been equitable in comparison to any actual advancement made in their behalf.

Arizona has a great potential for petroleum development. I am confident that the potential will someday be realized.

Very truly yours,
CHARLES KAIL, M.D.

"The next step that was needed," he said, "was to encourage drilling. We people who saw this growing tax menace believed that by creating an incentive bonus we could encourage investors to drill for the natural resources of this state, thus creating a new source of revenue for the state."

Kail explained that he had sought passage of an incentive bonus measure in the legislature. This would have awarded \$250,000 in state bonuses for the first producer to bring in 1,000 barrels of crude oil a day for 90 days. He said the measure was killed in the last session and that the governor had "been a major stumbling block in this specific phase also."

Kail stated that California needs the high gravity crude oil which Arizona possesses in abundance. He said that under present plans oil companies only plan to run more pipes through the state for transmission of the fuel to California from Texas and New Mexico.

"Why should we go along with this plan?" asked Kail, "when we have what California needs in abundance and can sell it directly to them without serving as a transmission line for foreign imports and exports from other states?"

Kail said that Fannin had been instrumental in killing a bill that would have eliminated the oil and gas commission. "It would seem that this commission is now only in existence to restrain our natural output of oil, not to encourage the industry," said Kail.

This was the second Fannin-appointed agency to bring discord among Republicans. Last year two Republicans resigned from the state welfare board after Fannin refused to call for the resignation of Robert Bohannan Jr., a political associate.

JFK BIRTHDAY

