

OIL & GAS CONSERVATION COMMITTEE
Meeting: November 16, 1966
Mr. John Bannister, Exec. Secy



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

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
November 16, 1966
2:00 p.m.

Holiday Inn, 1010 S. Freeway, Tucson

2:00 p.m.

Call to order

1. Approval of minutes of meeting of September 21, 1966
2. Executive Secretary's Report
3. Geologist's Report
4. Old business
 - a. Well spacing
 - b. Shut-in producible wells with respect to location and dedication
 - c. Interstate Oil Compact Commission meeting
 - d. Incentives
5. New business
6. Questions, comments from the floor
7. Adjourn

Champlin: Spud 11-15-66 Cactus Drilling



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JOHN BANNISTER
EXECUTIVE SECRETARY

J. R. SCURLOCK
PETROLEUM GEOLOGIST

November 7, 1966

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

Arrangements have been made with Holiday Inn in Tucson for our meeting on November 16, 1966. Reservations have been made for arrival around noon on that date.

The Commission meeting will take place at 2:00 p.m. and will be followed by a meeting of Arizona Oil and Gas Association also taking place at the Holiday Inn. This latter meeting will involve a social hour from 6:00 - 7:00 p.m., dinner from 7:00 - 8:00 p.m., and then their program. It is understood that the charge for this meal is \$3.50, which includes the tip.

To reach the Holiday Inn from Phoenix, stay on the Freeway until you come to the 22nd Street cutoff. The cutoff is immediately in front of the Holiday Inn, although it is necessary for you to take the cutoff and go to the first stop light, turn right and retrace your steps back to the Holiday Inn.

The Oil and Gas Association does plan to have as many of the newly elected officials as possible at that meeting, and I feel that our meeting should be well attended also.

The Harless situation has still not been resolved. There was to have been a meeting between the attorneys for the bonding companies and the Attorney General's representative for this Commission and myself on Friday, November 4. However this meeting did not materialize and the meeting is now tentatively scheduled for Wednesday, November 9.

As you are aware, the Governor has interested himself in the process of this case and I was informed today that if this

situation is not brought to a head soon, the Governor will exercise his prerogative and order the Attorney General to proceed. A fuller explanation of this situation will be made to you personally.

Plans for IOCC are firmed up and Mr. Lawrence Alley plans to be in Phoenix November 15th. We will have a final meeting to finalize the entire program. A full report will be made to you of this meeting with Mr. Alley at our meeting on November 16th.

Governor Goddard's office has informed me that his personal letters of invitation have been mailed and has already begun to receive a response. A full correlation of this will be made and reported to Mr. Alley on the 15th.

Tenneco hit a lost circulation zone on its #1 Fort Apache well and skidded 50 feet to the north and re-spudded. Tenneco's permit for this well has been corrected, as per our Rules and Regulations. They have now successfully passed through the lost circulation zone and are drilling ahead.

As reported by Mr. Scurlock, Eastern Petroleum is proceeding with its program, and Mr. Fullop has assured me there should be a minimum of 19 wells to follow the two permits he now possesses.

The Champlin well, located SE NE 3-41N-29E, Apache County, has been delayed due to the inability to get a rig. However, we are advised that this hole should be spudded sometime toward the middle of November.

Arkla Exploration Company has advised that they have completed their potash exploration drilling at least for the time being. No decision has been made as yet as to whether or not their findings are of sufficient commercial value to warrant investment of the millions of dollars necessary to proceed with potash mining. It is my understanding that we will be notified at such time as this decision has been reached.

Arkla does contemplate actively participating in exploration for oil and gas in this State. However, this exploration will not begin until after their new budget is approved in January, 1967.

The majority of Arkla's technical personnel, for the time being, been transferred into other areas. However, they are maintaining their Holbrook office and will re-staff upon commencement of their exploratory programs.

I have not as yet received definite word as to the delay of Apache Drilling Company's plans for its plant near Navajo. I will report on this situation as soon as possible.

The stockholders of Apache Drilling Company are meeting November 10 at the Phoenix Public Library, McDowell and Central Street, and you are cordially invited to attend this meeting should you so desire.

New permits:

- 368: Tenneco Oil #1 Fort Apache, NE SE, 310-10N-21E, Navajo County
- 369: Tenneco Oil #1 Federal, NW NW, 15-10N-19#, Navajo County
- 370: Tenneco Oil #1 Rhode State, SW NW, 2-10N-24E, Apache County
- 371: Tenneco Oil #1 Merrill Fee, SW SW, 26-10N-30E, Apache County



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JOHN BANNISTER
EXECUTIVE SECRETARY

J. R. SCURLOCK
PETROLEUM GEOLOGIST

November 9, 1966

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

October 13, 1966. Sedona: Checked Harless #27B. Rig (getting rusty) still on location. Shut down.

October 20, 1966. Sedona: Checked Harless #27B. No one on Location.

Flagstaff: Talked with J. Potter re Potter #1 State (old Willett well). He is looking for a crew. Has cable tool rig (his own) ready to go.

Winslow: Ferrin: shut down.

Holbrook: Kalil: no rig on location. He plans to bring in another rig.

Arkla: Have discontinued drilling.

October 21, 1966. Holbrook: Eastern: Have tested fresh water in Coconino at 625 feet. Have now drilled to 683 feet and set pipe.

October 31, 1966. Sedona: Harless: Rumored to be bringing in rig from west coast.

November 1, 1966. Show Low: Tenneco: Lost circulation. Skidded 50 feet north to new location. Setting intermediate casing at 960 feet.



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PETROLEUM GEOLOGIST

CONFIDENTIAL

Memo to: Commissioners

As you are aware, the salary fund (Personal Services) must be closely scrutinized at all times. With our forthcoming meeting of Interstate Oil Compact Commission in December it may be necessary that payments of salary be curtailed during this period. We will of course fully compensate for the November meeting in Tucson and it is anticipated that most of the December activity can be paid.

On the brighter side of this picture, our travel expense fund is in excellent shape and consequently it is suggested that you keep extremely close tab on all miles travelled during the time of the meeting and that speedometer readings be submitted so that your mileage may be paid for. Foreexample, driving from your abode to the site of the meeting can be compensated if speedometer readings are shown. Of course travel during this period wherein you may be escorting a visitor to some point may likewise be compensated if speedometer readings are shown.

If you come to Phoenix from out of town you will of course be on the normal maximum of \$12.00 per day plus mileage at 10¢ per mile. If you reside in Phoenix, you may claim as expenses miles travelled (again, showing speedometer readings) and any meals outside the city limits of Phoenix.

Of course your registration fee for the IOCC meeting can be reimbursed but must be backed up by a receipt.

Parking expense is not allowable for personal cars. The Westward Ho does have a free parking lot located north of the Hotel.

It is suggested that any questions you may have concerning expense allowables during this period be discussed among ourselves only.

STATEMENT OF LEDGER TRANSACTIONS
SEPTEMBER 1966

	Expenditures Current Month	Total Expenditures to date	Outstanding Encumbrances	Allotment to date	Balance Allotment to date	Total Appropriation	*Balance of Appropriation
Personal services: Staff	\$2,215.00						
Commissioners							
TOTAL	\$2,215.00						
Current Expenditures Other							
Telephone	\$ 135.15						
Miscellaneous (stamps, maps, film, etc.)	<u>143.77</u>						
TOTAL	\$ 278.92	\$ 1,015.05	\$ 56.00	\$ 3,675.00	\$ 2,603.95	\$ 7,350.00	\$ 3,675.00
Travel-State: Staff	\$ 42.25						
Commissioners							
Gasoline/related	<u>90.27</u>						
TOTAL	\$ 132.52	\$ 985.33		\$ 5,000.00	\$ 4,014.67	\$ 5,000.00	
TOTAL Travel out-of-State	\$ 163.53	\$ 574.68		\$ 2,500.00	\$ 1,925.32	\$ 2,500.00	
TOTAL Capital Outlay Equipment		\$ 1,977.71		\$ 2,500.00	\$ 522.29	\$ 2,500.00	
TOTAL Current Fixed Charges	\$ 18.20	\$ 32.45	\$ 125.00	\$ 600.00	\$ 442.55	\$ 600.00	
TOTAL Professional Services			\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	
TOTAL Museum Northern Arizona	\$ 625.00	\$ 1,250.00		\$ 1,250.00		\$ 2,500.00	\$ 1,250.00
TOTAL Arizona Bureau Mines	\$ 625.00	\$ 1,250.00		\$ 1,250.00		\$ 2,500.00	\$ 1,250.00
TOTALS	\$4,058.17	\$16,570.22	\$181.00	\$33,525.00	\$16,773.78	\$54,450.00	\$20,925.00

RECEIPTS: Current Month \$ 225.00 Year to date \$400.00
Balance \$9,145.25

*Allotted quarterly

S T A T E O F A R I Z O N A
OIL, GAS, AND HELIUM PRODUCTION - SEPTEMBER 1966

Operator	Well Name	Field	Formation	Barrels	Production 1966	Cumulative	
<u>O I L</u>							
El Paso Natural Gas Co. *	Navajo #1	Beta Peak	Ismay	247	3,827	9,850	
Humble Oil & Refining Co.	Navajo #E1	E Boundary Butte	Paradox	3,565	46,680	113,413	
	Navajo #1	"	"	1,273	7,352	42,683	
Monsanto Chemical Co.	Navajo 138 #1	Dry Mesa	Mississippian	468	3,908	132,900	
	Navajo 138 #3	"	"	3,202	16,086	177,134	
Pan American Petroleum Co.	Navajo 0 #1	Undesignated	Ismay	175	4,463	12,511	
Shell Oil Co.	Navajo 23-11	E Boundary Butte	Paradox	346	2,313	15,110	
	Navajo #2	E Boundary Butte	"	85	706	1,330	
Superior Oil Co.	Navajo H14-16	Twin Falls Creek	"	0	0	637	
Texaco Inc.	Navajo AG #1	Walker Creek	Devonian	1,244	13,053	73,965	
	Production from wells not currently producing					21,379	
TOTAL OIL				10,605	98,388	600,912	
<u>H E L I U M</u>							
Kerr-McGee Corp.	Fee #1 Unit III	Pinta Dome	Cocconino	M C F	2,127	34,954	354,429
	Fee #2 Unit VIII	"	"	13,993	71,191	369,273	
	State #1 Unit VI	"	"	9,899	43,295	233,212	
	State #3A Unit IV	"	"	3,062	14,925	21,068	
	State #2 Unit V	"	"	9,071	113,967	782,681	
	State #4 Unit I	"	"	142	681	48,191	
	State 1-28 Unit I	"	"	8,684	63,904	338,878	
	State 1-10 Unit X	"	"	558	5,763	37,136	
	State 1-2 Unit IX	"	"	7,232	27,985	150,819	
	Barfoot #1 State	Navajo Springs	"	4,880	43,036	115,773	
	Santa Fe #13	"	"	12,197	137,244	200,201	
TOTAL HELIUM				71,845	556,945	2,651,661	
<u>N A T U R A L G A S</u>							
Humble Oil & Refining Co.	Navajo E1	E Boundary Butte	Paradox	1,212	22,756	508,811	
	Navajo #1	"	"	15,369	90,339	972,471	
	Navajo #1	Beta Peak	Ismay	48,149	762,513	1,677,686	
El Paso Natural Gas Co.	Navajo 0 #1	Undesignated	"	1,048	40,369	527,097	
Pan American Petroleum Co.	Navajo 23-11	E Boundary Butte *	Paradox	31,613	224,737	1,058,467	
Shell Oil Co.	Navajo #2	E Boundary Butte	"	14,483	148,905	616,645	
	Navajo #2	N Toh Atlin	"	6,239	50,836	615,185	
	Navajo #1	Twin Falls Creek	"	0	12,934	196,394	
Superior Oil Co.	Navajo H14-16	"	"	0	0	0	
TOTAL NATURAL GAS				118,113	1,330,000	6,172,756	

*To pick up distillate production

November 9, 1966

Memo to: Mr. J.R. Scurlock
From: Mr. John Bannister
Re: Commission meeting
November 16, 1966
2:00 p.m.
Holiday Inn, Tucson, Arizona

For this regular meeting of the Commission please see that the following items are available:

1. Recorder, tape, and extension cord.
2. A few copies of Rules and Regulations.
3. Ten copies of the map.

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

Minutes of Meeting
September 21, 1966

Present:

Mr. Lynn Lockhart, Chairman
Mr. Orme Lewis, Vice Chairman
Mr. H.S. Corbett, Member
Mr. Lucien B. Owens, Member
Mr. George T. Siler, Member
Mr. John Bannister, Executive Secretary
Mr. J.R. Scurlock, Geologist

Mr. Al Morgan
Mr. Paul Brown

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

Mr. Lewis, in order to clarify and enlarge upon his remarks as contained on Page 2 of the minutes of the meeting of August 17, 1966, commented that it is the uniqueness of Arizona land ownership, in that we have such small amounts of privately owned land and hence a small number that might be affected by any suggestions on our part relative to brokers, leasing problems, or how owners might handle such property. Our land falls essentially into four categories, being Federal land, over which we have no control and is so highly specialized that for us to put out any statement on it would undoubtedly be a mistake; State lands; Indian lands; and of course lands under the jurisdiction of the National Forest Service which again come under specialized rules.

Mr. Lewis felt that the minutes of that meeting were satisfactory as they are. The minutes of the meeting of August 17, 1966 were then approved.

Mr. Lewis requested and received confirmation of his recollection that the remarks from Senator Udine during the meeting of August 17, 1966 were merely his comments and that he had not been called upon by the body for an opinion.

Mr. Owens asked if the question of spacing of wells had been clarified.

Minutes of Meeting
September 21, 1966
Page 2

Mr. Bannister recapped the discussion of the previous meeting and stated it was his impression that the feeling of the Commission was that we enforce the Rules as written. The question was posed to the Attorney General and the reply was that if the application on its face is proper, we have no recourse but to issue the permit; that the "Commission must apply an objective test, not a subjective test."

Mr. Bannister further stated that he would not like to see the Commission take any steps to correct the legislation, that our rules and the way we are enforcing them are quite adequate. A man drilling for oil on the required 80 acres but finds helium is running a deliberate risk because there is no way he can produce that helium until he can give us the necessary 640 acres for a gas well.

Mr. Owens asked what would happen if a man drilled an oil well, found helium, and then continue on down and found oil.

Mr. Bannister replied that by our Rules and Regulations each zone is treated separately. Then the man would have to dedicate 640 acres of the helium formation in order to produce. Then he would have to go down deeper for the oil and there would have to dedicate only 80 acres of that oil zone. So consequently we could have on the same 40 acres, legally, a well to the Coconino formation, a well to the Shinarump formation, and a well to the Fort Apache formation, each of them complying with the proper dedication.

Mr. Lewis remarked that he thought the important thing is that industry recognizes that this regulation is a sound one and has no intention of suggesting a change. So that if anyone indulges in this practice, and they are perfectly entitled to indulge in this practice, they must take the chance of being able to comply with the spacing regulations. The only problem Mr. Lewis does see is that we might very well have considerable trouble unless we stick by our guns and say that no, this cannot be produced until a number of other wells are drilled, properly spaced, in that area, and all such wells turned out to be dry, and therefore we were throwing away a fundamental opportunity. When that occurs, then I think our discretion comes into play and then we might say, you may produce because circumstances have proven that you have a well and nobody else can get a well under ordinary circumstances; you can't get the 640 acres because you have satisfied us that you have made every reasonable effort.

Mr. Bannister pointed out that our rules are flexible and are set up to handle just such a case. The man then has the privilege of coming in and asking for special field rules if he can establish this as a field and we in our discretion can say in this particular field we might conceivably grant one-acre spacing if

he can establish that this is all this particular well can drain.

Mr. Siler asked whether a letter explaining this could go out with each permit.

Mr. Bannister replied that we do have a form letter calling attention to our requests for samples and other data; so this could very easily be included with that.

Expressions were that all Commissioners were in agreement that this policy should be stated and mailed with each permit.

Mr. Bannister reported that every producing well and every shut-in well is on proper spacing as to the 640 acres. Some of the shut-in producible helium wells are not properly located on their 640 acres in that they are not 2,00 feet from the boundary.

Mr. Lewis asked whether these wells were drilled during the life of the Commission or before. He pointed out that perhaps this Commission and its predecessor acted under Rules that were of no validity whatsoever. They were not adopted properly. These wells should be checked very carefully.

Mr. Bannister stated these wells would be checked.

The report of the Executive Secretary was accepted.

Mr. Lewis suggested that we merely move that these reports were received and filed, rather than "accepted", which in years to come might be interpreted as an endorsement or even condoning it. The body should not be bound by whatever is in the report, and the person making the report should have the freedom to say in his report whatever he wants and without the body going into a long wrangle as to whether they accept his ideas.

Mr. Bannister pointed out that much of the information in his report is confidential at that time. If it is "received and filed", does that make it public information?

Mr. Lewis replied he thought the only way that the Executive Secretary could say anything confidential to the Commissioners would be on an informal basis because we are required to have public meetings. The information you give us is helpful to us as background, but is not necessary in the sense of action because we are not going to take any action predicated upon this report.

Mr. Bannister asked whether these reports could be declared confidential. Mr. Lewis replied that the day might come when someone might insist upon having them. Then the Attorney General would have to rule whether these were public.

Mr. Bannister pointed out that the Attorney General has ruled that the recording tape was not public and suggested that these reports be handled as such unless challenged.

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September 21, 1966
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Chairman Lockhart stated this would be the Commission procedure in the future and called for any comments or suggestions. There were none.

The Geologist's report was received and filed.

Mr. Bannister informed the Commission that Kerr-McGee Corporation was seeking unitization of Pinta Dome. The big bone of contention is the apportionment of interest. Kerr-McGee wants to retain the interest as apportioned under the old drilling units, which were gerry-mandered to get some semblance of 640 acres assigned to a well since they were drilling very much off pattern. The State Land Department's contention is that the apportionments must be done on a lease basis. The Land Department represents 47% of the royalty ownership and is in the position that if they do not approve the unitization it cannot be accomplished. Kerr-McGee is trying to work out an approval with them. Kerr-McGee called the Commission office and as a result of our talk, they are preparing an apportionment of interest based on the leases rather than the drilling units. It is anticipated that Kerr-McGee will come in to Phoenix to get with Fritz Ryan of the Land Department and Mr. Bannister.

Mr. Bannister reported, further, that he had talked with the Attorney General concerning the statutes which state apportionment will be on the basis of several separately owned tracts. After discussion, his verbal opinion was that if this question is officially proposed, the answer would be that interest must be assigned according to individual tracts which means the lease basis is the proper way to apportion interest.

Chairman Lockhart asked what percentage was asked for unitization.

Mr. Bannister replied that when Pinta Dome drilling units were formed there were hearings which allowed several leases to be joined together to get 640 acre spacing. The leases were gerry-mandered. The order establishing these units may be invalid if it is ever challenged. With unitization this gerrymandering may be concluded.

Plans for the upcoming Interstate Oil Compact Commission meeting in Phoenix were discussed.

Complimentary comments concerning Arizona's Rules and Regulations from an Australian government agency were cited.

Mr. Bannister reported on his meeting with Mr. W. Miller Bennett, the newly created Commissioner of Finance, regarding the budget submitted by the Commission. The budget request was apparently

Minutes of Meeting
September 21, 1966
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well received; and it is not known at this time whether appearances before legislative committees will be necessary.

Meeting adjourned at 10:40 a.m.



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JOHN BANNISTER
EXECUTIVE SECRETARY

J. R. SCURLOCK
PETROLEUM GEOLOGIST

October 11, 1966

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

To date the Harless situation in Sedona has not as yet been resolved. As you are aware, Mr. Harless had informed me prior to our last meeting that he intended to comply with our orders.

However, since the last meeting he has requested a hearing. The Attorney General has consistently advised that a hearing is not necessary and consequently at the deadline given to Mr. Harless, an order was issued to the bonding companies to plug these wells.

To date the companies have not complied with our orders. On October 4 I conferred with Mr. John McGowan, the attorney assigned by the Attorney General to this Commission. He contacted the bonding companies by telephone. Hartford advised they intended to comply. Fireman's advised that Mr. Harless had suggested that they not comply with the order. Mr. McGowan did not advise as to what he was informed by U.S. Fidelity and Guaranty.

However, following Mr. McGowan's calls, Mr. Joe Barrett, a geologist was contacted to determine the costs of plugging these wells. Again later Mr. Barrett was informed by a spokesman for Fireman's that after the call from the Attorney General's office, the companies contacted Mr. Harless and Mr. Harless advised the companies he would sue them in the event they complied with our plugging orders.

I again contacted the Attorney General's office with this information and as yet have received no reply from them.

It is my intention to personally contact the bonding companies involved and learn firsthand what their stand is going to be. I am not satisfied with the cooperation of the Attorney General's office at this point.

At a meeting of the Oil and Gas Association on October 10, wherein Governor Goddard was the principal speaker, the Governor requested that I file a report with his office as to the Harless situation, which I have done.

Tenneco has asked for bids to drill its acreage along the Mogollon Rim and is continuing to acquire additional acreage within the area of its holdings, and should stand at approximately 170,000 acres as of this writing. Tenneco has not as yet filed an application to drill. O'Donnell and Ewing Drilling Company and Sojourner Drilling Company have submitted bids at Tenneco's request.

Eastern Petroleum Company has moved a company rig into Navajo Springs and has secured two drilling permits and their drilling program is now underway.

Some six months ago Eastern advised this office that if the price of helium set in the Kerr-McGee vs State Land Department was \$1.50 or better, it would come in with approximately a 30-well drilling program.

As you recall, a verbal decision by Judge McCarth of Maricopa County Superior Court set the price at \$1.76 per MCF as the value of the gas at the well head. It is presumed that this price is based on a helium content of 8%. As of this writing a written decision by the Court has not been handed down, and it is my understanding that the Attorney General's office will prepare the written decision.

Since our last meeting I have attended the Executive Committee meeting of IOCC in Oklahoma City. At this time much interest and delight were expressed in the upcoming meeting to be held here in Phoenix December 12-13-14.

As you are aware, this Commission will be responsible for a ladies luncheon, which will be held at Mountain Shadows on Monday, December 12, and for the Governor's dinner which will be in Mountain Shadows Country Club beginning at 7:00 p.m., December 12. This dinner will be a private affair and invitations will be issued to each of the Commissioners.

I attended the Civil Defense meeting in Santa Rosa, California on September 29-30. The purpose of this meeting was to coordinate the oil preparedness plan between the federal and state governments and the executive reservists of the area.

A series of these meetings are being held in each region and it is contemplated that the same group will be called together perhaps twice a year. Without a doubt, this was the best Civil Defense meeting which it has been my privilege to attend.

The Registrar of Contractors again has reached a period of indecision as to the licensing requirements of our oil and gas drillers within the State. At the request of Mr. Roy Thornbrugh I am working with him to resolve this problem.

It seems as if the ultimate aim of the Registrar of Contractors now is to create a special license for the drilling of oil and gas within the State and to require anyone engaged in such activity to have such a license. Presently the drilling is done under their license for water well drilling contractors or a broader licensing for general tunnelling in the earth. Neither of these categories correctly or actually apply to the drilling of oil or gas wells.

O'Donnell and Ewing Drilling Company and Sojourner Drilling Company (drillers for Arkla Exploration Company) filed a complaint with the Industrial Commission as to the rates charged for Workman's Compensation to the oil drilling profession. Their rate had been \$17.24 per \$1,000 of payroll.

A meeting was arranged with Mr. John Ahearn, Chairman of the Industrial Commission, on October 11, I was invited to sit in on this. The Industrial Commission was most cooperative and sympathetic and as a result the rate was lowered to \$8.56 per \$1,000 of payroll, currently the rates for core drilling and water well drilling.

The Industrial Commission, after explanation of the similarity of the work concerned, are checking the possibility of perhaps combining all phases of drilling into one broad classification and loss experience background.

The new rate of \$8.56 will be effective back to July 1, 1966 and all drilling companies who have been billed to date at \$17.24 will receive a letter advising them of this adjustment.

I feel this is another prime example of the desire of the State government and State agencies to cooperate and encourage our industry when our problems are clearly brought to their attention.

New Permits:

- 362: Arkla Exploration #19 NMA, NE SE 23-16N-22E,
Navajo County
- 363: Arkla Exploration #31 State, SW SW 34-16N-23E,
Navajo County
- 364: Arkla Exploration #20 NMA, SW SW 31-17N-23E,
Navajo County
- 365: Eastern Petroleum #1 NMA, NE SW 5-16N-25E,
Apache County

New Permits: (continued)

- 366: Eastern Petroleum #2 NMA, Center 15-16N-25E,
Apache County
- 367: Champlin Petroleum #1 Navajo 190, SE NW 3-41N-29E,
Apache County

It is not contemplated at this time that there will be a meeting during the month of October.



SAMUEL P. GODDARD
GOVERNOR

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ORME LEWIS
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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

October 11, 1966

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

September 29

Hyder: checking for possibility of helium at water well
which was reported to be blowing gas.

S T A T E O F A R I Z O N A
OIL, GAS AND HELIUM PRODUCTION - AUGUST

Operator	Well Name	Field	Formation	Barrels	Production 1966	Cumulative	
<u>O I L</u> Humble Oil & Refining Co. Monsanto Chemical Co. Pan American Petroleum Co. Shell Oil Co. Superior Oil Co. Texaco Inc.	Navajo E1	E Boundary Butte	Paradox	3,975	43,115	109,848	
	Navajo #1	"	"	1,161	6,079	41,410	
	Navajo 138 #1	Dry Mesa	Mississippian	600	3,440	132,432	
	Navajo 138 #3	"	"	3,645	12,884	173,932	
	Navajo O #1	Undesignated	Ismay	533	4,288	12,336	
	Navajo 23-11	E Boundary Butte 8	Paradox	211	1,967	14,764	
	Navajo #2	E Boundary Butte 7	"	76	621	1,245	
	Navajo H14-16	Twin Falls Creek	"	0	0	637	
	Navajo H14-16	Walker Creek	Devonian	1,303	11,809	72,721	
	Navajo AG #1	Production from wells not current producing				21,379	
TOTAL OIL				11,504	84,203	580,704	
<u>H E L I U M</u> Kerr-McGee Corp.	Fee #1 Unit III	Pinta Dome	Cocconino	M C F 3,801	32,827	352,302	
	Fee #2 Unit VIII	"	"	7,631	57,198	355,280	
	State #1 Unit VI	"	"	5,038	33,396	223,313	
	State #3A Unit IV	"	"	3,508	11,863	18,006	
	State #2 Unit V	"	"	14,288	104,896	773,610	
	State #4 Unit I	"	"	77	539	48,049	
	State 1-28 Unit II	"	"	7,625	55,220	330,194	
	State 1-10 Unit X	"	"	640	5,205	36,578	
	State 1-2 Unit IX	"	"	3,718	20,753	143,587	
	Barfoot #1 State	Navajo Springs	"	5,240	38,156	110,893	
	Santa Fe #13	"	"	22,570	125,047	188,004	
	TOTAL HELIUM				74,136	485,100	2,579,816
	<u>N A T U R A L G A S</u> Humble Oil & Refining Co. El Paso Natural Gas Co. Pan American Petroleum Co. Shell Oil Co. Superior Oil Co.	Navajo R1	E Boundary Butte	Paradox	1,455	21,544	507,599
Navajo #1		"	"	20,619	74,970	957,102	
Navajo #1		Bitla Peak	Ismay	90,195	714,364	1,629,537	
Navajo #1 O		Undesignated	"	2,100	39,321	526,049	
Navajo 23-11		E Boundary Butte 8	Paradox	17,871	193,124	1,026,854	
Navajo #2		E Boundary Butte 7	"	15,366	134,422	602,162	
Navajo Wyo #1		N Toh Atin	"	2,107	44,597	608,946	
Navajo H14-16		Twin Falls Creek	"	0	12,934	196,394	
TOTAL NATURAL GAS					149,713	1,235,276	6,054,643

STATEMENT OF LEDGER TRANSACTIONS
September 1966

	Expenditures Current Month	Total Expenditures to date	Outstanding Encumbrances	Allotment to date	Balance Allotment to date	Total Appropriation	*Balance of Appropriation
Personal Services: Staff	\$ 2,215.00						
Commission	275.00						
TOTAL	\$ 2,490.00	\$ 7,270.00		\$ 7,375.00	\$ 105.00	\$ 29,500.00	\$ 22,125.00
Current Expenditures Other							
Telephone	\$ 127.36		\$ 56.00				
Miscellaneous	70.39		56.00				
TOTAL	\$ 197.75	\$ 736.13	\$ 112.00	\$ 1,837.50	\$ 1,045.37	\$ 7,350.00	\$ 5,512.50
Travel-State: Staff	\$ 83.45		\$ 55.42				
Commission	234.95		55.42				
Gasoline/related	92.60						
TOTAL	\$ 411.00	\$ 852.81	\$ 110.84	\$ 5,000.00	\$ 4,091.77	\$ 5,000.00	
TOTAL Travel out of State	\$ 182.30	\$ 411.15	\$ 201.20	\$ 2,500.00	\$ 1,887.65	\$ 2,500.00	
TOTAL Capital Outlay	\$	\$ 1,977.71		\$ 2,500.00	\$ 522.29	\$ 2,500.00	
TOTAL Current Fixed Charges	\$	\$ 14.25	\$ 90.00	\$ 600.00	\$ 495.75	\$ 600.00	
TOTAL Professional Services				\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	
TOTAL Museum Northern Arizona		\$ 625.00		\$ 625.00		\$ 2,500.00	\$ 1,875.00
TOTAL Arizona Bureau Mines		\$ 625.00		\$ 625.00		\$ 2,500.00	\$ 1,875.00
TOTAL	\$ 3,281.05	\$ 12,512.05	\$ 402.62	\$ 23,062.50	\$ 8,147.83	\$ 54,450.00	\$ 31,387.50

*Allotted quarterly

RECEIPTS: Current Month \$ 50.00
 Year to date \$ 175.00
 Balance \$ 8,920.25

OFFICE OF THE
Attorney General
STATE CAPITOL
Phoenix, Arizona 85007

DARRELL F. SMITH
THE ATTORNEY GENERAL

October 7, 1966

Mr. John Bannister, Executive Secretary
OIL AND GAS CONSERVATION COMMISSION
202 Arizona State Office Building
Phoenix, Arizona

Re: Public Officers - Their
Duties and Responsibilities

Dear Mr. Bannister:

Due to recent problems that have gained notoriety in the newspapers relating to public officials and their duties, I have had my staff prepare a summary statement of the main areas in which it is possible for State officials to find themselves in trouble with the law.

Enclosed find one copy of this report for your own personal file. If you desire additional copies please contact me. If you desire clarification or a more detailed description of any of these matters I will be glad to furnish them upon request.

Sincerely yours,

Darrell F. Smith

DARRELL F. SMITH
The Attorney General

DFS:mr
Enclosure



PUBLIC OFFICERS

THEIR DUTIES AND RESPONSIBILITIES

September 2, 1966

DARRELL F. SMITH
- The Attorney General -

OIL & GAS CONSERVATION COMMISSION
STATE OF ARIZONA
1624 WEST ADAMS - SUITE 202
TELEPHONE: 271-5161
PHOENIX, ARIZONA, 85007

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INTRODUCTION

This summary is prepared in the hope that it will be of some value in acquainting new members, and reminding present members, of various state and county boards and commissions in Arizona with some of the legal restraints and prohibitions imposed on public officers, in order that such members may be aware of such restraints and prohibitions when taking office and performing duties thereunder. The material contained herein is not all inclusive, but is intended to cover some of the major and recurring problems faced by persons holding public office.

Every public officer should be aware that there are specific statutes covering his particular office and duties, and he should obtain copies of and become generally familiar with these statutes when accepting office.

PUBLIC OFFICER DEFINED

Some members of boards and commissions may be surprised to learn that they are "public officers". The Arizona State Legislature has defined "public officer" as including members of boards or commissions of the state or any political subdivision thereof. (A.R.S. § 38-101). Counties, cities and school districts are political subdivisions. (A.R.S. § 38-101). To be eligible to hold public office, as thus defined, one must be at least 21 years of age, a citizen of the United States, and a resident of the State of Arizona. (A.R.S. § 38-201).

LOYALTY OATH

Every public officer and employee is required to take and subscribe a loyalty oath in the form prescribed by the Legislature before entering upon his duties. (A.R.S. § 38-231).¹ Persons exercising the function of a public office without taking the oath are guilty of a misdemeanor (A.R.S. § 38-442), and are not entitled to any compensation until the oath is taken. (A.R.S. § 38-231). Failure to file the oath within the time prescribed vacates the office. (A.R.S. § 38-291). The time prescribed for filing the oath is within 10 days after the officer has notice of his appointment, or if elected, at any time after receiving his certificate of election, and at least one day before commencement of the term of office. (A.R.S. § 38-232). The oath must be taken before an officer empowered to administer oaths, such as a notary public, executive and judicial officers, or clerk or deputy clerk of courts of record. (A.R.S. § 12-2222). The oaths of state elective officers must be filed in the office of the Secretary of State; oaths of all other state officers and employees must be filed in the office of the employing state board, commission, or agency; oaths of appointive county and precinct officers must be filed in the office of the employing county or precinct board, commission or agency; oaths of all officers and employees of school districts must be filed in the office of the Superintendent of Public Instruction; the oaths of officers and employees of each public educational institution except school districts, must be filed in the office of

1. The United States Supreme Court in *Elfbrandt v. Russell*, U. S. _____, 16 L. Ed 2d 321, 1966, held Subsection E of A. R. S. § 38-231 unconstitutional. Subsection E provided that execution of the oath constituted a crime when executed by one who "knowingly and wilfully becomes or remains a member of the Communist Party of the United States or its successors or any of its subordinate organizations or any other organization having for one of its purposes the overthrow of the government of Arizona or any of its political subdivisions where the employee had knowledge of the unlawful purpose." However, the Arizona Supreme Court has subsequently interpreted the United States Supreme Court's opinion in the *Elfbrandt* case as not invalidating the loyalty oath requirement itself, nor the other subsections of A. R. S. § 38-231. (Attorney General's Opinion No. 66-14).

that particular institution. (A. R. S. § 38-233). The official oath must be maintained by the office in which it is filed as a permanent official record. (A. R. S. § 38-233(F)). Transfer of these records may be made to the State Division of Arizona History and Archives for permanent preservation. (A. R. S. § 41-710).

VACANCY AND TERM OF OFFICE

The public office, once filled by an appointee or elected official, becomes vacant for any of the several causes or events specified in A. R. S. § 38-291. Among the several events specified for vacancy in office are resignation and acceptance thereof; ceasing to be a resident of the state, or if the office is local, of the district, county, city, town or precinct for which he was elected or appointed, or within which his duties are to be discharged; ceasing to discharge the duties of office for three consecutive months or longer, except when prevented by sickness or when absent from the state by permission of the Legislature; and failure to file his official oath within the time prescribed.

Vacancies occurring in an office or in the membership of a board or commission shall be filled only for the unexpired term of the vacancy. (A. R. S. § 38-295).

Every officer shall continue to discharge the duties of his office, although his term has expired, until his successor has qualified. (A. R. S. § 38-295). If the term of office is not fixed by law, the officer holds office at the pleasure of the appointing power.

MEETINGS

Meetings shall be held at least as often as required by the statutes relating to the particular board or commission.

All official meetings at which legal action is taken by governing bodies of the state or political subdivisions thereof shall be open to the public and all minutes of such meetings as are required by law shall be recorded and open to public inspection. (A. R. S. § 38-431.01). This section does not prevent agencies from holding executive sessions so long as no official action is taken at such, and that such sessions are not used to defeat the purposes of the statute, and that such sessions are called by a majority vote of the members of the agency or body.

PUBLIC RECORDS

"Public records and other matters in the office of any officer at all times during office hours shall be open to inspection by any person." (A. R. S. § 39-121). Occasionally, certain matters which are confidential and investigative in nature and which are not required by law to be kept have been held

not to require disclosure. (*Matthews v. Pyle*, 75 Ariz. 76, 251 P. 2d 893 (1953)). However, clearly records required by law to be kept and which public policy does not require be kept secret are open to inspection by the public. Any county, municipal, or other public official may, in his discretion, deposit with the State Division of Arizona History and Archives for permanent preservation official books, records and documents and official papers not in current use. (A. R. S. § 41-710).

ADMINISTRATIVE PROCEDURE

Every agency, board or commission authorized by law to exercise rule-making powers or to adjudicate contested cases must comply with the technical requirements of the Administrative Procedure Act (A. R. S. § 41-1101, et seq.) in adopting rules and regulations which affect rights of or procedures available to the public. These requirements include posting in the office of the Secretary of State at least 20 days notice of the proposed adoption or amendment to the rules, the holding of a public hearing on the action of the agency, and filing certified copies with the Secretary of State of the rules as finally adopted or amended. This Act does not cover rules and regulations concerning only internal management of the agency. The express statutory authority granting the rule-making powers must be consulted by the particular board, agency or commission seeking to adopt, repeal or amend its rules and regulations. In any event, no board, agency or commission may adopt rules and regulations inconsistent with applicable statutory provisions.

FINANCIAL RESPONSIBILITY²

All funds received for or belonging to the state are deposited in the state treasury. (A. R. S. § 35-142). All public monies received by public officers or employees of the state or their budget units should be promptly remitted to the state treasurer unless otherwise provided by law. (A. R. S. § 35-146).

No person shall incur or order any obligation against the state or for any expenditure not authorized by appropriation and allotment. (A. R. S. § 35-154). Obligations incurred in violation of this provision are null and void and therefore not binding on the state. Every person incurring, ordering or voting for an obligation is personally liable therefor. (A. R. S. § 35-154). Any payments made to satisfy such obligations are illegal and every official authorizing such payment, or taking part in such payment, or receiving such payment, is jointly and severally liable to the state for the full amount paid or received. (A. R. S. § 35-154).

2. Applicable to state boards, commissions and agencies only. For county fiscal procedures see A. R. S. § 11-601, et seq.

In other words, any expenditures made from state appropriated funds must be for a public purpose and must be authorized by a valid appropriation and allotment for that purpose. Even though a proposed expenditure of state funds may be necessary for the proper execution of the office and in the public interest, if there is no available appropriation and allotment for that purpose, the expenditure is illegal and the person authorizing or contracting for it is personally liable.

Occasionally a state office, board or agency is authorized by the statutes governing it to accept and expend private or federal grants and donations. In such instances, there may be alternate sources of funds for certain expenditures. In such cases, the availability of the private or federal funds will depend upon the terms of the specific grant and the agreement governing its uses.

Likewise, except as provided in A. R. S. § 35-191, officers are prohibited from incurring, ordering or approving obligations or expenditures after the close of the fiscal year under any appropriation made for a fiscal year which has expired. The State Auditor is authorized to draw warrants against available balances for one month after the close of the fiscal year to honor obligations properly incurred during the fiscal year, but after that period all balances for one-year appropriations lapse and no payments can be made. (A.R.S. § 35-190).

These restrictions also apply to the expenditure of funds obtained by private or federal grant. Although the balances of such funds may be available for obligations and expenditures in the ensuing fiscal year, they may not be expended after July 31st for obligations incurred during the preceding fiscal year. In addition, it should be remembered that one cannot do indirectly what he cannot do directly. Thus, a state officer may not commit the state to honor a current year's obligation out of an ensuing fiscal year's funds.

Any state officer or employee who illegally withholds, expends or converts state money to an unauthorized purpose shall be liable for the full amount plus a penalty sum of 20% thereof. (A.R.S. § 35-196). Likewise, any person obligated to approve, audit, allow, or pay claims or demands against the state, who approves, audits, allows or pays a claim against the state not authorized by law is personally liable for the full amount plus a penalty sum of 20% thereof. (A.R.S. § 35-211). Any state officer or employee who wilfully fails to comply with statutes governing public finances is guilty of a misdemeanor punishable by a fine of not less than \$100 nor more than \$1,000, by imprisonment for not less than 90 days nor more than one year, or both. (A.R.S. § 35-197).

In view of the seriousness with which the Legislature views the use of public funds, and due to the severity of the obligations imposed on public officers in that regard, officials are advised to consult the office of the State Auditor or the office of the Attorney General for clarification of any existing uncertainties.

TRAVEL

The general state travel law applies to all state officers and employees and members of state boards, commissions and agencies. (A.R.S. § 38-621). Reimbursement is subject to the availability of appropriated or other funds. Reference should be made to the specific statutes governing the respective boards and commissions as to qualifications of the general travel allowance provisions. Unless otherwise provided by statute, reimbursement is allowable not in excess of the amounts specified by law for travel allowances and only when authorized by travel orders signed by the head of the department or agency or other properly designated authority, and only for travel required away from the designated post of duty in the course of performance of official duties. (A.R.S. § 38-622, et seq.) Travel orders for travel outside the state must be countersigned by the Governor. (A.R.S. § 38-626). To be allowed expenses for attending conventions, it must be determined by the head of the department or agency that attendance is required in the performance of the officer's official duties.

Unless otherwise provided by statute, transportation costs are not allowable between the officer's place of residence and his office or official meeting place, irrespective of the distance from the residence to the meeting place. Travel allowances are based on the most direct route. Personal expenses, tips and gratuities are not allowable expenses. The State Auditor's "Manual for Presenting Claims and Encumbrances" should be consulted for more detailed information.

County travel allowances for county officers and employees generally follow the principles established by the state's provisions referred to above.

DISPOSAL OF PERSONAL PROPERTY

Personal property belonging to the state or any of its agencies may be disposed of or traded in only upon authorization of and in the manner prescribed by the property condemnation board unless otherwise provided by law. (A.R.S. § 41-561, as amended in 1966).

ANNUAL REPORTS

All state boards, commissions and agencies which are required by law to make annual reports of financial conditions or operations must make such report within 90 days after the close of the fiscal year on June 30. (A.R.S. § 35-103). The report must disclose all matters required by law, and copies must be filed with the Secretary of State and the Department of Library and Archives. The administrative head of a state board, agency or commission who fails to comply with these requirements is entitled to no compensation until he complies. (A.R.S. § 35-103).

Annual budget estimates of state boards, agencies and commissions

must be filed with the Governor by September 1st on forms furnished by the Governor. (A.R.S. § 35-112 through § 35-116, as amended 1966).

FEES AND CHARGES

Public officers, boards, agencies and commissions may not legally charge and collect fees or charges for their services or for any other purpose except insofar as the authority to do so is expressly granted by legislative enactment. (Attorney General's Opinion No. 57-14; Yuma County v. Wisener, 45 Ariz. 475, 46 P. 2d 115 (1935)).

LIABILITY FOR MISCONDUCT

Every state officer is subject to impeachment for crimes, misdemeanors or malfeasance in office. (A.R.S. § 38-311, et seq.). Proceedings may be brought against any county, district or precinct officer for wilful or corrupt misconduct in office under the procedure established in A.R.S. § 38-341, et seq.

TORT LIABILITY

Public officers are not granted any special immunity by virtue of their employment. In fact, they are personally liable for damages resulting from their own negligence or tortious conduct. On the other hand, tort liability is not generally imposed on public officers for the exercise of discretionary functions of their offices. They are generally not personally liable for the negligent or tortious acts of their subordinates unless they have failed to use ordinary care in selecting the employee, or in supervising him, or are parties to the acts, or ratify or authorize same. (67 C.J.S., pp. 423-424).

The liability of the state for the negligent or tortious acts of its officers and employees was changed significantly by the Arizona Supreme Court on April 25, 1963, by its opinion in Stone v. Arizona Highway Department, 93 Ariz. 384, 381 P. 2d 107. Until the Stone decision, the law of this state protected the state from liability for the negligent or tortious acts of its officers and employees under the ancient doctrine of governmental immunity. The Court in the Stone decision overruled this principle, and stated that:

"After a thorough re-examination of the rule of governmental immunity from tort liability, we now hold that it must be discarded as a rule of law in Arizona and all prior decisions to the contrary are hereby overruled."

The effect of this decision is to make the state liable for the tortious conduct of its officers and employees when acting within the scope of their employment.

Subject to the availability of funds for this purpose, the state and its boards, departments and agencies may purchase liability insurance covering its officers, agents and employees acting within their public employment status. (A.R.S. § 38-641). Before procuring such insurance, each board, agency or commission should check with the Governor's office to ascertain what insurance coverage the state has already procured through that office. Similar authority is granted to counties to procure liability insurance covering their officers, agents and employees. (A.R.S. § 11-261).

ILLEGAL GRATUITY OR REWARD

A public officer who knowingly asks or receives any emolument, gratuity or reward, or any promise thereof, excepting those authorized by law, for doing any official act, is guilty of a misdemeanor. (A.R.S. § 38-444).

CONFLICT OF INTEREST

Public officers may not be interested directly or indirectly in any contract or in any sale or purchase made by them in their official capacity, or by any body or board of which they are a member. (A.R.S. § 38-446). Every contract, sale or purchase made in violation of this section may be avoided at the instance of any party except the officer interested. Any person prohibited from making or being interested in any such contracts, purchases or sales, and who violates the provisions cited is guilty of a crime punishable as provided in A.R.S. § 38-447, and is forever disqualified from holding any office in this state.

The prohibition against having an interest in a public contract has given rise to numerous problems. The courts have been very strict in their construction of what constitutes an interest within such conflict of interest statutes. For example, a public officer who is a stockholder of a corporation entering into a contractual relation with the particular board, agency or governmental body has a prohibited "interest" within the conflict of interest statutes. Ownership of even a single share of stock in such a corporation has been held to be a prohibited interest. Similarly, the mere holding by the public officer of an office, employment by or directorship in a corporation entering into a contract with the board, agency, or governmental body has been held to be a prohibited "interest". In addition, it is no defense to a conflict of interest charge that the amount involved in the contract is trivial, nor is it a defense to a conflict of interest charge to assert that the contract was obtained by competitive bidding, or that the price charged the governmental agency in a purchase by it was the same price as is charged to the public generally. It is not a defense that the officer having the conflicting interest abstained from voting on the award of the contract, or that the officer disclosed his conflicting interest, that no profit was in fact made, or that the contract was in fact fair or even advantageous to the governmental body.

DEPUTIES AND EMPLOYEES

Deputies and employees may be appointed by officers, boards and commissions when authorized by law. (A.R.S. § 38-461, as amended 1966). The appointment must be in writing and, in the case of state officers, boards and commissions, filed in the office of the Secretary of State. County appointments must, unless otherwise provided by law, be recorded in the office of the County Recorder. (A.R.S. § 38-461, as amended 1966).

EMPLOYMENT OF ALIENS AND RELATIVES

Employment of aliens in connection with any public works or employment is prohibited, except under the federal teacher exchange program. (Arizona Constitution, Art. 18, § 10; A. R. S. § 34-301).

It is unlawful for a public officer to appoint or vote for appointment of any person related to him by affinity or consanguinity within the third degree to any office or position in any department or governmental agency or body of which such officer is a member. (A. R. S. § 38-481). The only exception authorized is one which allows a relative of a school district trustee to be employed by unanimous consent of the board.³

3.

	Great Grandparent (3rd Degree)	
	1	
	Grandparent (2nd Degree)	
	1	
Sister (2nd Degree)	Parent (1st Degree)	Brother (2nd Degree)
1	1	1
Niece (3rd Degree)	PUBLIC OFFICER OR SPOUSE	Nephew (3rd Degree)
	1	
	Child (1st Degree)	
	1	
	Grandchild (2nd Degree)	
	1	
	Great Grandchild (3rd Degree)	