

OIL & GAS CONSERVATION COMMISSION
Meeting: January 19, 1966
Mr. John Bannister, Executive Sec'y



SAMUEL P. GODDARD
GOVERNOR
LYNN LOCKHART
CHAIRMAN
R. KEITH WALDEN
VICE CHAIRMAN
ORME LEWIS
MEMBER
LUCIEN B. OWENS
MEMBER
GEORGE T. SILER
MEMBER

OFFICE OF
Oil and Gas Conservation Commission

STATE OF ARIZONA
ROOM 202
1024 WEST ADAMS
Phoenix, Arizona 85007
PHONE: 271-5181

JOHN BANNISTER
EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

A G E N D A

Meeting

January 19, 1965

9:30 a.m. Call to order

1. Approval of Minutes of December 15 meeting -OK
2. Approval of Report by Executive Secretary ✓
3. Approval of Report by Geologist ✓
4. Old business

a. Discussion of Budget

(House hearing: 1-21-65, 2:30 p.m.)) This Friday
Senate hearing: 1-21-65, 10:15 A.M.

discussed → b. Incentive Plan

5. New business

Student Support

6. Adjourn

Please call if you can't make meeting so if no quorum we can save others a trip

*Comm term on 1966 license plate No
" sign all copies ✓*

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

Minutes of Meeting
December 15, 1965

Present:

Mr. Lynn Lockhart, Chairman
Mr. Orme Lewis, Vice Chairman
Mr. L.B. Owens, Member
Mr. G.T. Siler, Member
Mr. H.S. Corbett, Member
Mr. John Bannister, Executive Secretary
Honorable Fred Udine, State Senator
Mr. Don Warne, Phoenix Gazette
Mr. Mike O'Donnell, O'Donnell & Ewing, Inc.
Mr. J.R. Pickett

Chairman Lockhart called the meeting to order at 9:35 a.m.

Chairman Lockhart called for additions or corrections to the meeting of November 17, 1965; Mr. Bannister reported certain corrections Dean Forrester, University of Arizona, requested in his letter of December 11, 1965.

It was moved and passed that the corrections requested by Dean Forrester be made to the minutes of the meeting of November 17, 1965 and that the minutes be approved as corrected.

Mr. Bannister stated that Mr. Scurlock, Geologist, was detained by weather in northern Arizona where he was checking wells and therefore was not present at this meeting.

Chairman Lockhart reported on the activities of the Interstate Oil Compact Commission meeting December 6-8 in Corpus Christi, Texas, and including the activities leading to the success in setting Phoenix as the meeting site for the December, 1966 meeting.

Chairman Lockhart also reported on the contacts with oil and gas operators that he, Senator Udine and Mr. Bannister made on behalf of exploration in Arizona.

The need for additional out-of-State travel funds for Commission personnel was discussed in light of notice taken by oil organizations that Arizona was not represented at national meetings concerning the oil industry.

Minutes of Meeting
December 15, 1965
Page 2

Mr. Bannister cited an article in a recent Independent Petroleum Association Journal relative to shallow zone areas in Arizona which are attractive for exploration and which has created some interest in Arizona. He reiterated that the contacts made by Mr. Lockhart, Senator Udine, and himself will be of extreme value.

Mr. O'Donnell reported that things were going now for Arizona. According to an article in a recent Oil and Gas Journal the price of crude is strong and firm and there is an increasing demand for crude.

Mr. O'Donnell also reported on the drilling of the O'Donnell & Ewing well in Chino Valley, the problems, the costs, and the active cooperation of representatives of United States agencies, geologists and engineers from many major companies. Many of these people expressed desire for the well to go on down through the granite wash to give more answers to Arizona geology. But financial support is needed to carry on.

There followed a great deal of unofficial discussion about incentives of many types to create active interest in Arizona exploration.

It was moved and passed that the next regular meeting of the Commission will be January 19, 1965.

Meeting adjourned at 11:50 a.m.



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JOHN BANNISTER
EXECUTIVE SECRETARY

J. R. SCURLOCK
PETROLEUM GEOLOGIST

January 12, 1966

Memo to: Commissioners
From: John Bannister, Executive Secretary

Re: Report of Activities

Since the last meeting we have been in the holiday season and activity is mostly at a standstill. The Commission of course received many seasons greetings from firms and individuals.

You have previously been furnished with my comments concerning the proposed "dry hole" incentive for exploratory drilling within the State. This office has received several letters commenting upon this method of incentive. These letters will, of course, be presented at the meeting.

As of the end of the year, the Bureau of Land Management reports 761 lease on government lands representing 607,852 acres and 451 leases on the Indian reservations representing 740,411 acres of oil and gas leases.

The State Land Department approximately 500 oil and gas leases representing 1,241,152.76 acres. In addition to these there are approximately 820,000 acres of privately owned land under oil and gas leases, giving a total of 3,409,415 acres under oil and gas leases within the State.

New permits:

- 337: ArkLa Exploration Co. #6 New Mexico Arizona Land, SE/4NW/4 5-17N-23E, Navajo County
- 338: Occidental Petroleum #2 State, SE/4NE/4 30-16N-23E, Navajo County
- 339: Jack Grimm #1 Platt Fee, SW/4NE/4 31-15N-26E, Apache County

As to the budget submitted for 1966-67, it is substantially the same budget as was submitted for 1965-66. We were to consider a request for an addition \$1,000 for the purposes of establishing a "scholarship" to be used by geology students to develop information in various areas in the State as the Commission would so designate. It is my feeling that an expenditure of

this sort would be of much benefit to the State and to industry.

Your cooperation is requested in seeing that each of your travel and payroll forms are signed. In some cases only the originals have been properly executed and of course it is necessary that each copy be signed by you.

The office will need as soon as possible your new 1966 automobile license plate numbers in order that we may properly submit travel claims.

BLM	761 leases	607,852 acres	Govt.
	451 "	740,411 "	Ind.
		1,348,263 "	
State	500 ^{4,180} leases	1,241,152.76 acres	

Private

Arkla (N. Mex & Ariz)	700,000 acres
Apache (Spurlock Res.)	35,000 "
Hill - (Kansas Sett.)	35,000 "
Santa Fe Ry	<u>50,000 "</u>
	820,000 acres

Fed 607,852

Ind 740,411

State 1,241,152

Pvt 820,000

3,409,415 acres under lease



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JOHN BANNISTER
EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

January 12, 1966

Memo to: Commissioners
From: J.R. Scurlock, Geologist
Re: Report of Activities

January 4 - Congress Junction
C & J Drilling Co. #1 State
Drilling 2170 feet in metamorphics. Hard drilling.

January 5 - Navajo
Examined Duvall cores with geologist from ArkLa.

January 6 - Farmington
Delivered trailer load of cores and samples to
Four Corners Cut.

January 7 - Holbrook
Grimm #1 Platt Fee
TD 1250. Prep to core. Looking primarily for
potash.

STATEMENT OF LEDGER TRANSACTIONS
DECEMBER 1965

	Expenditures to date	Outstanding Encumbrances	Expenditures Dec. 1965	Appropriation	Unencumbered Balance
Personal Services: Staff			\$ 2,215.00		
Commissioners			225.00		
TOTAL	\$14,407.50		\$ 2,440.00	* \$14,750.00	\$ 342.50
Current Expenditures-Other					
Telephone		\$ 31.00	\$ 111.69		
Miscellaneous		\$ 31.00	54.27		
TOTAL	\$ 3,233.84	\$ 31.00	\$ 165.96	* \$ 3,675.00	\$ 410.16
TOTAL Subscription-Orgn Dues	\$ 33.20		\$ 33.20	\$ 150.00	\$ 116.80
Travel-State: Staff			\$ 29.25		
Commissioners			170.40		
Gasoline-related			154.52		
TOTAL	\$ 2,036.74		\$ 354.17	\$ 5,000.00	\$ 2,963.26
TOTAL Travel-out of State	\$ 1,269.50		\$ 824.75	\$ 2,500.00	\$ 1,230.50
TOTAL Capital Outlay Equipment	\$ 2,499.91			\$ 3,000.00	\$ 500.09
TOTAL Current Fixed Charges	\$ 260.55			\$ 450.00	\$ 189.45
TOTAL Professional Services	\$ 78.60			\$ 2,000.00	\$ 1,921.40
TOTAL Museum Northern Arizona	\$ 625.00			* \$ 1,250.00	\$ 625.00
TOTAL Arizona Bureau Mines	\$ 1,250.00			* \$ 1,250.00	
TOTALS	\$25,694.84	\$ 31.00	\$ 3,818.08	\$34,025.00	\$ 8,299.16

*Quarterly allotments to date

RECEIPTS: December 1966 \$ 75.00
 Year to date 475.00
 Refund - 25.00
 Balance \$450.00



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JOHN BANNISTER
EXECUTIVE SECRETARY

J. R. SCURLOCK
PETROLEUM GEOLOGIST

January 3, 1966

Memo to: Commissioners
From: John Bannister, Executive Secretary

Pursuant to your instructions of December 15, 1965 below outlined please find suggestions aimed at providing an incentive for industry to enter our State for exploratory purposes and also to encourage deeper exploration. We suggest that this encouragement be in the form of a dry hole contribution from the State.

As you are aware, dry hole support is in the nature of a payment for each lineal foot of well drilled under the terms of a dry hole agreement and the payment is predicated upon the hole being non-productive and being plugged and abandoned.

The dry hole form of support is an oil industry invention which has been used successfully for a number of years between the major companies and independents and has proven to be a most successful method to economically purchase information and to secure the testing of areas of interest.

It is suggested that the Legislature be requested to make available to the Commission the sum of \$100,000 per year until additional production is established within the State, to be used to encourage further exploration for oil and gas within the State.

Once the purpose of this fund is fulfilled by the establishing of a source of oil, gas, or helium additional to those now existing, this program shall immediately cease and any monies remaining in the appropriation revert to the General Fund.

It is suggested that a contract in the nature of the industry dry hole letter be entered into between the Commission and a qualified applicant for same. Inasmuch as this is a contract and is not to be considered a right automatically available to a qualified applicant, the Commission may make such demands as it deems necessary.

Consequently it is suggested that this fund be handled in the

following manner:

(1) That the money be appropriated to the Commission and be exempt from the quarterly allotment provisions, this making the total sum available at the beginning of the fiscal year.

(2) That at the time of applying for a permit to drill an oil or gas well the operator, if interested in State support, shall also make application to come under the provisions of this appropriation.

The applicant to qualify must drill this well in a diligent, prudent, and workmanlike manner and the well must be commenced within 30 days of approval of his permit.

(3) No blanket applications may be made, but an application must be made for each individual well for which aid is intended.

(4) The well to be covered by State dry hole money must substantially be in a non-productive area or in an area substantially wildcat in nature. The Commission should be free to make the decision as to whether a well in a particular area will substantially advance our knowledge and fulfill the intended purpose of the appropriation.

(5) That the qualified applicant may receive financial support to the extent of \$5.00 per lineal foot of well drilled below the depth of 1,000 feet, and in the event the well is taken to a depth in excess of 3,000 feet the support shall be \$5.00 per total lineal feet of the well drilled.

The purpose of this provision is to insure that any qualified applicant has his own money invested in each well and to encourage deeper drilling. An operator drilling to only a depth of 1,000 feet could quite possibly, through stringent economics, keep his costs at such a point that the State would substantially be paying for this well. It is of course the purpose of this appropriation to aid in the financing of the well but in no way to pay for the entire well.

In addition to the depth requirement the payment is to be conditioned upon the well's resulting in other than a commercial producer of oil, gas, helium or other revenue producing minerals.

(6) Prior to payment by the Commission, the Commission shall be furnished an electrical log by a reputable logging company, showing the total depth reached. The total depth as shown by this log shall be the basis of payment rather than records as maintained by the operator himself.

The Commission's determination as to total depth or as to a question of commercial production shall be final.

(7) Payment of money shall further be conditioned upon full compliance with all of the Rules and Regulations.

(8) Upon completion of the well and the filing of all necessary reports and logs, the Commission shall then have 30 days in which to make payment to the qualified applicant.

(9) The applicant shall in all events hold the State harmless from any and all forms of liability which may arise due to its contribution.

It is further suggested that there be affixed to the permit as issued by this Commission a letter agreement between the Commission and a qualified applicant which reads substantially as follows:

"The Oil and Gas Conservation Commission, State of Arizona, hereby agrees to pay _____, Operator, an amount of money equal to \$5.00 per lineal foot of hole drilled below the depth of 1,000 feet, and in the event this well exceeds 3,000 feet, the sum of \$5.00 per lineal foot for each foot drilled in the below described well:

Well name
Well location
Permit number

and subject to the following conditions:

(1) The well must be drilled in a diligent, prudent, and workmanlike manner.

(2) The well must be commenced within 30 days of issuance of the Commission's permit.

(3) The well must result in other than a commercial producer of oil, gas, helium, hydrocarbon, or other valuable mineral.

(4) The Commission must be furnished with an electric log to the total depth of this well. The total depth as shown on this log shall be the basis of payment by the Commission.

(5) Upon full compliance with the terms of this agreement and with all other requirements of the Oil and Gas Conservation Commission and with all its Rules and Regulations, the Commission shall have 30 days within which to make payment of the monies involved.

(6) The well must be completed within the same State fiscal year in which it is commenced.

(7) The determination by the Commission as to any question of

compliance, including the question of diligence, prudence, workmanlike manner, total depth, compliance with rules and regulations, and requirements hereunder, but not limited solely to these, shall be final and there shall be no recourse from such a determination.

(8) _____, Operator, agrees to save and hold harmless the Oil and Gas Conservation Commission of the State of Arizona from any and all liability which may arise due to any acts of said operator hereunder.

Oil and Gas Conservation Commission
By _____
Executive Secretary

Agreed and accepted this ____ day of _____, 196__
Operator
By _____"

It is further suggested that once an agreement is entered into by the Commission, that an amount of money estimated to be sufficient to cover its commitment under a letter of agreement be immediately encumbered; and that once the entire \$100,000 is so encumbered, no further agreements be entered into until such time as a sufficient amount of money be released from outstanding agreements or until further appropriation places additional sums at the disposal of the Commission.

The program should be so designed as to allow the Commission the absolute choice to contract in desirable areas for the purposes and intent of this program and constructed in such a manner as to give the Commission the absolute and final say-so as to whether or not an applicant if qualified will be contracted with, and once the contract is entered into, as to whether or not the terms of the contract have been satisfactorily fulfilled. A determination by the Commission on any of these points should be made final and no recourse left open.

Tue
2:35 pm

Don Siler called:

- ① Won't be here Wed for meeting.
(personal reason - @ family)
- ② Question @ paragraph #5 in your letter:
(His understanding from last meeting
that it was agreed to give 5⁰⁰ per foot
only for production below 1000')
- ③ He is writing Senator L. a note
explaining his (Siler's) feelings in this matter.
- ④ Believes we should limit our help to
wells drilled on state-owned land.
(should talk this over with Fred Talley -
real estate commissioner.)

#

Headquarters
HIRAM S. "Hi" CORBETT

~~PHONE: MA: 2-888~~
~~== 2-0-200-9048~~
TUCSON, ARIZONA



826 West Prince Road, #11-a
Tucson, Arizona 85705
December 28, 1965

Honorable Sam Goddard
Governor, State of Arizona
Capitol Building
Phoenix, Arizona

Dear Governor Goddard:

I am writing you in behalf of Lynn Lockhart whose term on the Oil & Gas Commission expires next month.

Without a doubt, Lynn is the outstanding member on the Commission. He knows more about oil and gas than any of us, as it has been his business for years. I am hoping you will reappoint him.

By the way, he obtained, almost single-handedly, the national convention of the Oil & Gas Association for Phoenix next December. It will mean about 500 delegates as well as the governors from fifteen or twenty states.

With the hope that you will reappoint Lynn and with kindest personal regards, I remain

Sincerely yours,


Hiram S. Corbett

HSC:dim

Blind copy to Mr. Lynn Lockhart
c/o Room 202
1624 West Adams Street
Phoenix, Arizona (PERSONAL)