

OIL & GAS CONSERVATION COMMISSION
MEETING: July 20, 1966
Mr. John Bannister, Executive Secy

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ESTABLISHED 1889

GENERAL MERCHANTS

Flagstaff, Arizona
July 13, 1966

Mr. John Bannister
Executive Secretary
Oil and Gas Conservation Commission
Room 202
1624 West Adams
Phoenix, Arizona 85007

Dear Mr. Bannister:

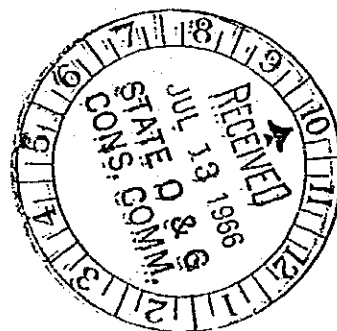
Thank you very much for your invitation to attend the next meeting of the Commission which will be held in Flagstaff, Arizona.

I appreciate your invitation and will be very glad to attend the meeting.

Yours very truly,

Paul J. Babbitt
Paul J. Babbitt

C -



GABLES RESTAURANT
(CAMEO ROOM)
YIYA'S COFFEE SHOP
YIYA'S SHELL SERVICE

Consolidated Investment Co., Inc.

15 E. PHOENIX
FLAGSTAFF, ARIZONA

SEÑOR BOB'S
(MEXICAN FOODS AND
COMPLETE BAR SERVICE)
THE PARK PLAZA MOTEL

August 11, 1966

Mr. John Bannister
Executive Secretary
Oil and Gas Conservation Commission
Room 202
1624 West Adams
Phoenix, Arizona 85007

Dear Mr. Bannister:

Thank you for your letter of July 22 in which you thanked us for the services of the Gables and Park Plaza Motel for your July 20 meeting of the Oil and Gas Conservation Commission.

It was a pleasure to be able to serve you, and we sincerely appreciate letters such as your's with comments concerning the type of service received from our establishments.

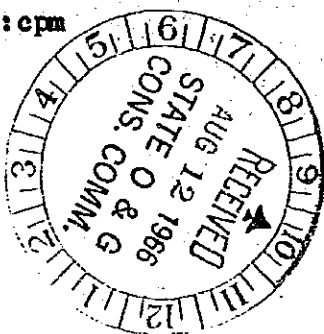
We hope to be able to be of service to you again in the near future.

Very truly yours,

CONSOLIDATED INVESTMENT Co.

George Nackard
George Nackard

GN:cpm





SAMUEL P. GOODARD
GOVERNOR
LYNN LOCKHART
CHAIRMAN
ORNE LEWIS
VICE CHAIRMAN
HIRAM S. CORBETT
MEMBER
LUCIEN S. OWENS
MEMBER
GEORGE T. SILER
MEMBER

OFFICE OF
Oil and Gas Conservation Commission

STATE OF ARIZONA
ROOM 202
1624 WEST ADAMS
Phoenix, Arizona 85007
PHONE: 271-5161

JOHN BANNISTER
EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

A G E N D A

Meeting
July 20, 1966

Community Room, Arizona Bank Bldg.
125 E. Birch, Flagstaff

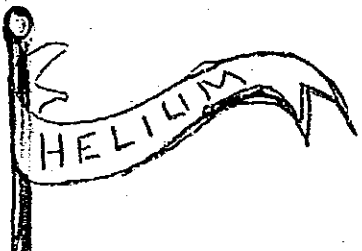
9:30 a.m. Call to order

1. Approval of minutes of meeting of May 18, 1966
2. Acceptance of Executive Secretary's Report
3. Acceptance of Geologist's Report
4. Old business - Map & letters
5. New business - ~~Sept 67-68~~ *due Sept*
6. Film showing: Tidewater Oil Company's Thermal Recovery *Sept Civil defense meeting in Santa Rosa*
7. Dr. Willard Pye, Geology Department, University of Arizona, comments on geology of northern Arizona *SAPT Well running*
8. General discussion - question and answer period for any of the public attending the meeting
9. Adjourn

*Lawrence Willey,
Due Aug 1st*

*Budget
OK*

*Citation
OK*



Aug 17th next meeting

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

Minutes of Meeting
May 18, 1966

Present:

Mr. Lynn Lockhart, Chairman
Mr. H.S. Corbett, Member
Mr. G.T. Siler, Member
Mr. John Bannister, Executive Secretary
Mr. J.R. Scurlock, Petroleum Geologist
Honorable Fred Udine, Senator, State of Arizona
Dr. Willard Pye, University of Arizona
Mr. Alfred Morgan
Mr. Mike O'Donnell

Chairman Lockhart called the meeting to order at 9:45 a.m.

Minutes of the meeting of April 20, 1966 were approved. The reports of the Executive Secretary and the Geologist were accepted.

Mr. Bannister reported on the Legislative appropriation to this Commission for 1966-67. For the current year, 1965-66, the Commission is in relatively good shape, budget-wise. However, funds for in-state travel are close.

Chairman Lockhart reported on his attendance at the Independent Petroleum Association of America meeting in Los Angeles.

Mr. Bannister pointed out that this was the mid-year meeting, rather than the big annual meeting. Generally speaking meeting consisted of a lot of committee meetings, the most interesting of which included a good presentation by Tidewater Oil Company on steam flooding for recovery of oil from thick sands in Kern County, California, which increased their reservoir by 600 million barrels or 5%.

Mr. Michael Halbouty, American Association of Petroleum Geologists, Mr. H.D. Henderson, Trunkline Petroleum Company, and Mr. John Kelley, former oil director for the Department of Interior, sought out Mr. Bannister and expressed interest and confidence in Arizona as an oil producing state. It was widely noticed that Arizona was represented.

Mr. Bannister brought to the attention of the Commission the Petroleum Engineering Associates Thermal Recovery Techniques Short Course being offered in Los Angeles July 18-20, 1966, and recommended that someone from this Commission attend. It was agreed that Mr. Scurlock should attend in keeping with the policy of keeping abreast with technological advances in the industry.

Minutes of Meeting
May 18, 1966
Page 2

Dr. Pye pointed out that secondary recovery is becoming increasingly important and that the University of Arizona is contemplating the addition of such course work.

Secondary recovery procedures, particularly with steam injection, were discussed.

Chairman Lockhart suggested that the Commission attempt to get the Tidewater film for showing at the next meeting. Mr. Siler asked if more educational films were available. Mr. Bannister replied that efforts would be made to obtain the loan of any film of this type.

Mr. O'Donnell commented upon drilling contractors licenses from the State's Registrar of Contractors. A general discussion of this topic followed.

Mr. Siler requested further explanation of the pressure base in measuring gas. Mr. Bannister explained the current procedure in Arizona and the procedure directed by the Federal government in all of its reporting. Any change to our Rules and Regulations to conform to the Federal practise would require a hearing. It was decided that inasmuch as the new base prescribed for the Federal Government has not been established as a standard, that the Commission would not at this time take any steps to change our Regulations.

Mr. Siler questioned how the Commission's action in establishing a leave policy would be affected by any action of the Governor. Mr. Bannister replied that the survey questionnaire stating the Commission's policy had been returned to the Governor's Office, but nothing has come from that office concerning any action.

It was voted to hold no meeting in June, 1966.

The meeting adjourned at 11:00 a.m.



SAMUEL P. GODDARD
GOVERNOR

LYNN LOCKHART
CHAIRMAN

ORME LEWIS
VICE CHAIRMAN

HIRAM S. CORBETT
MEMBER

LUCIEN B. OWENS
MEMBER

GEORGE T. SILER
MEMBER

OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

ROOM 202

1824 WEST ADAMS

Phoenix, Arizona 85007

PHONE: 271-5161

JOHN BANNISTER
EXECUTIVE SECRETARY

J. R. SCURLOCK
PETROLEUM GEOLOGIST

July 7, 1966

Memo to: Commissioners
From: John Bannister, Executive Secretary

Re: Report of Activities

Since the last meeting of the Commission, May 18, 1966, I have been to Denver where I contacted numerous oil and gas producers concerning their interest in the State. In general, both the large companies and the independents in this area are enthusiastic about the prospects of Arizona, but the feeling seems to be that with exploration money being comparatively tight at this time, it would be wiser to spend their money elsewhere and to wait for entrance in Arizona until such time as there are further indications showing oil potential.

The Interstate Oil Compact Commission meeting in Tulsa, June 20 through June 22, was attended by Mr. Orme Lewis, Senator Fred Udine, and myself.

As usual, the session was quite interesting as to the papers presented and much interest was evidence in coming to Phoenix for the December meeting.

IOCC officials the governors of various states expressed deep regret as to Senator Lockhart's absence from this meeting and all sent best wishes for a speedy recovery.

I visited Flagstaff, setting up for the forthcoming meeting to be held there on July 20. Arrangements have been made, through the cooperation of Mr. George Siler for housing in the Park Plaza Motel. Arrival has been scheduled for late afternoon of July 19, which is Tuesday.

I further reserved a table at The Gables, adjoining the motel, for an ala carte, no-host dinner, beginning at approximately 7:00 p.m.

The meeting itself is scheduled in the Community Room of the Arizona Bank Building, 125 East Birch, at 9:30 a.m., on Wednesday, July 20. Arrangements have been made for the showing of Tidewater Oil Company's movie on steam flooding. I feel that this film will be of tremendous interest and benefit to all who can see it.

On the 30th of June I gave a lecture at the Arizona State University, Tempe, to some 50 school teachers studying advanced conservation in the summer program. The interest of this group was extremely high in the subject of oil and gas conservation. I feel that this sort of public education should be continued whenever possible.

New Permits:

- 352: Eli Oil & Gas Development #1 Hortenstine, SE SE 15-19N-26E, Apache County
- 353: Apache Drilling Co. #1 Santa Fe-Crest Fee, SE NW 25-20N-27E, Apache County
- 354: Buttes Gas & Oil #1 Navajo, SW NW 5-35N-28E, Apache County
- 355: Apache Drilling Co. #13 Spurlock-Wetzler Fee, SW NE 13-18N-26E, Apache County

The Eli Oil & Gas Development Co. well has been plugged and abandoned at a total depth of 986 feet. No commercial helium was encountered.

Apache Drilling Company has broken ground for its helium plant at Navajo on Thursday, June 23, and this portion of the work is progressing satisfactorily. They now anticipate shakedown running of the plant commencing November, 1966 and the plant on full stream by January 1, 1967.

The Commission has completed a geological structure map of northeastern Arizona. This map is now being mailed to the names on our standard mailing list and future requests will be fulfilled. This map was paid for from our 1965-66 budget. Mr. Scurlock has spent the better part of six months in compiling this map and you will note the number of contributors of information to this study.

Again, I consider it a necessary function of this Commission to conduct studies such as this whenever money is available and that this information be published by the Commission whenever possible.

White Mountain Apache Tribe is holding an oil and gas lease sale on 73 tracts totaling 177,840 acres, on August 10, 1966. The lands offered are, generally, in the eastern half of the Fort Apache Reservation.

STATEMENT OF LEDGER TRANSACTIONS
MAY 1966

	Expenditures Current Month	Expenditures to date	Outstanding Encumbrances	Allotment to date	Unexpended Allotment to date	Total Appropriation	Balance of Appropriation
Personal Services: Staff	\$2,215.00						
Commissioners	275.00						
TOTAL	\$2,490.00	\$26,607.50		\$29,500.00	\$2,892.50	\$29,500.00	\$2,892.50
Current Expenditures-Other							
Telephone	\$ 126.40						
Miscellaneous	213.13	\$ 4,753.04	\$ 99.24	\$ 7,350.00	\$2,497.72	\$ 7,350.00	\$2,497.72
TOTAL	\$ 339.53	\$ 4,753.04	\$ 99.24	\$ 7,350.00	\$2,497.72	\$ 7,350.00	\$2,497.72
TOTAL Subscription-Organization Dues	\$ 3.00	\$ 79.40		\$ 150.00	\$ 70.60	\$ 150.00	\$ 70.60
Travel-State: Staff	\$ 87.70						
Commissioners	156.00						
Gasoline/related	182.15	\$ 4,130.44	\$119.49	\$ 5,000.00	\$ 750.07	\$ 5,000.00	\$ 750.07
TOTAL	\$ 425.85	\$ 4,130.44	\$119.49	\$ 5,000.00	\$ 750.07	\$ 5,000.00	\$ 750.07
TOTAL Travel out-of-State	\$ 264.60	\$ 1,776.64	\$509.20	\$ 2,500.00	\$ 214.16	\$ 2,500.00	\$ 214.16
TOTAL Capital Outlay Equipment		\$ 3,000.00		\$ 3,000.00		\$ 3,000.00	
TOTAL Current Fixed Charges	\$ (48.26)*	\$ 238.44		\$ 450.00	\$ 211.56	\$ 450.00	\$ 211.56
TOTAL Professional Services		\$ 108.60		\$ 2,000.00	\$1,891.40	\$ 2,000.00	\$1,891.40
TOTAL Museum Northern Arizona		\$ 1,875.00		\$ 2,500.00	\$ 625.00	\$ 2,500.00	\$ 625.00
TOTAL Arizona Bureau Mines		\$ 2,500.00		\$ 2,500.00		\$ 2,500.00	
TOTAL	\$3,474.72	\$45,069.06	\$727.93	\$54,950.00	\$9,153.01	\$54,950.00	\$9,153.01

RECEIPTS: Current Month \$ 50.00
Year to date 825.00
Balance \$8,695.25

* Deposit: refund of unused bond premium \$68.00
expenditure (xerox copies) -19.74
\$48.26

KIRKLAND'S COMMENTS

National Security vs Foreign Oil Dependency Creates New Search For Wildcatting Incentives

By Cecil Kirkland

Key oil industry executives have been pointing out for some time the urgent necessity for cooperation between governmental agencies and the oil industry. It may be the accelerated war in Viet Nam will prove to be the catalyst to bring this about. The administration now seems eager to find a solution to the decline of U. S. reserves. For security reasons, both the administration and industry leaders would like to come up with some way to build up the nation's crude reserves and remove dependence on foreign sources.

In three of the last five years, less crude oil has been found in this country than has been produced. Wildcat drilling has been declining for nine years, in spite of an ever increasing demand for more oil. Why?

The prime cause seems to be the very thing both the industry and the administration now wish to correct—dependence on foreign oil. According to independent domestic oil producers a substantial cut in imports would be a sure-fire remedy. In the past this idea seemed to be at cross purposes with the administration's global political strategy. We may yet see some governmental action along these lines, because the first hurdle has been passed. The industry and the government agree with each other that some kind of incentive must be provided to step up domestic exploration.

Back in 1962 the late President Kennedy appointed a Petroleum Study committee. It was asked by the President to do a "comprehensive study of petroleum requirements and supplies in relation to national security objectives." The committee's report was locked up in secrecy for nearly a year.

If the report had provided the proper kind of information concerning requirements and reserves, perhaps corrective measures might even now be in effect. But the report provides mostly some shocking statements condemning state conservation programs and oil import controls as "crude oil price props", and even

stated that percentage depletion was "robbing the Treasury of \$1 billion a year."

Naturally the report was blasted out of existence by independent oil producers and condemned by House members in floor discussion. But a seed was planted, nevertheless. It pointed out that our government *does* need to have accurate statistics on oil reserves, capacity and deliverability.

A four-year wrangle as to who should develop a system for gathering these statistics is now ended. The Department of Interior, in late March, was given the responsibility for compiling the information.

In the meantime, during these years of hassle, the independent oil man has had a rough time. Traditionally, the independents have drilled a large percentage of the wildcats in this country and found most of the new oil. During the last seven or eight years, however, hundreds have gone out of business. Increased expenses, depressed crude prices and *lack of incentive* have squeezed them out. The profit in wildcatting has been virtually eliminated, and they do not have the capital for the tremendous risk.

In a recent article Harry Heinecke, Oil Editor of the Fort Worth Star-Telegram, listed some of the current suggestions for putting the independent oil man back to work.

Grant Subsidies

Some government departments are in favor of subsidies, but not the Department of the Interior. Many experienced operators favor subsidies, pointing out there are cotton, sugar and railroad subsidies. Its advocates say the subsidy would not raise the price of products to the consumer.

Raise Crude Prices

No subsidy would be needed, say others, if crude prices were raised. A price rise would put more dollars into the operator's pockets, would encourage

outside investment, and would be the cheapest way to obtain new oil reserves.

Give Cash Bonuses

This plan could work by either giving a premium above posted price for each barrel of discovery oil, or a per-barrel bonus for both wildcat and development wells. Reportedly the Department of the Interior frowns upon this idea.

Grant Tax Benefits

Risk capital might be encouraged by giving tax credit on investments in wildcatting. Another idea would be to grant additional depletion allowance for wildcat producers.

Grant Import Quotas

Although this plan has reportedly been rejected by the Interior Department, it has the backing of many oil men. The wildcatter would receive an import quota based either on the footage drilled or the barrels produced. The quota could be sold to importing companies at a profit.

Give Government Loans

Australia has recently adopted a similar plan to this. The government would make loans on approved drilling prospects. If the government approved the exploration application, it would lend a certain percentage of the estimated cost and be repaid from royalty.

Cut Imports

So far this plan has been unable to get any kind of government support. Briefly the idea would be to spur domestic wildcat exploration by shutting off a part of the oil flowing in from foreign sources.

Conclusion

All signs point to an increased tempo of exploration for domestic oil reserves. The administration and oil industry leaders are in agreement, for national security reasons, that it is imperative some kind of incentive be provided to find more domestic oil.

Copy to Commissioners

CONFIDENTIAL

How Canada stimulated its producing industry

PERSONS CONCERNED with declining reserves of oil and gas in the United States would do well to make a careful study of what's happening just across the border in Canada.

A couple of years ago Alberta, the chief producing province, was similarly worried about future reserves, even though its ratio of producibility to current demand was much higher than in the U.S.

After intensive deliberation, Alberta inaugurated a whole new conservation concept, to be phased in over a period of several years.

THE RESULTS have been amazing, even though the new program was launched little more than a year ago and will not be fully effective for 2 or 3 years more.

Wildcat drilling has increased, reserves show a big gain, pressure-maintenance schemes to maximize ultimate recovery have been stimulated, and there is new interest in heavy crudes once considered uneconomic.

At the same time many operators' costs per barrel have been lowered and there are claims of huge savings for the industry as a whole, largely because there are fewer wells on production but greater output per well.

These were the objectives Alberta sought. Its method was to shift its proration base from a well to a reserve, abandon old spacing concepts, remove the economic floor under marginal operations, and reward discovery and efficiency.

The results were quicker and greater than anticipated. Other factors may have contributed, but the new conservation concept is being given the major part of the credit.

At the outset there were fears that the new system would squeeze independents and small operators out of the industry, deny a market to fields with small reserves, and cause premature abandonment of older wells. So far these have not happened, though some critics are unconvinced.

The new policy seems almost too successful, threatening Alberta with an embarrassment of petroleum riches. Its reserves/production ratio is at a new high, and its producing capacity has grown much faster than market demand.

Some predict that the province will have to backtrack and slow down new development by restoring market protection to older fields. But others believe that the increased efficiency will lower costs so much that Canadian crude will find far greater markets.

IN THE U.S. a similar revolution in conservation and production concepts would not be as easy to achieve and might not yield such great results, nationwide.

But Canada's experience is enlightening and should be watched very closely. Our neighbor may be able to give us some pointers on how to increase reserves in this country.