

23 X 23

1433330

October 8, 1964

Mr. E.R. Richardson
2929 Monte Vista Boulevard, N.E.
Albuquerque, New Mexico 87106

Dear Mike:

Thank you for your letter of October 6, 1964 and the attached reproduction of the sheet from PI.

It is likely that another bill offering a bonus for the first producing oil and/or gas well in the State not on Indian lands will be introduced in the Legislature again this coming year.

However, I think that your suggestion does have much merit and I will discuss this idea with our Commissioners at the next meeting.

I certainly appreciate the evidence that both you and Curtis have given me of your joint interest in our State. Don't let the Kaibab discourage you with the State of Arizona, inasmuch as I know you as well as the rest of us feel it is just a question of time until Arizona does join the ranks of our producing states.

If we may be of any help to you at any time, please advise.

Yours very truly,

John Bannister
Executive Secretary

mr

E. R. Richardson

2929 MONTE VISTA BOULEVARD, N.E.

TELEPHONE AL 6-9854

ALBUQUERQUE, NEW MEXICO 87106

October 6, 1964

Mr. John Bannister
Oil & Gas Conservation Commission
Room 202
1624 West Adams
Phoenix, Arizona

Dear John:

You probably think that Curtis and I have nothing else to do but dream up problems for you to work on, but neither of us have to tell you that we are sincerely interested in promoting activity in Arizona. I read your answer to Curtis' letter regarding the photogeologic maps and if there is anything either of us can do to assist you with the Commission, please let us know.

Enclosed is a photocopy of a page out of this week's PI which you may or may not have noticed. Such a deal would take work but I believe you might be able to get help from such organizations as the Chamber of Commerce, Livestock Growers Association, the Arizona Development Board, banks and other interested organizations or people to raise a pot. With a private situation such as this, the Legislature might then implement to the extent of building up an attractive premium.

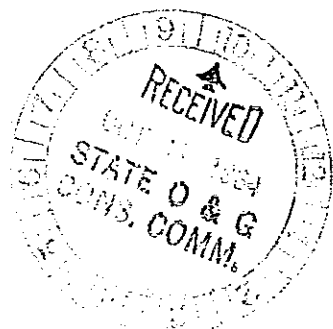
After the Kaibab I probably ought to have my head examined for still being interested in Arizona - but never did have much sense.

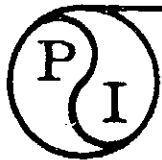
Best regards,



E. R. Richardson

ERR:ln
Encl.





This Week...

Vol 37 No 193
Friday
10-2-64

DEEP PRODUCTION OFFER

To encourage deep exploration in Kimball County, Nebraska a citizens group has created the Kimball Deep Oil Jackpot Escrow. It offers a cash reward for the first production in the county from Wolfcamp (Permian) or below. Creation of the fund was commenced by Joel H. Wiens, president of the Bank of Kimball. In the first day and a half, \$25,000 was raised. Committees consisting of civic and business leaders have taken over the project and will continue a drive aimed at further enlarging the award fund. It will be held in escrow at the Bank of Kimball from now until October 1, 1966, the termination date set for the offer. Production, for purposes of the award, is defined as a well which will produce 100 bbls of oil per day for 60 days and is producing at that rate on the 60th day. The county has no preCretaceous production, has had very little deeper exploration.

OFFER WITHDRAWN

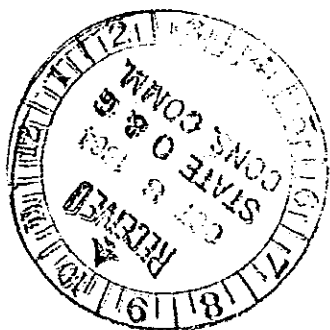
The first group to propose purchase of Pure Oil has withdrawn its offer because of Pure's delay in commencing negotiations. A letter signed by the heads of Allied Chemical, Consolidation Coal, and by a partner in Carl M. Loeb, Rhoades & Co gave notice of the withdrawal but left the way open for another bid by this group when Pure "is ready to enter into definitive negotiations." This group's original bid on June 23 was followed by several offers from competing groups. At least one of the other combines has since withdrawn its offer. Pure, following the most recent withdrawal, has announced that it remains receptive to merger proposals as well as other possibilities. The firm has asserted that its management has exerted every effort to complete preliminary work involved in possible merger or sale.

RECORDS TRANSFER OPPOSED

The executive committee of the Rocky Mountain Oil & Gas Association has voted to put the association on record as opposed to transfer of Indian land title records from Billings, or from any other area office of the Bureau of Indian Affairs, to Portland, Oregon. RMOGA opposition is to be made known to all affected members of the Congress. Montana's Senator Mansfield has been quoted as saying that he is not satisfied with the action taken by the Indian Bureau and that he intends to see that every effort is made to prevent the proposed transfer of records.

OIL BENEFITS HIGHEST

A survey released by the U.S. Chamber of Commerce shows that the oil industry ranks first among manufacturing industries in amount of fringe benefits paid to its employees. The survey showed that in 1963 the industry paid \$1977 in fringe benefits to each employee... equivalent to 90.4 cents per payroll hour. The average for all manufacturing industry was \$1372 per employee.



October 1, 1964

Mr. Curtis J. Little
2929 Monte Vista Blvd., N.E.
Albuquerque, New Mexico

Dear Curtis:

I very much appreciate your letter of September 24, 1964 concerning the maps in the DAI Office in Denver showing photogeologic work in Arizona, Utah, and New Mexico.

Yes, I agree that this work should be available to those interested in oil and gas within this State. But as you are aware, the Oil and Gas Conservation Commission works on an extremely close budget and I do not know if we could get authorization for the expenditure that you indicate might be necessary.

However, inasmuch as I feel a very definite contribution could be made to this State by the possession of this information, I will discuss this with our Commissioners at my earliest opportunity and get their feelings concerning this.

I very much appreciate the interest evidenced by you in our State. If I can be of service to you at any time, please let me know.

Yours very truly,

John Bannister
Executive Secretary

mr

JB

Curtis J. Little
CONSULTING GEOLOGIST
2929 MONTE VISTA BLVD., N.E.
TELEPHONE AM 8-8741
ALBUQUERQUE, NEW MEXICO

September 24, 1964

Mr. John Bannister
Executive Secretary
Arizona Oil & Gas Conservation Commission
3500 North Central Avenue
Phoenix, Arizona

Dear John:

I enclose a plat showing Doeringsfeld, Amuedo and Ivey's photogeologic coverage of Arizona. At the time this work was done I was District Geologist for Monsanto Chemical Company and my company underwrote the work which cost \$6 per square mile. The work was performed in 1957-58. We had several field parties ground checking the photo interpretation and as a result the finished maps were very detailed insofar as surface geology is concerned.

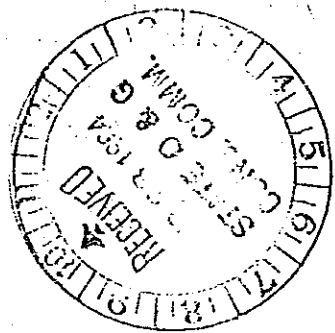
While visiting last month in DAI's offices in Denver, I suggested that they present their entire Arizona coverage to the State of Arizona, the Hopi and Navajo Tribes for purchase in the proportion of the Indian lands versus the other lands. I believe that if the maps were jointly purchased by the three groups, each would realize a quick payout for their investment. The maps being made public would result in more leases in effect at higher prices and I believe a marked increase in exploration and drilling funds spent thereon. As it is now, only large companies are able to afford an expenditure for the information. The maps would stimulate independents throughout the state. If the three Groups jointly purchased DAI's map coverage and made it available to the public at a reasonable cost (which should include a fair profit per map to the Group), part of the cost of the maps could be recovered from map sales.

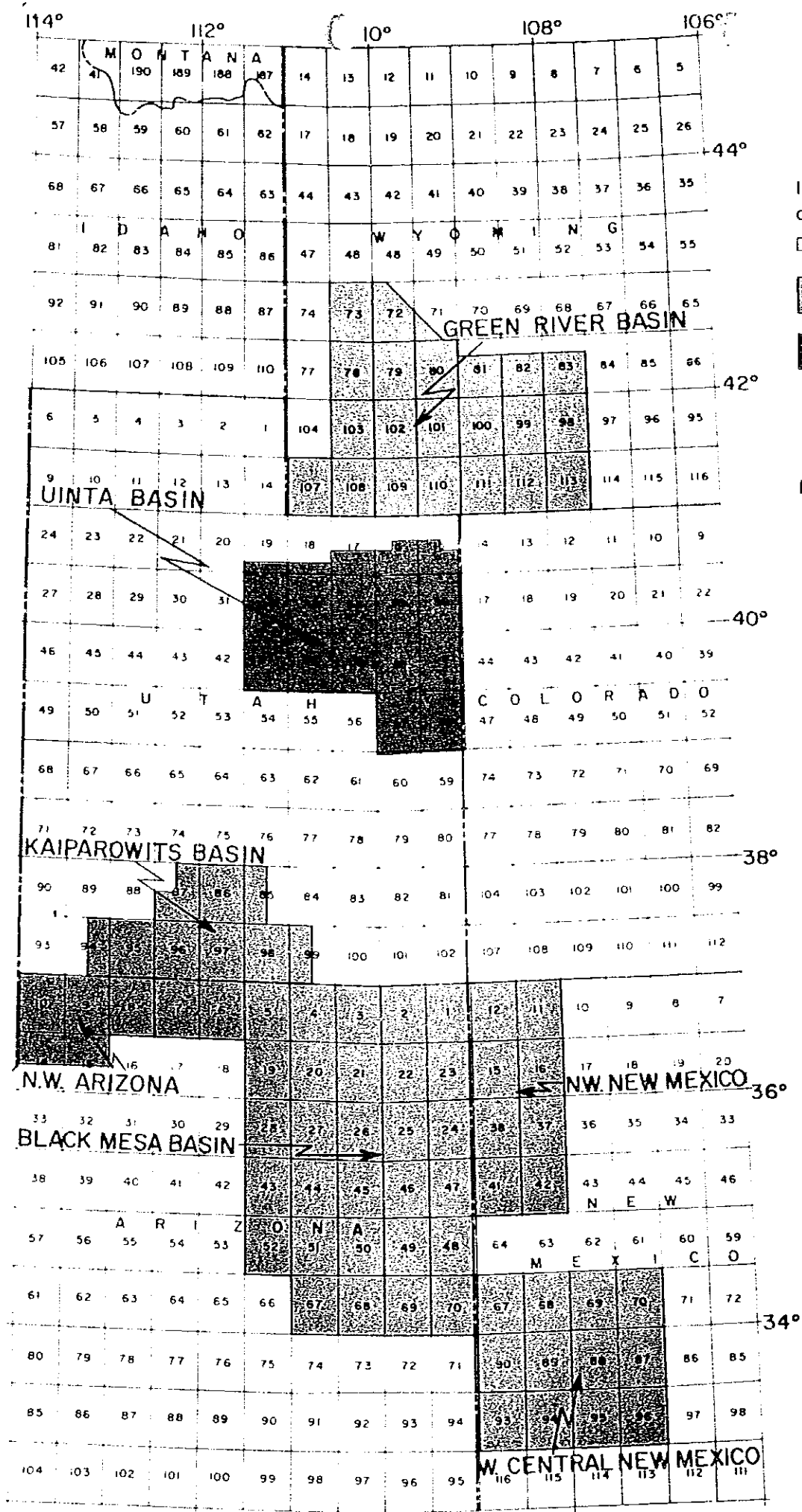
I believe that a purchase of the entire coverage could be negotiated for \$50,000. Incidentally, the BLM recently purchased photo maps such as these recently covering Wyoming.

Yours very truly,




Curtis J. Little

CJL:ln
Encl.





Index to copyright photogeologic
coverage available from
Doeringsfeld, Amuedo and Ivey.

-  Immediately available
-  Available early 1962.

Prices sent upon request.



DOERINGSFELD, AMUEDO & IVEY
240 WASHINGTON ST
DENVER 3, COLORADO
SH 4-3147

WALDEN:

Has Governor authorized air travel via private plane
in writing to State Auditor (ARS 38-623).

Can find nothing in our files.

September 21, 1964

Memo to: File
From: John Bannister, Executive Secretary
Re: Harless-Federal 27B Well
NW/4NW/4, S4-T17N-R4E, Yavapai County, Arizona
File 278

On Friday, September 18, 1964 Mr. Richard Harless notified me that it was the intention of the operator on this well to run logs sometime that evening.

On September 19th I went to Sedona and found that Slumberger had logged the well. The crew chief, Jess B. Maxwell out of Farmington, New Mexico, I contacted.

According to the information I received, electrical logs, Gamma Ray Neutron and sonic logs were run.

Total depth of this hole is apparently about 1956 feet. There is a bit laying approximately ten feet off the bottom of the hole and covered by about 15 feet of cave-in granite wash material. Samples of this material are available.

In logging the well the interval 1696 feet to 1907 feet was logged. Apparently the hole is open and useful to 1907 feet, and for all intents and purposes this will be the total depth of the well.

A member of the Harless crew informed me the logs revealed four possible producing intervals. I later examined the logs with Mr. Maxwell and as nearly as I can determine it would be feasible to perforate two zones. Inasmuch as there are no logs in this area with which to correlate the Harless well logs it is difficult to say what the prospects will be. Based upon production reported by Harless from this well, and therefore assuming that there is oil in the hole, the two zones look like possible production.

I would guess that we have a situation of oil floating on water in both the zones. There is apparently a water zone at about 1696 to 1700 feet, accounting for the operator's trouble with water.

One of the Harless crew informed me that it is the intention of Mr. Newton to run pipe to total depth sometime during the week of September 21, to bring in Halliburton to do the cement job, and to bring back Slumberger to perforate the hole. It is anticipated that Early October will give us the full answer to this area.

It is the announced intention of the operator to complete this well into the tank prior to commencing another well.

CONFIDENTIAL

Memo to File

2

September 21, 1964

I spoke to Mr. Ozzie Young by telephone and he and the crew member to whom I spoke were extremely enthusiastic about their prospects. Mr. Young informed me a copy of the logs had been made for the State and will be furnished to us sometime in the future.

I talked to Mr. Phil McGrath, USGS, on September 21 and he in general agrees with me that the picture looks favorable if there has been oil taken from the hole. With nothing to correlate these logs it is difficult to say what will be encountered. He has received no further word as to the plans of Mr. Harless or Mr. Newton and will advise me when he does.

CONFIDENTIAL

September 11, 1964

Honorable Paul Fannin
Governor, State of Arizona
State House
Phoenix, Arizona

Dear Governor Fannin:

Pursuant to your instructions I attended the meeting of the Interstate Oil Compact Commission in Oklahoma City, Oklahoma, on September 8, 1964.

Attached for your records please find a folder containing the agenda of the Executive Committee meeting, together with operating reports for the Commission and a second preliminary draft of Purposes, Background, and Conservation Practices, which has been prepared by the Governors Special Study Committee.

The initial part of the meeting in Oklahoma City concerned the work being done by the Governors Special Study Committee which has resulted in the second preliminary draft. This draft was approved and has been passed on to the editing committee for final preparation.

The final draft should be substantially as this second preliminary draft. However it is still not too late to secure any changes that might be necessary. This office has checked the statements concerning Arizona, as has the Attorney General's Office, and finds that no changes need be made on our behalf.

I should personally like to thank you for the opportunity to attend this meeting.

Yours very truly,

John Bannister
Executive Secretary

BT
enc
cc: Commissioners

MINUTES

August 26, 1964

Commissioners present:
Lynn Lockhart, Chairman
R. Keith Walden, Vice Chairman
Lucien R. Owens, Member
Orme Lewis, Member

Others present:
Senator Marshall Sims
John Bannister, Executive Secy
Robert P. Davidson
Henry Fullop
Roy Sharp
Jim Fulton
Alfred Morgan
Paul Brown
C.A. Martin, Jr.
Bill King
W.E. Cooper
Marjorie Rushton

Chairman Lynn Lockhart called the meeting to order at 9:05 a.m. in the conference room, Highway Department.

Motion was made and seconded that the minutes of the previous meeting of June 10, 1964 be approved as submitted.

Mr. Bannister called attention to the confidential report of August 19, 1964 mailed previously to each of the Commissioners concerning Ram Oil Company vs Mr. Roy Sharp, holder of the Sierra Bonita Ranch oil lease, and read Mr. Sharp's letter addressed to the Commission, in which Mr. Sharp contended that all rules and regulations had not been complied with, particularly as to Ram not using a blow-out preventer.

Mr. Bannister stated that Mr. Petty informed him that he had checked with Ram's Mr. Harden and had told Mr. Harden that a blow-out preventer was not needed and would not be required. Mr. Bannister further stated that this problem appeared to be a quarrel between two parties. Ram was current with the requirements of the Commission and not in violation of any rules and regulations; the ranch owner had no quarrel; and that every opportunity for Ram to perform should be granted.

Mr. Walden opined the Commission should not be involved in a lease dispute between these parties because the Commission is not a regulatory body in that sense; the operator was given permission by our geologist to operate without a blow-out preventer; and that the Commission should take no issue on this thing whatsoever.

It was directed that Mr. Bannister write the two parties accordingly.

Mr. Bannister indicated that Ram may request another extension and so far as he is concerned he intends to grant the extension and asked for comments from the Commissioners.

Mr. Owens stated that the Commission had no place in the quarrel, but that the Commission should go along with the Rules and Regulations.

Minutes
August 26, 1964

In response to the next call for business from the Chairman, Mr. Bannister suggested that the Kerr-McGee Application for Hearing, concerning the Navajo Springs Unit, be the next item of business.

Mr. Orme Lewis disqualified himself from this portion of the meeting.

Mr. Bannister presented as background the following: The Unit Hearing was held the last of May and the Commission granted the Unit June 10. On July 30 Eastern Petroleum presented evidence that the necessary parties, 63% of the royalty owners and working interest owners, had agreed and executed a unit agreement so the unit became effective July 31.

Kerr-McGee had been closed-in 60 days to allow the operator, Eastern, to get the signatures in. August 10, ten days after the Unit became effective, the suspend order on Kerr-McGee came to an end and Kerr-McGee was notified that they could produce the Barfoot, subject to the Unit Agreement.

On August 10 Eastern Petroleum held an operator committee meeting, which is the controlling committee under the Unit Agreement. As part of this they agreed to begin actual physical operation on August 21. In the interim they would be making their inventory so as to bring everyone into equal financial position.

Kerr-McGee wants to produce right away and requested Eastern to start the Barfoot. Eastern replied they would be glad to work out some system where they could produce on a day-to-day basis or month-to-month basis, subject of course to Unit Agreement.

Meantime Kerr-McGee has said Eastern will not produce and will not let them produce; so either make Eastern start producing, or let Kerr-McGee produce the Barfoot.

Mr. Bannister stated he believed the application improperly before the Commission and should not be there that the Commission had approved a unit plan whereby correlative rights are being protected and a procedure was set up for producing this unit. This is a matter that can be handled, and there are ways to handle, under the unit agreement. He did not think we should step in again as a judge of contention between two parties. The Commission's position is to see that the Unit Agreement and the Unit itself is protected.

Mr. Davidson, counsel for Eastern Petroleum, Unit Operator, opposed the granting of a hearing for the following reasons: The Commission lacked jurisdiction; the application failed to state a claim upon which the relief requested can be granted; and the application requested alternative relief by requesting permission to produce unlawfully in violation of Section 27-534.

Mr. Davidson then detailed chronologically the steps taken by Eastern to get the Unit into operation. All unit members were present at the organization meeting August 10. Dr. Barlow was represented by proxy by Kerr-McGee. Basic data, as required by the Agreement, such as title opinions, original leases and contracts, all production and well data, had been requested from all members but as yet Kerr-McGee had not complied. The Unit as such is run by an operating committee and by majority vote. This is application by disqualified minority interest owners and they have not made any request of the operating committee to study this problem.

Minutes
August 26, 1964
Page 3

Mr. Davidson stated Eastern was perfectly willing to produce the same amount of gas that Kerr-McGee had previously nominated as unit production.

Chairman Lockhart queried as to whether the Barfoot well was running or shut-in. Mr. Davidson replied it was shut-in.

Mr. Henry Fullop, Eastern Petroleum, stated they had no intention of hurting Kerr-McGee, that Kerr-McGee could take their production in kind--this was the purpose of a unit.

Mr. Owens indicated that it seemed that what Kerr-McGee is asking is not in conformity with what the Commission did when it established a field-wide unitization with an operating committee to operate this unit, and that in actuality the basis on which the operator determines that any well will be operated within a unit is the basis on which that well must be operated. And to ask for a set-aside of one well, out of unit agreement, is in effect asking for repeal of the Commission authorization. They should be given a chance to operate and this application for set-aside be denied at this time.

He so moved, the motion was seconded and passed.

Meeting recessed at 10:00 a.m. to permit the conduct of the hearing between the Hopi Indians and Superior Oil Company.

Meeting reconvened at 11:40 a.m., with Mr. Lewis participating.

The proposed budget for 1965-66 was discussed. The increase in personnel and monies was justified by the anticipated increase in activity with Eastern and Arkansas-Louisiana and the work that must be done in connection with existing wells to bring them into line with the Regulations.

Senator Sims indicated it was his opinion that the budget application would be well received with the addition of a new employee, a "records clerk" at \$6,000.00. This was a rather high salary for a run-of-the-mill clerk. Further discussion decided that "administrative assistant" would be more properly descriptive of the position.

Mr. Bannister was directed to prepare the budget along this line and to verify percentages of increase or decrease.

Senator Sims suggested that to substantiate the request for capital outlay, a new auto, that invoices for repairs and maintenance on the old automobile be presented to the legislative committee.

Chairman Lockhart raised the question of hiring a new geologist. It was decided that Mr. Bannister should have 2 or 3 outstanding applicants present for interview at the September Commission meeting.

Mr. Lewis questioned the naming of a well. The well seemed to be different from the pattern or policy for naming wells. Mr. Bannister will scrutinize the naming of wells.

Minutes
August 26, 1964
Page 4

Chairman Lockhart urged all Commissioners to attend the October 28 meeting with the Navajo Indians. Mr. Hamister will firm up the arrangements.

The matter of Arizona being represented at the hearing in Federal Court in Portland, Oregon, State of Montana vs Assiniboine Indians to compel the Indians to pool and space oil wells was discussed and it was agreed by the Commission that Arizona would not be represented at this hearing.

Mr. Hamister presented a list of people and/or firms who might be of interest to the Commissioners when they go around and contact people to poll their interests and intentions in Arizona.

It was decided that a record continue to be maintained of all telephone calls and visitors received in the office of the Oil & Gas Conservation Commission.

Meeting adjourned at 12:55 p.m.

To: J. Barnister
From: J. Searlock

Date: 10-26-64

Subject: Elevations of wells in the Harless Area.

Our records show the following
elevations for wells in the subject area.

Harless #1 (or #9) Federal --- elev. 4415 Gt.

Harless #27 --- " 4415 Gt.

Harless #27B --- " 4412 Gt.

Harless #36C --- " 4443 Gt.

Yucca Carry Fee #1 --- " 4386 KB.

A G E N D A
OIL & GAS CONSERVATION COMMISSION
October 28, 1964

9:00 a.m. Call to order.

1. Approval of minutes.
2. Approval of report by Commission Geologist.
3. Approval of report by Executive Secretary.
4. Old business.
5. New business.
6. Adjourn.

10:00 a.m. Meeting with Navajo Tribal Officials

This meeting in Window Rock has been confirmed.

October 20, 1964

Memo to: Commissioners
From: John Bannister, Executive Secretary

The first Hopi Indian oil and gas lease sale was held at Keams Canyon, Arizona on September 29, 1964. 91 tracts were offered; 56 tracts were sold.

The total bonus offered was \$984,000 with the total acreage being leased 82,907 acres. This acreage is all in Navajo County.

U.S. Geological Survey has made a recommendation that all bids below ten dollars per acre be rejected. As yet the Hopi Indians have made no decision as to this.

The highest bid was Tenneco Oil Company's bid of \$77.97 per acre for a total bonus of \$97,000+.

Almost all major companies were represented with the exception of Continental, Humble, and Superior. A few of the newcomers to Indian bidding were Pennzoil, Kerr-McGee, Kiwani, Forest Oil, and Shamrock.

Humble Oil has been granted a non-exclusive one-year permit to explore the 16,000 acres of the Fort Apache Indian Reservation. This is an exploration permit and no development can be done under this arrangement.

The IOCC is requesting that reservations be made for the December 10-12, inclusive, meeting in Biloxi, Mississippi. Will all Commissioners who hope to make this meeting please advise me so that we may submit our reservations at the earliest possible moment.

O'Donnell-Ewing Drilling Company has commenced a well in the southwest corner of Section 5, Township 17N, Range 4E, Yavapai County. This well is being drilled by a rotary, and of course is a diagonal offset to the Harless operations northeast of Cottonwood.

Mr. O'Donnell lost circulation at 803 feet; and after mudding up and losing his mud three successive times, decided to drill by air. He located three compressors and a booster in Edmonton, Alberta and purchased same. This air equipment is now on location and drilling should commence by October 21. It is anticipated that with this equipment this well should be completed to 2,000 feet by about the 24th or 25th of this month.

We visited the Harless operation on the 13th of October. At this time Slumberger was shooting this well. Our latest in-

Page 2

formation is that approximately 80 feet of the pay zone, somewhere between 1750 and 1850, were shot. Currently they have been pumping this well and so far only water has been recovered.

It is my belief that if this well can be made into a producer, it will be necessary to frack the entire zone and Mr. Newton has advised that he is considering fracking the area.

As you are aware, Mr. Jim Scurlock has joined our staff as Geologist. I am sure that we will all find him most suitable to this position. I personally am very pleased to have obtained his services. We became well acquainted on our recent swing throughout the northern part of the State and I find him to be very knowledgable.

As of this date our visit to the Navajo Indians at Window Rock is still on and should there be any change in these plans I will notify you.

mr

October 20, 1964

Memo to: Commissioners
From: J.R. Scurlock, Geologist

I wish to thank the Commission for appointing me Geologist. Be assured that I intend to do a good job for the Commission in this capacity.

As you know, I went to work in John Bannister's office October 1st. During the first week Mr. Bannister began acquainting me with the files and with office procedure. We spent the second week in the field where Mr. Bannister took me on a tour of the active drilling area near Cottonwood, to the well cuttings lab at the Museum of Northern Arizona in Flagstaff, and to the helium field and refinery at Navajo.

My family and I are enjoying living in Scottsdale, and I personally am favorably impressed with the job thus far. I have discovered that Mr. Bannister, unfortunately, is a strong supporter of the Yankee baseball team; however, I do not anticipate that this will result in any appreciable friction.

mr

October 8, 1964

Memo to: Commissioners, Oil and Gas Conservation Commission
From: John Bannister, Executive Secretary
Re: James R. Scurlock, Geologist

As you are aware, Jim Scurlock has joined the staff of our office as of October 1.

Jim is a graduate of Yale University with a degree in geology and has had extensive training in this field in various technical schools.

It will be much to our benefit to have Jim registered as a Geologist with the Arizona State Board of Technical Registration.

On the attached sheet please find listed the gentlemen who comprise the Board. It is requested that you contact any of these gentlemen that you may know on behalf of Mr. Scurlock.

It is my understanding that this Board next meets this coming December and it would be much to our advantage should Jim be able to register at this time.

Your help in this endeavor will be greatly appreciated.

mr

ARIZONA STATE BOARD OF TECHNICAL REGISTRATION

Mr. John H. Stufflebeam, Chairman
P.O. Box 1711
Tucson, Arizona

Mr. Fredrick T. Weaver, Vice Chairman
128 E. Camelback Rd.
Phoenix, Arizona

Mr. John Girand, Secretary
6601 N. Black Canyon Highway
Phoenix, Arizona

Mr. Martin Ray Young, Jr.
50 S. Udall
Mesa, Arizona

Mr. C.W. Dryden
P.O. Box 999
Flagstaff, Arizona

Mr. E.D. Herreras
1331 E. Waverly
Tucson, Arizona

Mr. Howard S. Coleman
Dean, College of Engineering
University of Arizona
Tucson, Arizona

Mr. H.L. Royden
P.O. Box 3707
Phoenix, Arizona

Mr. B.J. Shell
P.O. Box 1031
Tucson, Arizona

ARIZONA OIL REPORT

SUITE 609, 3600 NORTH CENTRAL AVENUE PHOENIX, ARIZONA - CR 7-5779

REPORTING CURRENT LEASE FILINGS AND ASSIGNMENTS FOR FEDERAL AND STATE LANDS.
COMPLETE, ACCURATE, AND CURRENT REPORTS ON FIELD WORK, NEW LOCATIONS,
COMPLETIONS AND PROGRESS.



VOLUME SEVEN, BOOK 20, September 25, 1964

HARLESS RUNS LOGS

Logs were run September 19th on the Harless #27 located in the NW NW Section T-17-N R-4-E, Yavapai County, Arizona. The well is being drilled right. Total depth is below 1900'. Pipe had been run to 1696' and then drilled on to 1756'. Testing was done between 1696-1756', and it was rumored oil had been recovered from this zone. Additional drilling continued to T.D. and logs were run. Additional pay zones were rumored between 1756-1900'. Plans call for production string to be run to TD at which time additional logs will be run. Perforating would be done from those logs and if successfully completed, it would be the first oil in the state outside of the Indian Reservation.

SNOWFLAKE AREA TO GET TEST

Taubert & Stead of Wichita Falls, Texas, have made application for a basement test to be drilled west of the old Lydia Johnson wells in Navajo County, Arizona. The well, Taubert & Stead-Babbitt Bros. Fee #1 - NEENE Section 35 14N-19E, Navajo County, Ground elev. 6010'.

Taubert & Stead are well known independent operators and drillers in North Texas. They are presently operating over 100 wells in the North Texas area. W. A. Stead is past President of the North Texas Oil & Gas Association and a director of the I.P.P.A.

The Lockhart well and Lydia Johnson wells in Section 33, T-14-N R-20-E have been quite a controversy here in the state. According to the reports, the Lydia Johnson well had both oil and gas of commercial quantity.

APACHE TRIBE OPEN WAY TO OIL EXPLORATION ON RESERVATIONS

Two Arizona Indian tribes have opened the way for oil and gas explorations and leases on 2,005,538 acres of their respective reservations.

At Whiteriver, the White Mountain Apache Indian Tribe approved a permit for the Humble Oil Company to explore for oil and gas on the 1,600,000 acre Ft. Apache Indian Reservation.

Lester Oliver, tribal chairman, said the nine-member tribal council approved a one-year prospecting permit for the company, the first to be granted on the reservation.

The first sales of oil and gas mining leases on the Hopi Indian Reservation were scheduled at Kaans Canyon Tuesday.

ARIZONA OIL REPORT

September 23, 1964

Apache Tribes Continued

Oliver said the Humble permit, which is good until September, 1965, is a nonexclusive oil and gas prospecting permit and is the first of what may be similar permits in the area.

A nonexclusive permit allows other companies who may be interested in prospecting to file for permits subject to the approval of the council.

Robert E. Robinson, superintendent of the Ft. Apache Indian Agency, said the granting of the first oil and gas exploration permit to Humble is part of a joint tribal and BIA program aimed at furthering exploration and development of the natural resources on the reservation.

The permit is for prospecting only. If the company plans to drill, additional negotiations will be made with the tribal council.

No details were available on the extent of the proposed exploration work by Humble nor of the specific areas in which it intends to prospect.

BIG HELIUM PLANT TO BE BUILT IN KANSAS

One of the world's largest liquid-helium plants, a multimillion-dollar privately owned facility, will be built for Kansas Refined Helium near Otis in Rush County, Kansas.

American Messer Corp., New York, will design and build the plant. It will have a capacity of 24 Mcfd of input gas and a liquid-helium output equivalent to 500,000 scfd of gas.

American Messer says the plant will produce "super-pure" helium, using a two-step process. First step involves separation of a methane-rich fraction, which contains nitrogen, and almost pure helium. Next step is liquefaction of the pure helium gas.

New plant will supply liquid helium for national distribution network announced recently by Air Reduction Sales, New York. Liquid helium will be tank trucked at temperatures near absolute zero to distributor points at Boston, Camden, N.J., Chicago, and Richmond, California.

Plant is expected to be in operation by next April.

STATE GEOLOGIST NAMED - James E. Scurlock will become State Geologist October 1st. Mr. Scurlock will come to the State from Superior Oil Co. He has spent the majority of his time in the San Juan Basin and studying the Black Mesa Basin in Northern Arizona for Superior. He has also worked with Atlantic Refining Co. and Lario Oil & Gas Co. in Midland, Texas. Mr. Scurlock has had special schooling with Schlumberger, Halliburton, American Stratographic Co. and Petroleum Research Corporation. He is a graduate in Geology from Yale University, is married, and the father of five children.

September 11, 1964

To: Commissioners
From: John Bannister, Executive Secretary

This is to advise that there will be no Commission Meeting during the month of September.

As each of you has been advised by telephone, there will be a special meeting of this Commission to hear an application by Kerr-McGee Oil Industries, Inc. to be allowed to produce the Navajo Springs Unit.

This hearing will be held at the Highway Department auditorium on October 21, at 10:00 a.m.

In addition, there will be the regular Commission Meeting to be held on October 28. This is the meeting which will be held in Window Rock, at which time we will combine both our business and a meeting with the Indians. I will make a definite appointment for this meeting with the Indians and will advise you at a later date.

mr

September 4, 1964

To: Commissioners
From: John Bannister, Executive Secretary

Re: Hopi Indians vs Superior Oil Company
Hearing No. 16

Both the Hopi Indians and Superior Oil Company have requested permission to file briefs with the Attorney General on the captioned hearing, and the Attorney General has granted this permission.

Of necessity these briefs will delay the ability of this Commission to reach a decision within the ten-day period allotted by the Statutes, and both parties have waived this requirement. It is anticipated that we will not be able to reach a decision until the week of September 14.

As soon as the Attorney General's opinion reaches us I will set up a conference call so that we may issue our order.

BT

How turbodrill was improved for Mohole

COMPARED with earlier turbine drills, which haven't had much success in U.S. drilling, the new Mohole model promises easy maintenance and longer life on bottom.

The new version has these innovations:

- A three-section design, which provides flexibility to add or subtract power. One section of the turbine has 78 stages, and the other has 77. Spline connections between sections provide for quick makeup. The third section of the turbocorer contains the thrust bearings.
- Extra thrust and radial bearings, which increase the drill's life on bottom.
- The thrust-bearing stack, area of greatest wear, is positioned at the lower end of the drill for ease of maintenance. Older turbodrills have the thrust-bearing stack at the top where it is hard to get at for service.
- Plastic thrust bearings, which last longer than the rubber thrust bearings used in earlier turbine drills. The plastic material is Viton.
- A face seal at the lower end of the turbine, which reduces bypass of drilling fluid through the lower radial bearing and keeps from starving the bit. Without the face seal, too much fluid would pass around a worn lower radial bearing and escape at the top of the bit sub.
- Outer stabilizers, which reduce movement between the turbodrill and the hole wall.

hole. Magnitude of the potentiometer's electrical output is proportional to the position of the pendulum. This signal is displayed at the surface on a meter calibrated in degrees.

- Turbodrill speed. To sense the turbine drill's rotating speed, eight powdered-iron magnets are spaced equally around a rotor section. When the turbine rotates, these magnets induce voltage pulses into a pickup coil mounted in the instrument-package assembly. Frequency of these pulses is proportional to the speed of the turbine relative to the instrument package. At the surface, the electrical signals are displayed on a meter calibrated in rpm.

- Thrust-bearing wear. This is an "end point" measurement which indicates maximum permissive wear to the drill's thrust-bearing stack. As thrust-bearing wear progresses, the rotor assembly comes in contact with the lower surface of a disk holding 10 equispaced magnets. When friction between the magnet assembly and the rotor assembly becomes sufficient to shear a pin holding the magnets, the magnets start rotating around a pickup coil mounted in the instrument package. The voltage induced into the pickup coil is the

signal to the driller that the turbodrill needs service.

- Pressure drop across turbodrill. This is determined by a differential-pressure-sensitive, linear-voltage-displacement transformer (LVDT). Pressure sensing is accomplished by subjecting one end of the LVDT armature to the turbine-input pressure and the other end to the turbine-discharge pressure. An oil-filled-bellows arrangement actuates the armature. Each armature end is separately enclosed, and each bellows is subjected only to its respective pressure.

- Amount of core in barrel. An LVDT transducer unit senses the height of the core in the core barrel. The upper end of the LVDT armature is fastened to a linear spring, and a segmented ball chain is suspended from the lower end of the armature. The suspended chain hangs freely in the empty core barrel. The weight of the chain decreases as the chain's free end is raised by a core entering the barrel.

Other measurements taken down hole and transmitted to the surface are cable tension at the instrument-package head, position of the instrument-package latch, and instrument-package input voltage.

Compact may hold oil's last chance to stem U.S. control

ERNEST B. Miller, Jr., a Tidewater Oil Co. vice-president, warned last week that the Interstate Oil Compact Commission must make some "courageous and sound" decisions on state regulation of the oil industry—or the federal Government will take control.

Speaking at the annual meeting of the Louisiana-Arkansas division of the Mid-Continent Oil & Gas Association in New Orleans, Miller said the hopes of the industry lie with the commission's current effort to solve conservation problems and thereby preserve the regulatory powers of the states.

"It has never been the function of the IOCC to direct, to command," Miller said. "Its function has been to lead, to persuade. The job today is to bring the commission forward into this era of advanced technology and still maintain that historic role."

"If this great system, devised specifically to achieve a wise balance between federal and state petroleum regulatory functions, cannot rise to meet the present heavy responsibilities, we are likely to find that our partner (Uncle) Sam has moved from now on into the chief executive officer's chair."

Miller, general manager of Tidewater's southern division at Houston, also said the time has come for industry and Government to improve their relationship.

"Whether we invited him in or not, he is in our business to stay," Miller remarked. "We may think he has some cockeyed ideas, and it is well within the rules of a partnership to try to change these notions." But the oil industry must avoid "automatically and blindly opposing everything our partner Sam wants."

Miller took sharp issue with the Government's interdepartmental proposal for petroleum statistical data.

"Taken at face value, these and other developments seem to be tapping out an unmistakable signal—that our partner Sam wants an even stronger role in the oil business."

WHAT IS PERCENTAGE DEPLETION?

It is an income tax deduction explicitly provided for in the law. It recognizes that an oilman's barrel of oil is his real estate and product rolled into one. When he sells it, he sells away part of his capital. His ordinary income is taxable like anyone's. But if his capital also were taxed, he would soon be out of business. Percentage depletion prevents his capital from being taxed.

The principle of percentage depletion was adopted by Congress in 1926, and it holds for almost all extractive industries. About 100 mining categories ranging from sand and gravel to uranium and sulphur operate with varying percentage depletion allowances. The petroleum industry qualifies as one of the 100 because it, like the rest, is essentially a mining activity. Its depletion rate was established at 27.5 percent.

When he files his income tax report, the oilman applies a deduction of 27.5 percent of the gross income from his producing property, but not more than 50 percent of the net income from that property. This is intended to give him a tax deduction for the capital value of his oil.

It is important to remember that percentage depletion does not apply to all of an oilman's income. Only to income from production. Income from sales or refining is not affected.

After careful study, Congress devised a formula to permit the property owner to recover the capital value of his minerals in the ground. And as the cost of discovery and development of the mineral deposit increases, its value also increases. The higher costs resulting from the greater risks and difficulties encountered in discovering a petroleum deposit, and the uncertainty of its quantity, are reflected in a higher percentage value for petroleum. Other minerals, with lower exploration and development costs, and therefore lower values in the ground, receive lower percentages.

How Has the Provision Worked, in Practice?

The percentage depletion provision has been largely responsible for this country's abundant supply of low-cost energy—an abundance that can be tied directly to the United States' amazing economic growth over the last half-century.

Currently, about 75 percent of this nation's energy comes from petroleum and natural gas, and our personal mobility and industrial strength are unmatched any-

where. Our military power, very heavily dependent on petroleum and its products, is recognized as the free world's most telling deterrent to global war.

All this has come about largely because of the success our nation's oilmen have had in their search for petroleum reserves. It has been a search full of risk, and one of the important aspects of the percentage depletion provision is the encouragement it gives oilmen to keep up their search despite the risks.

What About the Industry's Tax Payments?

Under the percentage depletion provision, does the oil industry pay its fair share of the nation's tax burden?

The answer is a definite "yes." The oil industry pays \$2 billion in taxes annually. These are direct taxes, other than taxes on products. The industry pays in taxes, excluding excise and sales taxes, about 5 percent of its gross revenues. The percentage for all manufacturing and mining is the same. Oil bears its full share of the tax burden.

If excise and sales taxes are included in the oil industry's tax bill, the figure grows by another \$6 billion, or 17 percent of gross revenue. That would make a total amount equivalent to 22 percent of gross revenue going to government for taxes.

How About Oil Industry Profits?

The oil industry's profits are not excessive. Its average rate of return on net assets from 1954 to 1963 was 11.9 percent. The 10-year average rate of return for all manufacturing industries was 11.8 percent. In 1963, 16 major industries were more profitable than oil. Oil clearly does not make runaway profits.

And Prices?

In the period 1954-63, the retail price of gasoline, exclusive of excise taxes, dropped 6.7 percent while the consumer price index rose 14 percent and the purchasing power of the motorist's dollar fell by 42 percent.

In 1963 the national average gasoline price to the motorist was 20.1 cents a gallon (or about half the price of a gallon of distilled water in a supermarket). This was the price without excise taxes. In 1928, the year the 27.5 percent depletion provision was written into law, the price of gasoline was 21 cents. So, since 1928 gasoline prices actually have come down from 21 to

20.1 cents a gallon. And today's gasoline is about twice as efficient as the fuel sold in the '20s.

Is the 27.5% Rate Too High?

Some critics of percentage depletion admit it may be all right in principle, but argue that the 27.5 percent rate is too high. Here, too, facts provide an answer.

Percentage depletion is intended to return, as a tax deduction, the value of the oil. But if you take oil at \$3 a barrel today and apply the 27.5 percent depletion rate, you get 82.5 cents. In practice, because of the 50 percent limitation on net income, the average percentage depletion rate is somewhat lower than 27.5 percent. You cannot negotiate today to buy oil in the ground at 82.5 cents a barrel. The price is more like a dollar and a quarter. The depletion rate is not too high. Actually it is too low.

Percentage Depletion Has Done a Good Job

After nearly 40 years, the 27.5 percent depletion provision is so much a part of the oil industry and bears so directly on oil's service to its customers (which includes virtually all other industries) that any significant change in its basic fabric would cause serious economic dislocations. First, there would be less exploration—the unfortunate decline in the essential exploration and development phases of the oil industry would be accelerated. Second, prices would go up. People would have to pay more (some estimates are as much as five cents a gallon) for gasoline.

The facts show the oil industry pays its fair share of taxes, that its profits are not excessive, that gasoline prices are fair and indeed have declined in relation to other commodities, and that it badly needs an incentive for exploration and development.

Percentage depletion has encouraged the search for oil. It has stimulated our economic growth. It has helped give us an abundant supply of low-cost energy. It has strengthened the free world's security.

For a more complete account of percentage depletion, send for Texaco's new booklet. Write: Public Relations Division, Texaco Inc., 135 E. 42nd Street, New York, N. Y. 10017.



3 The Arizona Republic

Phoenix, Wed., Sept. 16, 1964

Land Bureau Gives State \$195,935 Check

The State of Arizona will receive a check for \$195,935 from the Bureau of Land Management today.

The payment represents the state's share of earnings from mineral, grazing, timber and other resources developed on the payments are considered to be in lieu of taxes to local authorities.

Formal presentation of the check will be made to Secretary of State Wesley Bolin by Fred J. Walker, Arizona BLM director, at the capital.

The Arizona payment is part of more than \$27 million being paid to 22 states, with payments ranging from \$14 for Missouri to over \$4 million for Wyoming.

Walker said \$195,935 of the payment came from mineral, grazing and timber, with \$140,000 from grazing lands, land and timber sales and other sources.

Arizona ranks sixth among the 22 states in payments and stands ninth in revenue from minerals, and seventh in grazing lands, timber and other resources, Walker said.

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August 5, 1964

TO THE COMMISSIONERS:

Gentlemen:

Enclosed is a copy of letter from Mr. Raymond Nakai, Chairman of the Navajo Tribal Council, regarding a meeting of the Oil and Gas Conservation Commission with the Navajo Tribal oil and gas personnel at Window Rock on October 28, 1964.

We will plan to attend this meeting as I am sure we are all anxious to talk to representatives of the Tribe.

Also enclosed are some items of interest.

Very truly yours,

John Hannister
Executive Secretary

JH:mhc

Encl.

To: Mr. Lynn Lockhart, Chairman
Mr. E. Keith Walden, Vice Chairman
Mr. Orma Lewis, Member
Mr. Lucian E. Owens, Member

File: August 26 Meeting File.
October 28 Meeting File.
Navajo Indian Tribe File.

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XXXXXX

August 3, 1964

Mr. Raymond Nakai, Chairman
Navajo Tribal Council
The Navajo Tribe
Window Rock, Arizona

Dear Mr. Nakai:

This will acknowledge your letter of July 28th with thanks.

We are looking forward to the pending meeting. It should be interesting and will give us an opportunity for us all to become better acquainted.

We will contact you later regarding final arrangements for the meeting.

Very truly yours,

Lynn Lockhart
Chairman

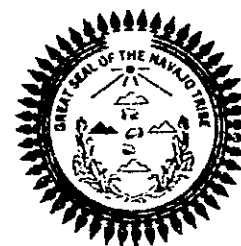
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THE NAVAJO TRIBE
WINDOW ROCK, ARIZONA

RAYMOND NAKAI
CHAIRMAN, NAVAJO TRIBAL COUNCIL

NELSON DAMON
VICE-CHAIRMAN, NAVAJO TRIBAL COUNCIL

July 28, 1964



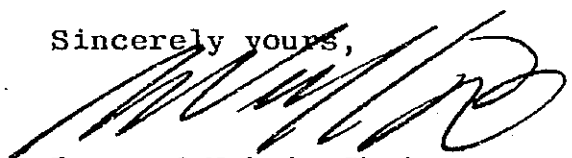
Mr. Lynn Lockhart, Chairman
Oil and Gas Conservation Commission
525 West Orchid Lane
Phoenix, Arizona

Dear Mr. Lockhart:

This letter is pursuant to my conversation with you at the Window Rock Civic Center and your conversation with my Administrative Assistant wherein you requested a meeting of the Arizona State Oil and Gas Conservation Commission and our Tribal oil and gas personnel. I agree to such a meeting to obtain a more friendly relationship and better understanding of all concerned.

I also concur to the suggestion that a meeting be held here at Window Rock on October 28, 1964.

Sincerely yours,


Raymond Nakai, Chairman
Navajo Tribal Council

