February 23, 1966

Commission Meeting

Present: Arthur R. Hagedorn, Black Canyon Stage Box 9
        Ralph Coleman
        J.H. Walsh
        A.M. Lintl and Skelton, 1810 N. 5th Ave., P.O.
        Ralph W. Palmer, 75 W. Cypress St., San

OIL AND GAS ASSOCIATION OF ARIZONA
609 W. WISDOM BUILDING - 3800 N. CENTRAL AVENUE
PHOENIX, ARIZONA 85012 PHONE: 277-5779

COPY

February 17, 1966

Hon. Governor Sam Goddard
Capitol Building
Phoenix, Arizona

Dear Governor Goddard:

Please be advised at its regular meeting on February 16, 1966, the Oil and Gas Association of Arizona unanimously passed a Resolution commending Mr. Lynn Lockhart and authorizing that I write to you on behalf of the Association expressing our support of Mr. Lockhart, as a member of the Oil and Gas Conservation Commission.

This Association has the utmost confidence in Mr. Lynn Lockhart's ability as well as in his integrity. We are aware of the important positions that he holds with the Inter-state Oil Contact Commission and feel that the prestige he has given to Arizona by holding these positions would be a great loss should he not be reappointed.

We would also like to take this opportunity to commend the work of Mr. Lockhart and Senator Fred Udine in bringing the December 1966 meeting of the Inter-state Oil Contact Commission to Phoenix.

Again, may we most strongly urge that you reappoint Mr. Lynn Lockhart to his position on the Commission and assure you of our complete support of him.

Sincerely yours,

Mike O'Donnell
President

MO'D/p

CC: John Bannister
    Lynn Lockhart
    Fred Udine
AGENDA

Meeting
February 23, 1966

9:30 a.m.  Call to order

1. Approval of minutes of meeting of January 19, 1966 OK

2. Approval of Executive Secretary's Report - OK

3. Approval of Geologist's Report - OK

4. Old business

5. New business

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

Minutes of Meeting
January 19, 1966

Present:
Mr. Lynn Lockhart, Chairman
Mr. Orne Lewis, Vice Chairman
Mr. Lucien B. Owens, Member
Mr. Hiram S. Corbett, Member
Mr. John Bannister, Executive Secretary
Mr. J.R. Scullock, Petroleum Geologist

Dr. Charles Kalil, Oil & Gas Association of Arizona
Mr. Hale Tognoni, attorney
Mr. S.C. Buzz Brown, consulting geologist
Mr. Steve Tima, Tima Oil & Mining Co. Inc.
Mr. Jimmy Fulton, Sunland Development Co.
Mr. Chapman, Realtor
Mr. Mike O'Donnell, O'Donnell & Ewing Drilling Co. Inc.
Mr. Don Warne, Phoenix Gazette
Mr. James K. Pickett
Mr. Loy Turveyville
Mr. Alcott
Mr. J.H. Waterhouse
Mr. William Leonard

Chairman Lockhart called the meeting to order at 9:30 a.m.

It was moved and passed that the minutes of the meeting of December 15, 1965 be approved.

Chairman Lockhart called upon Dr. Kalil to make any comments he might have.

Dr. Kalil commented that it had come to his attention that the Commission had considered some form of incentive for the development of hydrocarbons within Arizona. The Oil and Gas Association of Arizona feels the best incentive for exploration to be money. Knowing the financial situation in the State, it was felt by the Association that some incentive that wouldn't cost the State any money unless an industry were developed, it could possibly get consideration by the Legislature; and perhaps the Commission could join the Oil and Gas Association in working for such a bill.

Dr. Kalil pointed out that about 85% of the new fields are found by independent oil companies, the wildcatters. Then the majors come in. So it was felt an incentive of a quarter of a million
dollars for the first 25-barrel a day well, producing consecutively for 30 days would help entice that segment of the oil-finding industry that would be most affected by such an incentive.

Chairman Lockhart questioned whether an incentive bonus or a footage payment would be most practical.

Dr. Kalil replied that psychologically speaking, nothing will attract the drilled like a lump of money or a successful well. To tell them they will be supported at $3.00 a foot doesn't seem to carry the connotation, the stimulus, to the fellow trying to put something together like saying, if you succeed you'll get a reward of a quarter of a million dollars. He also felt it might be a little difficult to police the footage incentive.

Mr. Tognoni stated that certainly what has happened throughout the country in the past to get the mineral industry growing is the incentive of a reward. The same thing that started the gold rush in California in the old days. Certainly we started another mineral rush with uranium when the Government put on a bonus program. Research in the state of Nevada shows that money placed in minerals by exploration people was far more than ever came out of the ground. A reward program is one that doesn't cost the state money. He pointed out that the state has only to lease one million acres of State land to actually bring in that $250,000. Mr. Tognoni strongly recommends the reward.

Mr. Lewis questioned whether this reward would be available to anyone in the State, or would there be any exclusion of lands.

Mr. Tognoni replied that the Association recommended excluding the Indian Reservations.

Mr. Lewis questioned constitutionality and Mr. Tognoni replied that an Attorney General's opinion stated the reward was constitutional but we should have an opinion as to the separation of areas.

Dr. Kalil stated that the question of kinds of lands was gone into in detail and that is why it was so labeled that it could be awarded only on State lands.

Mr. Brown stated that he does agree that we need an incentive and the best incentive is the bonus rather than a footage support. Unfortunately, he continued, parts of our State will not produce under any condition. By the same token we have a tremendous area with good potential. Too, there are going to be politics between the counties; some counties with no chance for oil would want to have a share of the incentive. Drillers will naturally hit water and they are going to hate to plug a water well.
Minutes of Meeting  
January 19, 1966  
Page 3

Mr. Pickett stated he was giving evidence to the fact that the oil industry segment is not vacillating but it is not 100% behind the bonus. We are all agreed however on the same thing, an incentive. But we don't know how to accomplish it. Mr. Pickett stated he is in favor of anything that will help the State. He personally feels the footage bill is more practical and would achieve the results better. A practical solution will be much better than a gimmick. The bonus bill strikes him as a gimmick. What we are after is oil, not just a flurry of leasing. Mr. Pickett favors the footage proposal even though he is not against the bonus.

Chairman Lockhart pointed out that the more complicated a bill, such as the footage proposal, the harder it would be to get the Legislature to pass it. Mr. Corbin concurred.

Mr. Owens pointed out that the Commission had made no decision as to which way they would go. He would like to see the Oil and Gas Association get together as a body that could go to the Legislature.

Dr. Kalil pointed out that the Association was not divided but working by a majority rule. At the November meeting there was not one dissenting vote from those members present.

Chairman Lockhart agreed that everyone could help and Mr. Owens noted that the Association could possibly do more at the Legislature than the Commission.

Mr. Lewis asked if it were the idea of the Association that the bill would earmark proceeds of rentals, or would the $250,000 be purely general appropriation money. The rentals are trust fund money while general fund money is tax money. The idea that it won't cost any money is a sales point. But if it comes from the general fund it will cost money because the rental that will be produced will go into a trust fund for education and other purposes, and that trust fund doesn't reduce the appropriation to schools--it increases available money to the schools.

Dr. Kalil stated that in his talk with a representative of the State Land Department a couple of months ago he was told that rentals went into the general fund; at least with reference to Sections 2, 16, 32, and 36, rentals are set aside as trust funds for schools and state highways. And state land embraces more than just those sections.

Mr. Lewis expressed the opinion that the Commission was in complete agreement to do anything to get the oil industry in the State on the road.

Dr. Kalil stated the purpose of the Association coming to this meeting was to show their interest in the incentive approach, and if the Commission saw fit, it could at least concur in some feature of their proposal and it would be appreciated.
Mr. Chapman spoke in favor of the lump sum bonus, saying that a 25-barrel a day well may or may not be a paying well, but the $250,000 will pay the individual to drill that well.

It was agreed that the discussion on incentives had been thoroughly covered and members of the Association withdrew.

Mr. Bannister turned over to Chairman Lockhart some letters received from independent oil operators signifying their approval of the footage incentive idea.

Mr. O'Donnell reported that he had just attended an Independent Petroleum Association meeting in Denver at which time he had discussed the footage proposal with the Board of Executives and they were entirely in approval.

Mr. Lewis indicated he felt that it was not the function of this Commission to draft a bill and give it to a legislator to introduce. This is a public thing and should come from the public. The Commission is a body that ought to be expressing itself in an advisory capacity. Mr. Owens concurred.

Mr. Corbett asked if a bill were gotten up by the Oil and Gas Association could the Commission endorse it.

Mr. Lewis felt that a great deal would depend upon the bill itself. The Commission would be concerned with the administration of any bill enacted into law.

There followed general discussion as to procedures and timing for initiating legislation by any interested group.

It was moved and passed that the reports of the Executive Secretary and Geologist be accepted.

Mr. Bannister announced the Senate and House Appropriations Committees budget hearings scheduled for the Commission. Mr. Lockhart and Mr. Owens indicated they would be present and Mr. Lewis would appear if he possibly could. Mr. Corbett would be unable to attend.

It was agreed that the budget, as submitted, would stand with no changes.

Meeting adjourned at 10:50 a.m.

APPROVED February 23, 1966

By

Lynn Lockhart, Chairman
February 16, 1966

Memo to: Commissioners
From: John Bannister, Executive Secretary
Re: Report of Activities

As you are aware, two incentive bills have been introduced in the Legislature. Copy of SB-185, advocated by Dr. Kalil, was mailed to you previously. Copy of SB-185, advocated by Mr. Mike O'Donnell, is enclosed with this mailing.

As Director, Petroleum Organization, in the State Plan for Civil Defense, I am attending the week-long training course in emergency management, sponsored by the University of Arizona and the Maricopa County Civil Defense Office. This training program commenced February 15 and ends Friday, February 18.

O'Donnell and Ewing Drilling Co. Inc. received a tax bill from Yavapai County Tax Assessor in excess of $7,500.00 against the rig brought in to drill their #1 Federal well in Chino Valley. On February 7th I accompanied Mr. O'Donnell to meet with the Yavapai Board of Tax Equalization. As a result of this meeting, the tax bill was reduced to $302.00.

New permits:

340: ArkLa Exploration Co. #24 New Mexico Arizona Land Co., 18-18N-23E, Navajo County
341: Apache Drilling Co. #3 Spurlock Wetzler Fee, 25-18N-26E, Apache County
342: ArkLa Exploration Co. #16 New Mexico Arizona Land Co., 13-16N-23E, Navajo County
343: ArkLa Exploration Co. #55 New Mexico Arizona Land Co., 3-15N-22E, Navajo County
Weather has slowed down drilling in the north. At the present time the only operations underway are those of Arkla Exploration Company and Apache Drilling Co. Inc.

As of February 13, 1966 Apache Drilling #3 Spurlock Wetzel Fee was at approximately 700 feet. The drilling is slow because they are taking constant cores.

Willett #1 State is closed down, primarily for weather. Whether further work will resume on this location is not known at this time.

Aril-Mass Gas & Oil #1 State, Pinal County, reports that chemicals had been circulated and a good show of wax was noted. However, on our inspection calls at the well site we have never been able to find anyone on site and we have not been able to verify this show.

We have heard many persistent rumors that when the weather clears there will be further drilling on the Hopi Reservation. However, to date we have not been able to confirm these rumors.

At an inspection on January 26, 1966 of the C & J Drilling Co. #1 State well, Congress Junction area, Yavapai County, the operator was fishing. The total depth was 2,327 feet with no shows. At that time it was indicated the plans were to bring in another rig and whipstock around the "fish." However, on a later inspection, February 10th, the site appeared to be deserted with no sign of any rig. We have written the operator to ascertain the current status and future plans.

The Crimm #1 Platt Fee well, Apache County, was plugged January 17, 1966.

Apache Drilling Co. Inc. advises that the signing of the contract for the construction of the new helium plant near Navajo is being held up by Apache Drilling until March 1st. He indicated, in confidence and not for publication, the prime reason for holding up was due to consideration of doubling the capacity of the plant before taking any further steps.

In continuing our efforts to complete the many old wells throughout the State, we have recently been successful in the completion of three wells. The Allen #1 O'Haco well in Coconino County and the Eisle #1 McCauley well in Navajo County were taken over as water wells. The Teii Development #1 State Kruglich-Fletcher well in Apache County was plugged.

All of the Ram Oil Company wells have now been properly completed, either by proper plugging, taken over as a water well, or liability assumed by another operator with the intention of re-entering the hole.
February 21, 1966

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

Re: Report of Activities


Tucson: Met with Dr. Peirce and Mr. Cooley re structure map which we are compiling.


February 3. Tucson: Met with Dr. Pye and Dr. Harshbarger re structure map.

Florence: Ari-Mass well circulating chemicals

February 10. Congress Junction: C & J well rig has been removed.

February 11. Flagstaff: Met with Bill Breed (Museum of Northern Arizona) re structure map.
February 21, 1966

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

Re: Report of Activities


Tucson: Met with Dr. Fairce and Mr. Cooley re structure map which we are compiling.

January 26, Congress Junction vicinity: Total depth 2327 feet.

Fishing for drill pipe.

February 3, Tucson: Met with Dr. Pye and Dr. Harshbarger re structure map.

Florence: Ari-Mass well circulating chemicals

February 10, Congress Junction: C & J well rig has been removed.

February 11, Flagstaff: Met with Bill Breed (Museum of Northern Arizona) re structure map.
State of Arizona
Senate
Twenty-seventh Legislature
Second Regular Session

S. B. 185

Senators Udine Arnold Abee Cook Blanton

Introduced by McBride Puleipher Spikes

AN ACT

RELATING TO MINERALS, OIL AND GAS; PROVIDING THAT THE OIL AND GAS
CONSERVATION COMMISSION MAY AGREE TO GRANT FINANCIAL SUPPORT
TO CERTAIN APPLICANTS IF A WELL IS WORKED AND THEREAFTER FOUND
TO BE NONPRODUCTIVE AND HAS BEEN PLUGGED AND ABANDONED; AMEND-
ing TITLE 27, CHAPTER 4, ARIZONA REvised STATUTES, BY ADDING
ARTICLE 4, §§27-611 to 27-615, INCLUSIVE, AND MAKING AN APPROP-
RIATION.

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Title 27, chapter 4, Arizona Revised Statutes,
3 is amended by adding article 4, §§27-611 to 27-615, inclusive,
4 to read:

Art. 5 ARTICLE 4. FINANCIAL SUPPORT FOR
6 NONPRODUCTIVE WELLS
7 Sec. 27-611. Commission may contract with operators; basis
8 of agreement
9 A. The commission may enter into an agreement with an op-
10 erator for the purpose of granting financial support to an op-
11 erator of a nonproductive well which has been plugged and aban-
12 doned.
13 B. The commission may contract with an applicant who is
14 qualified as prescribed by the rules and regulations of the com-
15 mission and the agreement shall include, but not be limited to,
16 the following:
17 1. That the operator has applied for a permit to drill an
18 oil or gas well.
2. That the operator applicant agrees to drill the well in a diligent, prudent and workmanlike manner and that the well will be commenced within thirty days after approval of the permit.

3. That if during the fiscal year the well is determined to be nonproductive and has been plugged and abandoned, the commission will pay the applicant five dollars for each lineal foot drilled below the depth of one thousand feet of a well provided that if a well is drilled to a depth in excess of three thousand feet the financial support shall be five dollars per lineal foot of the well drilled.

4. That the commission has determined that the well is in a nonproductive area and not on an Indian reservation.

5. That the applicant, in order to qualify for payment according to the terms of the agreement, shall furnish the commission an electrical log by a reputable logging company showing the total depth reached.

6. That the commission shall be the sole judge as to whether the terms of the contract have been accomplished and that its determination shall be final.

7. That, in order for payment to be made to the applicant, it must be determined by the commission that the well has resulted in other than a commercial producer of oil, gas, helium, hydrocarbon or other valuable mineral.

Sec. 27-612. Payment to applicant

The commission may pay an applicant the monies due such applicant within thirty days after a well has been plugged and abandoned, provided the applicant has performed all acts as provided in the agreement to the satisfaction of the commission.

No monies shall be paid to an applicant after the expiration of
the fiscal year in which the agreement was made.

New Sec. 27-613. Blanket applications prohibited; single application

A. An application must be made for each individual well
for which financial support is intended and blanket applica-
tions are prohibited.

B. The commission is prohibited from entering into more
than one agreement with any one person, provided that after
an agreement is terminated such person may enter into addi-
tional single agreements with the commission.

New Sec. 27-614. Nonliability of state

The state of Arizona and the commission shall be held
harmless from any and all liability which may arise as a
result of any act of the applicant who may be receiving fi-
nancial support under the terms of this article.

New Sec. 27-615. Rules and regulations

The commission may promulgate rules and regulations con-
sistent with the terms of this article and each applicant
shall be bound by the terms of such rules and regulations.

Sec. 2. Appropriation; exemption

A. The sum of one hundred thousand dollars is appropriated
to the oil and gas conservation commission for the fiscal year
commencing July 1, 1966, to be available for the purpose of
carrying out the provisions of this act.

B. The appropriation made by the terms of subsection A
is exempt from the provisions of §35-173, Arizona Revised Stat-
utes, relating to quarterly allotments.
AN ACT Relating to Oil and Gas; Providing for the Payment of a Reward to the Owner of the Well for the First Oil or Hydrocarbon Gas Well Brought in Within the Boundaries of the State of Arizona that Produces not Less than Twenty-Five Barrels of Commercial Oil or at Least One Million Cubic Feet of Hydrocarbon Gas Every Twenty-Four Hours Consecutively Pumping or Flowing for a Period of not Less than Thirty Days; Prescribing the Method of Payment of the Reward, and Making an Appropriation.

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. REWARD PAYMENT TO OIL OR HY-
3 DROCARBON GAS WELL OWNER
4 The oil and gas conservation commission shall
5 offer a reward of two hundred fifty thousand dollars
6 to be paid to the owner of the well for the first oil
7 or hydrocarbon gas well brought in within the bound-
8 aries of the state of Arizona that produces not less
9 than twenty-five barrels of commercial oil or at least
10 one million cubic feet of hydrocarbon gas every
11 twenty-four hours pumping or flowing consecutively
12 for a period of not less than thirty days.
13 Sec. 2. PROCEDURE FOR PAYMENT
14 The oil and gas conservation commission shall
15 determine the owner of the oil or hydrocarbon gas
16 well who is qualified to receive the reward as pre-
H.B. 135

scribed by the terms of section 1 of this act.

Sec. 3. APPROPRIATION
The sum of two hundred fifty thousand dollars is
appropriated from the state general fund to the oil
and gas conservation commission, to be available
for the purposes of this act.

Sec. 4. EXPIRATION DATE
The terms of this act shall expire on July 1,
1970, and the appropriation authorized by this act
is exempt from the provisions of sections 35-173
and 35-196, Arizona Revised Statutes, relating to
quarterly allotments and lapsing of appropriations,
except that the appropriation, if not expended for the
purposes provided by this act, shall lapse on July 1,
1970.

Sec. 5. EXCLUSIONS
A. Helium gas is excluded from the provisions of
this act since it has already been discovered in com-
mercial quantities.

B. No reward shall be paid under the provisions
of this act for any discovery of oil or hydrocarbon
gas on Indian land.

Sec. 6. EMERGENCY
To preserve the public peace, health and safety
it is necessary that this act become immediately
operative. It is therefore declared to be an emergency
measure, to take effect as provided by law.
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- Red quarter
- Blue quarter