

OIL & GAS CONSERVATION COMMISSION
MEETING: January 18, 1967
Mr. John Bannister, Exec. Sec'y

OIL AND GAS CONSERVATION COMMISSION
Room 204, West Adams
Phoenix, Arizona

A G E N D A

Meeting

January 18, 1967

9:30 a.m. Call to order

1. Approval of minutes of meeting of
November 16, 1966 (typo; pg. 1, pg³, 7, 8)
2. Executive Secretary's Report
3. Geologist's Report
4. Old business
a. Well spacing
Harless
5. New business
Exec Comm. mtg - Biloxi
6. Adjourn minutes
Financial Reports

✓ 1. ELECT CHAIRMAN OF COMMISSION Lockhart

OLD BUSINESS

2. SPACING

SUGGEST LEAVE RULE AS IS. POINT OUT THAT WE DO HAVE
ABILITY TO MAKE ANY NECESSARY CHANGES.

No change → MIGHT CONSIDER SUGGESTION MADE BY STATE OF UTAH IN
BROADENING ADMINISTRATIVE POWERS OF EXCEPTION.

WE MUST HAVE A HEARING BEFORE WE CAN EFFECT ANY CHANGES.

3. HARLESS

yes ATTORNEY GENERAL'S LETTER OF JANUARY 9, 1967 POINTS OUT
THAT WE MUST HAVE A HEARING PRIOR TO ATTEMPTING TO ENFORCE
PLUGGING OF THESE WELLS. DO WE WANT TO CALL A HEARING
FOR OUR FEBRUARY MEETING? *yes.*

NEW BUSINESS

No legislation 4. WITH THE ATTORNEY GENERAL NOW CALLING FOR US TO HAVE A
HEARING ON HARLESS, IS THIS NECESSARY IN ALL CASES? *yes*
PROBABLY IT IS NECESSARY IN ALL CASES. IF THIS IS SO,
DO WE WANT LEGISLATION TO WORK QUICKLY TO AVOID CONTAM-
INATION AND COSTS?

→ WE NEED SOME METHOD WHEREBY ONCE A PERMIT IS ISSUED AND
THERE ARE STANDING VIOLATIONS, AS IN THE HARLESS CASE,
SO THAT WE CAN CANCEL THIS PERMIT AND THUS PREVENT FUR-
THER OPERATIONS.

change bond form THE MONEY ONCE PAID BY A BONDING COMPANY GOES INTO THE
GENERAL FUND, WHICH WE CANNOT REACH UNTIL APPROPRIATED.
BUT WE NEED MONEY TO PLUG THESE WELLS TO COMPLY WITH

OUR STATUTORY OBLIGATIONS. DO WE WANT THE BOND FORM
CHANGED IN SUCH A WAY SO THAT WE HAVE OPTION TO ACCEPT
MONEY OR TO GET BONDING COMPANY TO PLUG THE WELL?

IF WE WANT LEGISLATION ON THESE THINGS WE WILL HAVE TO
MOVE RIGHT NOW.

5. KERR-MC GEE CHANGE OF POSTED VALUE PRICE FOR HELIUM

THIS COMMISSION HAS NO AUTHORITY TO INTERFERE. STATE
LAND DEPARTMENT IS INVESTIGATING THOROUGHLY, AND IF
✓ INVESTIGATION WARRANTS, WILL ATTACK DROP IN PRICE.

6. MEETING OF EXECUTIVE COMMITTEE, IOCC, BILOXI, MISSISSIPPI,
MARCH 6, 1967

SENATOR LOCKHART AND JOHN BANNISTER HAVE BEEN SPECIFICALLY
REQUESTED TO ATTEND.

7. MINUTES

ok ✓
CHANGE TO WRITTEN MINUTES TO RECORD DATE, TIME, PLACE,
THOSE PRESENT, AND ONLY THE ACTION TAKEN BY THE COMMISSION,
THUS ELIMINATING THE LENGTHY DISCUSSIONS.

8. MONTHLY FINANCIAL REPORT

ok ✓
But,
OFFICE MUST SUBMIT A MONTHLY REPORT TO POST AUDITOR CON-
TAINING THE SAME INFORMATION ALSO FURNISHED TO THE COMMIS-
SIONERS. IF SATISFACTORY, WILL FURNISH EACH COMMISSER A
COPY OF THE REPORT SUBMITTED TO THE POST AUDITOR RATHER
THAN PREPARING THE ADDITIONAL REPORT.

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

January 11, 1966

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

Jan. 4, 1967

Show Low: Tenneco Federal B. Have logged well and tested. No shows except slight show of helium in upper Supai formation.

Flagstaff: Steinberg-Babbitt. Had to abandon first hole and move rig 50 feet to west. Spudded second well. Drilling with Air.

Jan. 11, 1967

Heber: Tenneco #1 Federal A. Total depth 1700 feet. Have logged. Tested fresh water in Coconino. Will move rig to Tenneco #1 Federal (proposed 1400 foot test), about five miles southwest of Pinedale.

Holbrook: Arkla has samples for Farmington cut.

Flagstaff: Steinberg #1 Babbitt: Drilling 2968 Naco formation. Drilling with air at 250 feet per day rate.



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JOHN BANNISTER
EXECUTIVE SECRETARY

J. R. SCURLOCK
PETROLEUM GEOLOGIST

January 10, 1966

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

On January 9, 1967 the Attorney General answered our letter of December 9, 1967 concerning the Harless situation. Copies are attached for your information.

You will note that the Attorney General now requires we hold a hearing prior to seeking enforcement of a plugging order.

As you are aware, the meeting of Interstate Oil Compact Commission in Phoenix, December 12 through December 14, 1966, was a great success and the staff of IOCC has expressed the opinion that this was far and away the most outstanding and successful ever held. I would like to take this opportunity to thank each of you for your contribution to the success of this meeting.

Kerr-McGee Corporation has recently announced a reduction of its selling price of helium from \$35.00 per MCF to \$28.00 per MCF of pure helium. The effect of this is to lower the price of helium for State royalty purposes from \$1.76 to \$1.02 per MCF of raw gas.

The payment table, as established by the Superior Court, is such that as the sale price of pure helium declines, the value of raw gas for royalty purposes declines more rapidly, and in effect grants a greater profit margin at the lower sales price. For example, with gas selling at \$35.00 the value of the gas for royalty purposes is \$1.76. Kerr-McGee then in effect was paying \$22.00 for gas they were selling at \$35.00, reaching a differential of \$13.00. Reducing the selling price to \$28.00, the value of the raw gas for royalty purposes is \$1.062 per MCF, which in effect means that for every MCF of pure helium Kerr-McGee is paying \$13.275, the differential being \$14.725.

The point of greatest profit in the Court set table is a selling price of \$22.00 per MCF, at which point Kerr-McGee would be paying \$5.787 with the differential being \$16.213.

The Land Department is of course greatly agitated by this action and is currently studying the situation to see if in any way they can attack Kerr-McGee's new lower selling price.

It is my opinion that the Oil and Gas Conservation Commission has no standing in this matter, inasmuch as we have no rule allowing us to investigate price structure except in the case of discrimination within a proven field. Such is not the case at hand.

Each of you has received my brief comments on well spacing. Copies of those letters received since our previous mailing on this subject are enclosed. Again, I might say in general the companies prefer larger spacing and the individuals prefer smaller spacing.

Mr. Earl Huggins of Sedona recently bailed the Yucca Petroleum #1 Crary well, which is an offset to the Harless operations, and recovered some fluid. This fluid has been analyzed and has been identified as #2 diesel fuel. O'Donnell & Ewing Drilling Company, the driller on this well, did use some #2 diesel in the operations and it is assumed this is the diesel fuel recovered by Mr. Huggins.

Tenneco has plugged two wells in its initial exploration of the Mogollon Rim area. The hole located near Heber is at this time being logged and we should have some additional information as to the outcome of this well by the time of our meeting. Three more wells are still scheduled in this initial program.

The Steinberg well, southeast of Flagstaff, is drilling ahead and apparently the danger zone which caused the loss of their first hole has been successfully bypassed.

The Champlin Petroleum #1 Navajo was plugged and abandoned after reaching their total depth, 5,287 feet.

A question concerning the basic right of the Registrar of Contractors to require registration of oil and/or gas well drillers in the State of Arizona has jointly been submitted to the Attorney General by the Registrar of Contractors and this office. We expect to have an answer to this question shortly.

As you are aware, Young Drilling Company, the contractor for Tenneco, was challenged by the Registrar as drilling without having been registered by him. A complaint against Young Drilling was filed by O'Donnell-Ewing Drilling Company. However, prior to the hearing date of the complaint, an amicable settlement between all parties was reached and no hearing was held. Young Drilling Company now is successfully registered with the Registrar of Contractors.

Looking Ahead

Texas crude allowables shoot upward . . . Railroad Commission set Texas allowables at 37.5 percent of potential for January, boosting output to 3.32 million bopd—a new record. Percentage was one point higher than December and nearly 10 points higher than 28-29 percent allowables producers were living with for a long time before upward trend began in November '65.

Two days before Texas decided to hike production, IPAA warned that '67 production gains will drop sharply in '67 because producers ate into future production during '66 by substantially exceeding market demand.

Prediction is that output will average 8.5 million bopd in '67, only 175,000 bopd more than last year. In '66, output jumped 521,000 bopd, to 8.325 million bopd.

IOCC turns "thumbs down" on drilling incentives . . . Presenting results of study assigned to him last June, IOCC Executive Veece Lawrence Alley told those attending annual session in Phoenix last month that IOCC should not take action on several drilling incentive proposals that have cropped up in recent months. He asked for additional time to study merits of proposals, with another report to be made at IOCC annual session in New Orleans next December.

Proposals include: bonus allowables for discoveries, bonus per foot drilled, and allotment of imports to producers to increase exploration capital. Alley believes most proposals are either ineffective or impractical. He noted that in 1965 two states offering no discovery allowables, New Mexico and Louisiana, reported the highest percentage of discoveries in the nation.

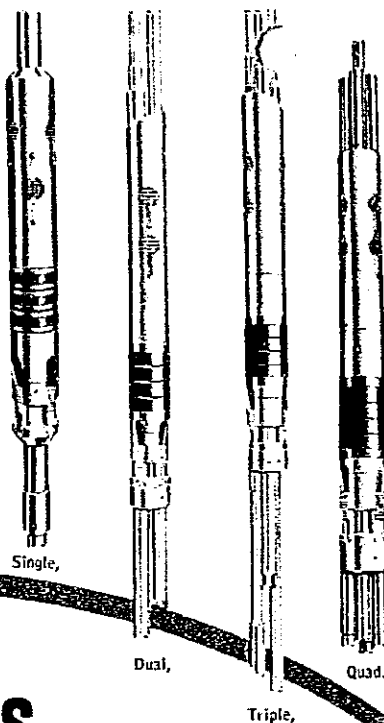
North Sea operators drill four wells for each discovery . . . Boxscore on North Sea activities to date is eight potential producers from five potentially commercial gas reservoirs, plus Burmah Oil's highly promising gas and oil discovery. Success ratio: 25 percent. Burmah Oil's discovery, 15 miles offshore in Block 48/22, produced 4,000 barrels of good quality crude during four-day test last November. Other new developments:

British Petroleum has named pioneer gas discovery in UK North Sea Block 48/6 the West Sole field. Second deviated well drilled from platform A was spudded November 25. The semi-submersible barge Sea Quest, having completed first West Sole field production well, is ready to spud a wildcat about 6 miles northwest of initial discovery.

Gas Council-Amoco group wildcat tested 25 MMcfd from Rotliegendes Formation in UK North Sea Block 49/23, five miles south of group's first gas find in Block 49/18. Further drilling will determine whether two wells are in same field. Self-elevating platform Orion, which drilled discovery, will spud in next in Block 49/27, where Leman Bank field, found in Shell-Esso's Block 49/26, already has been extended into 49/27.

What's happening in the gas and oil country . . . Phillips Petroleum may have opened entirely new oil province in Egypt's Western Desert; Alamein Well IX, 21 miles south of El Alamein, flowed 2,796 bopd 34 gravity crude from 5-foot perforated interval below 8,200 feet; pay zone is about 250 feet thick . . . On Alaska's North Slope, Union of California will drill its northernmost wildcat yet, Kookpuk 1, to 10,500 feet . . . Alaska's Kenai gas field will be drilled up on 320-acre spacing . . . Midland Oil's first offshore wildcat off coast of South Africa was dry at 9,000 feet; second test may go to 15,000 feet . . . Russia announces it will start wildcatting early in '67 in Baltic Sea, about 9 miles off coast of western Latvia.

T.I.W. HYDROSET PACKERS—



TYPE SS
Production Packers



TYPE LH
Production Packers
for Slim Holes



HYDRO-HANGERS



LINER HANGERS



TYPE CO
Safety Joints



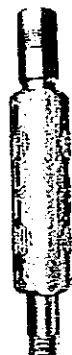
BALL TYPE KELLY VALVES



GRIEF STEM
SAFETY VALVES



FILL UP SET SHOES



HYDRAULIC HOLD-DOWNS

OUT OF THE PAGES OF THE COMPOSITE CATALOG COME T.I.W. OIL FIELD TOOLS TO MEET YOUR NEEDS

Everything you need is waiting in the big new '66-'67 COMPOSITE CATALOG. It's easy to find, easy to order. To save your time and effort, T.I.W. keeps an up-to-date, complete section in the COMPOSITE CATALOG. Beginning on page 4773, you will find the engineering information you need to order the best in oil field tools and equipment. Experienced T.I.W. field engineers back up these quality products with on-the-rig service and assistance. Don't waste time hunting around, you'll find what you need in the pages of the COMPOSITE CATALOG.



TEXAS IRON WORKS

GENERAL OFFICE and MAIN PLANT: 1401-1423 Maury Street, P. O. Box 227,
Houston, Texas 77001. Other Shops at Victoria and Corpus Christi.

STATEMENT OF LEDGER TRANSACTIONS
December - 1966

	Expenditures Current Month	Total Expenditures To Date	Outstanding Encumbrances	Allocation To Date	Balance Allocation To Date	Total Appropriation	Balance of Appropriation*
Personal Services: Staff Commissioners	\$2,215.00						
TOTAL	\$2,215.00	\$14,165.00		\$14,750.00	\$ 585.00	\$29,500.00	\$14,750.00
Current Expenditures Other							
Telephone	\$ 128.41						
Miscellaneous	55.83						
TOTAL	\$ 184.24	\$ 1,442.54	\$233.00	\$ 3,675.00	\$ 1,999.46	\$ 7,350.00	\$ 3,675.00
Travel-State: Staff Commissioners Gasoline/related	\$ 161.50 218.80 65.54		\$125.00 110.00				
TOTAL	\$ 445.84	\$ 1,874.09	\$235.00	\$ 5,000.00	\$ 2,890.91	\$ 5,000.00	
TOTAL Travel out-of-State		\$ 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	\$ 33.00	\$ 119.48	\$125.00	\$ 600.00	\$ 355.52	\$ 600.00	
TOTAL Professional Services			\$ 30.00	\$ 2,000.00	\$ 1,970.00	\$ 2,000.00	
TOTAL Museum Northern Arizona		\$ 1,250.00		\$ 1,250.00		\$ 2,500.00	\$ 1,250.00
TOTAL Arizona Bureau Mines		\$ 1,250.00		\$ 1,250.00		\$ 2,500.00	\$ 1,250.00
TOTALS	\$2,878.08	\$22,653.50	\$623.00	\$33,525.00	\$10,248.50	\$54,450.00	\$20,925.00

RECEIPTS (From Permits to Drill)

Current Month \$ 50.00
Year to date \$ 500.00
Balance \$9,245.25

* Allotted
quarterly

STATE OF ARIZONA
OIL, GAS, AND HELIUM PRODUCTION - NOVEMBER, 1966

Operator	Well Name	Field	Formation	Barrels	Production	Cumulative
<u>O I L</u>						
El Paso Natural Gas Co.	Navajo #1	Bitia Peak	Ismay	370	4337	10,360
Humble Oil & Refining Co.	Navajo #E1	E Boundary	Butte Paradox	2,975	53139	119,872
	Navajo #1	"	"	1,137	9549	44,880
Monsanto Chemical Co.	Navajo 138 #1	Dry Mesa	Mississippian	562	5052	134,034
	Navajo 138#3	"	"	4,280	23568	184,616
Pan American Petroleum Co.	Navajo O #1	Undesignated	Ismay	677	5513	13,501
Shell Oil Co.	Navajo 23-11	E Boundary	Butte 8 Paradox	345	2905	15,702
	Navajo #2	"	"	56	840	1,464
Superior Oil Co.	Navajo H - 14-16	Twin Falls Creek	"	0	20	657
Texaco Inc.	Navajo AG #1	Walker Crk.	Devonian	1,278	15312	76,224
	Production from wells not currently producing					21,379
TOTAL OIL.....				11,680	120235	622,749
<u>H E L I U M</u>						
Kerr-McGee Corp.	Fee #1 Unit III	Pinta Dome	Cocconino	2,600	39,961	359,436
	Fee #2 Unit VIII	"	"	11,531	94,389	392,471
	State #1 Unit VI	"	"	8,014	59,551	249,468
	State #3A Unit IV	"	"	4,138	23,049	29,192
	State #2 Unit V	"	"	9,298	132,769	801,483
	State #4 Unit I	"	"	5	707	48,217
Eastern Petroleum Co.	State 1-28 Unit I	"	"	6,473	79,283	354,257
	State 1-10 Unit II	"	"	527	6,715	38,088
	State 1-2 Unit IX	"	"	4,486	37,478	160,312
	Barfoot #1 State	Navajo Springs	"	4,620	52,393	125,130
	Santa Fe #13	"	"	19,359	175,075	238,032
TOTAL HELIUM.....				71,051	701,370	2,786,086
<u>N A T U R A L G A S</u>						
Humble Oil & Refining Co.	Navajo E1	E Boundary	Butte Paradox	1,001	24,939	510,994
	Navajo #1	"	"	12,199	115,141	997,273
El Paso Natural Gas Co.	Navajo #1	Bitia Peak	Ismay	97,241	953,691	1,868,864
Pan American Petroleum Co.	Navajo O #1	Undesignated	"	671	41,307	528,035
Shell Oil Co.	Navajo 23-11	E Boundary	Butte 8 Paradox	21,840	275,478	1,109,208
	Navajo #2	"	7 Paradox	19,211	181,458	649,198
	Franco Wyo #1 Navajo	N Toh Atln	Paradox	2,268	56,675	621,024
Superior Oil Co.	Navajo H 14-16	Twin Falls Creek	Paradox	367	14,422	197,882
TOTAL NATURAL GAS.....				154,798	1,663,111	6,482,478

POSTED PRICE BULLETIN

This is to advise that Kerr-McGee Corporation cannot find sufficient purchasers to take its Navajo, Arizona plant output of Grade "A" helium f.o.b. the plant site at the United States Government Grade "A" helium plant price to commercial purchasers. Consequently, it has become necessary to post a plant price which will enable Kerr-McGee Corporation to sell such helium.

PLEASE TAKE NOTICE effective at 7:00 o'clock A.M. on January 1, 1967, the posted price for Grade "A" helium sold f.o.b. Kerr-McGee Corporation's plant at Navajo, Arizona, will be \$28.00 per Mscf, measured at 14.7 pounds per square inch absolute and at 70° Fahrenheit.

KERR-McGEE CORPORATION

December 29, 1966

Selling Price	Value for Royalty	Kerr's Cost Per MCF	Profit
\$ 40.00	2.259	28.237	11.763
39.00	2.159	26.987	12.013
38.00	2.059	25.737	12.263
37.00	1.959	24.487	12.513
36.00	1.86	23.25	12.75
35.00	1.76	22.00	13.00
34.00	1.66	20.75	13.25
33.00	1.561	19.512	13.488
32.00	1.461	18.262	13.738
31.00	1.361	17.012	13.988
30.00	1.261	15.762	14.238
29.00	1.162	14.512	14.488
28.00	1.062	13.275	14.725
27.00	.962	12.025	14.975
26.00	.862	10.775	15.225
25.00	.763	9.537	15.463
24.00	.663	8.287	15.713
23.00	.563	7.037	15.963
22.00	.463	5.787	16.213
21.00	.431	5.387	15.613
20.00	.399	4.987	15.013
19.00	.365	4.562	14.438
18.00	.331	4.137	13.863
17.00	.298	3.725	13.275
16.00	.265	3.312	12.688
15.00	.232	2.90	12.10
→ 14.00	.199	2.487	11.513

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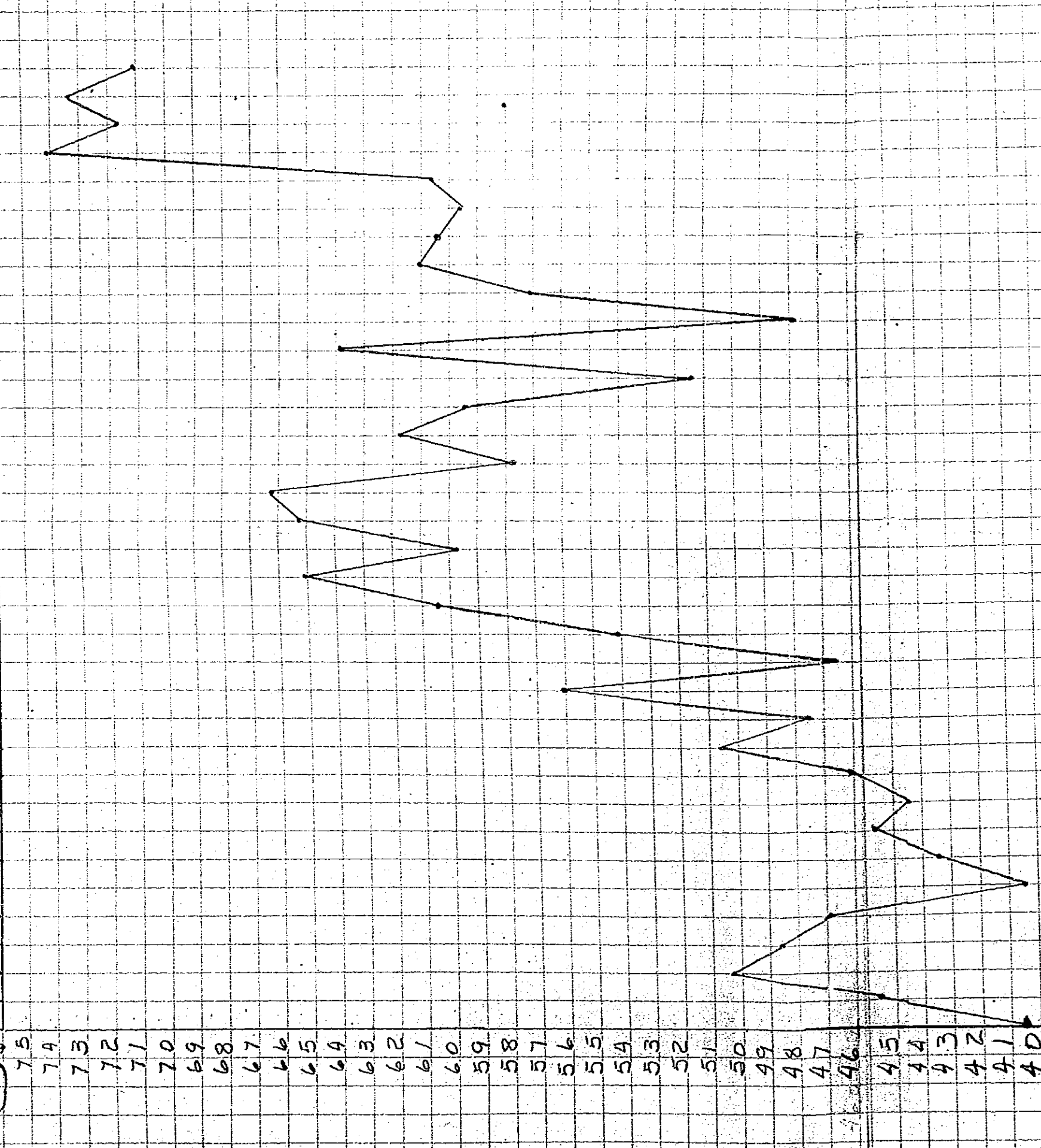
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19.00	.365	4.562	14.438	
18.00	.331	4.137	13.863	
17.00	.298	3.725	13.275	
16.00	.265	3.312	12.688	
15.00	.232	2.90	12.10	
→ 14.00	.199	2.487	11.513	

Helium Production

	<u>1964</u>	<u>1965</u>	<u>1966</u>
Jan	41,488	56,065	63,978
Feb	45,786	46,756	47,976
Mar	50,201	54,089	57,029
Apr	48,604	60,422	61,019
May	46,908	65,086	60,523
June	40,518	59,836	59,713
July	43,423	65,276	60,726
Aug	45,726	66,280	74,136
Sep	44,584	57,782	71,845
Oct	46,096	61,783	73,374
Nov	50,681	59,415	71,251
Dec	<u>47,625</u>	<u>51,439</u>	
Total	412,767	704,229	701,370

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Graph of Kerr-McGee Helium Production - 1964 - 1999

Total Production 1964 = 412, 767 MCF
 " " 1965 = 704, 229 MCF
 " " 1966 = 701, 370 MCF (Dec. Not reported)

3
Sent DEC 22 '66 AM

FILE _____
DOCKET L-426



1 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

2 IN AND FOR THE COUNTY OF MARICOPA

3
4 KERR-McGEE CORPORATION, a)
Delaware corporation,)

5 Plaintiff,)

No. 155975

6 J U D G M E N T

7 vs.)

8 OBED M. LASSEN, State Land)
Commissioner, STATE LAND)
9 DEPARTMENT and STATE OF)
ARIZONA,)

10 Defendants.)
11 _____)

12
13 THIS CAUSE came on regularly for trial before the Court sitting
14 without a jury on the 28th day of March, 1966. COLEMAN HAYES and
15 DEVENS GUST appeared as attorneys for the Plaintiff, KERR-McGEE
16 CORPORATION, a Delaware corporation, and DARRELL F. SMITH, The
17 Attorney General, and WALTER O. HOLM, Assistant Attorney General,
18 appeared as attorneys for the Defendants, OBED M. LASSEN, State Land
19 Commissioner, STATE LAND DEPARTMENT and STATE OF ARIZONA.
20 Opening statements were made and the introduction of evidence was com-
21 menced and continued from day to day until March 31, at which time all
22 parties rested. Thereupon the Court took the case under advisement and
23 requested the filing of briefs by both parties, which was accordingly done,
24 and the Court, having heard the testimony, having examined the proof and
25 briefs offered and filed by both parties, and being fully advised in the premises,
26 does hereby ORDER, ADJUDGE AND DECREE:

27 (1) That the name of the Plaintiff in all proceedings hereafter
28 shall be KERR-McGEE CORPORATION.

(2) That for the purpose of determining the basis on which plaintiff shall account to the State of Arizona for its royalty, the market value at the well of the gas so produced each month from said premises under said leases is hereby determined to be, and shall be computed and accounted for, from first production to the cessation of such production, as set forth in the following price schedule:

AVERAGE NET SALES
PRICE RECEIVED BY
KERR-McGEE FOR
GRADE "A" HELIUM
SOLD DURING EACH
MONTH F.O.B. PLANT,
NAVAJO, ARIZONA, IN
DOLLARS PER MSCF*

HELIUM CONTENT IN PERCENT PER VOLUME

	7.00(3) to 7.49	7.50 to 7.99	8.00 to 8.99	9.00 to 9.99(2)
\$40.00 to \$40.99 (1)	\$1.976	\$2.118	\$2.259	\$2.391
\$39.00 to \$39.99	1.889	2.024	2.159	2.286
\$38.00 to \$38.99	1.802	1.930	2.059	2.180
\$37.00 to \$37.99	1.714	1.837	1.959	2.074
\$36.00 to \$36.99	1.627	1.744	1.860	1.969
\$35.00 to \$35.99	1.539	1.650	1.760	1.863
\$34.00 to \$34.99	1.453	1.557	1.660	1.758
\$33.00 to \$33.99	1.366	1.463	1.561	1.652
\$32.00 to \$32.99	1.278	1.369	1.461	1.546
\$31.00 to \$31.99	1.191	1.277	1.361	1.441
\$30.00 to \$30.99	1.104	1.183	1.261	1.335
\$29.00 to \$29.99	1.016	1.089	1.162	1.230
\$28.00 to \$28.99	.929	.995	1.062	1.124
\$27.00 to \$27.99	.841	.902	.962	1.018
\$26.00 to \$26.99	.754	.808	.862	.913
\$25.00 to \$25.99	.668	.715	.763	.807
\$24.00 to \$24.99	.580	.622	.663	.702
\$23.00 to \$23.99	.493	.528	.563	.596
\$22.00 to \$22.99	.406	.434	.463	.490
\$21.00 to \$21.99	.377	.404	.431	.456
\$20.00 to \$20.99	.348	.374	.399	.422
\$19.00 to \$19.99	.319	.343	.365	.386
\$18.00 to \$18.99	.290	.310	.331	.351
\$17.00 to \$17.99	.260	.279	.298	.316
\$16.00 to \$16.99	.232	.249	.265	.280
\$15.00 to \$15.99	.203	.218	.232	.246
Up to \$14.99	.175	.187	.199	.211

* At 14.7 pounds per square inch absolute and at 70° F.

(1) If sales prices are higher than \$40.99, the price of gas is to be negotiated.

1 (2) If helium content is higher than 9.99%, the price of gas is to be
2 negotiated.

3 (3) If helium content is less than 7.00%, the price of gas is to be
4 negotiated.

5 (3) Volumes of gas for which KERR-McGEE shall account to the
6 State of Arizona shall be measured at a standard pressure base of 15.025 lbs.
7 per sq. inch absolute and a standard temperature base of 60° Fahrenheit.

8 (4) That the plaintiff is indebted to the State of Arizona for
9 royalty on gas so produced from said leases, computed on the basis set out
10 above from first production to 7:00 A.M. on the 1st day of August, 1966, in
11 the sum of \$138,312.07, which sum is over and above all sums previously
12 paid to the State of Arizona and which sum shall forthwith be paid by plaintiff
13 to the State of Arizona, and the plaintiff shall thereafter account each month
14 to said State of Arizona for its royalty on gas so produced until the cessation
15 thereof as herein directed.

16 (5) That each party shall bear its own costs.

17 ENTERED this 8th day of December, 1966.

18
19 S. Warren L. McCarthy
20 Warren L. McCarthy
Judge of the Superior Court

21 APPROVED AS TO FORM:

22
23 Coleman Hayes
Coleman Hayes
24 S. Devens Gust
25 Devens Gust
Attorneys for Plaintiff

26
27 DARRELL F. SMITH
The Attorney General

28 Walter O. Holm
Walter O. Holm, Special Assistant
Attorney General, Attorneys for Defendants

OIL AND GAS ASSOCIATION OF ARIZONA

810 FIRST NATIONAL BANK BUILDING
PHOENIX, ARIZONA 85004

MIKE O'DONNELL
PRESIDENT

CHARLES KALIL, M.D.
VICE-PRESIDENT

HALE C. TOGNONI, P.E.
SECRETARY-TREASURER

January 13, 1967

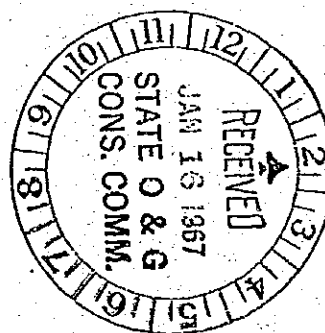
TELEPHONE
258-6481

MEETING NOTICE:

The next regular monthly membership meeting will be held at 12:00 o'clock noon on Wednesday, January 18, 1967, Neptunes Table, Seventh Avenue and Camelback Road.

A major speaker will be present to speak on incentive bills and the need for a change in the rules and regulations on spacing.

Reservations may be made by calling 258-6481.



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

December 5, 1966

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

Pursuant to your instructions during our meeting of November 16 in Tucson, I am making a study of spacing from the information contained in our files in the old spacing hearings. The arguments on both sides are pretty much the arguments we heard in Tucson.

In general, it seems that the independent lease broker prefers smaller spacing, apparently from the thought that larger spacing would hamper leasing activity and exploration. It seems their thought is that a person who possesses only 40 acres would drill his lease if our regulations did not call for 80 acres. However, the obvious fallacy of this argument needs no comment.

Of course, most evidence was presented by major oil companies whose general feeling is that 80 acre spacing allows the quicker defining of a pool once discovered, that it prevents costly drilling, and that it allows much greater engineering control of a reservoir. They further point out that once a well is drilled it cannot be undrilled, and consequently economic waste can develop. Whereas, 80 acre spacing with subsequently developed geology and engineering information, shows that closer drilling is necessary, a company or individual then can come back in and in-field drill.

On the second day of spacing hearings it is interesting to note that Mr. Obed Lassen, who conducted the spacing hearing as the then Commissioner inasmuch as oil and gas functioned under the Land Department, had a prepared statement read wherein he very definitely preferred 80 and 640 acre spacing.

A copy of this study, together with some spacing requirements of other states, will be forwarded to you in the near future.

I might add, that as of this time my personal feelings are definitely to leave the regulations as they currently are. With the great flexibility built into our regulations we can handle any situation that may arise.

I might point out, that during the spacing hearings the one geologist put on by the so-called independent wildcatters ultimately arrived at the point that the assigned state-wide spacing was not too important so long as the Commission had flexibility and could grant spacing either upward or downward from the initial state-wide spacing rules.

In the old Yucca Petroleum #1 Crary Fee well in Verde Valley, NE SW 5-17N-4E, Yavapai County, Mr. Earl Huggins of Sedona claims to have found some free oil floating on top of the water. An attempt was made to recover some of this liquid; however, the homemade bailer was lost.

I have been requested, and will go, to Sedona today to witness another attempt to recover the liquid.

O'Donnel and Ewing Drilling Company drilled the initial well and a similar liquid, as described to me by Mr. Huggins, was noted. However, the properties were such that the operator felt unjustified in spending any money on further investigation of the area.

Texaco Inc. has requested permission to recomplete their #1 Navajo Z well, NW SW 36-41N-30E, Apache County, as a helium well. Texaco reported some time back that they had encountered a helium strata, but were more interested in oil. While the well did produce some oil, it was not economical to produce. If Texaco is successful in completing this well as a helium well, it will be the first production out of the Pinta Dome and Navajo Springs area.

Tenneco's #1X Fort Apache has been plugged and abandoned. They are now drilling on their #1 Federal B, SW NE 4-10N-24E, Apache County.

As to the Harless wells, the Attorney General's Office has requested that the Commission prepare a question to it concerning violations of this type and the necessary course of action to be followed by the Commission. It seems to be the feeling at this time that the order originally issued by the Commission cannot be enforced and that it may be necessary to have a hearing prior to seeking court action to enforce our order.

I might point out that prior to issuing our order to Harless, a very similar question was asked of the Attorney General. The Attorney General did not choose to answer in writing but they did verbally state that we pursue the course we did.

You will be kept advised as this situation is resolved.

As discussed with you approximately one year ago, the Registrar of Contractors is apparently asking to control the oil and gas drilling within the state. His authority is questionable in this area. His attempts at regulation have not been consistent and have created much distress to Tenneco and its driller, Young Drilling Company of Farmington.

I have discussed this situation with both the Attorney General and Mr. Lewis, following an earlier conversation with the Registrar of Contractors. Mr. Lewis has graciously consented to look into this situation and we hope for an early solution to this problem as it is necessary that this question be resolved so that the drillers in Farmington and elsewhere may contract with confidence to drill oil wells.

I might also add that Mr. Lewis is greatly expediting the Harless situation for this Commission.

New Permits:

- 372: Steinberg #1 Fowalt-Babbitt Enterprises fee,
SE SW 24-19N-10E, Coconino County
- 373 Eastern Petroleum #3 NMA, center 9-16N-25E,
Apache County

Inasmuch as the IOCC is meeting in Phoenix on December 12-13-14, it is not contemplated that an official Commission meeting will be called for December. Should you have any questions, I will be glad to meet with you any time during that period.

May this office also take this opportunity to wish each of you and your families a Merry Christmas and a Happy New Year.

SAMUEL P. GODDARD
GOVERNOR

LYNN LOCKHART
CHAIRMAN

ORME LEWIS
VICE CHAIRMAN

HIRAM S. CORBETT
MEMBER

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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

December 5, 1966

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

November 29: Flagstaff
Checked Steinberg location. Rotary rig drilling
at 539.

November 30: Holbrook
Inspected eight Arkla locations. Dry hole
markers set ok. Arkla is reducing office in
Holbrook to one geologist and one draftsman.
No further drilling activity for the present.

December 1: Four Corners
Champlin: TD 5287 in Pennsylvanian Desert Creek
formation. Logging.

December 2: Showlow
Tenneco Federal 1-B. Drilling at 1100'.

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

Minutes of Meeting
November 16, 1966
Holiday Inn, 1010 S. Freeway, Tucson, Arizona

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. Roy Elwell
Mr. Mike O'Donnell, O'Donnell-Ewing Drilling Co.
Mr. Bob Louisville
Mr. James Fulton, Sunland Development Company
Mr. H.D. Hand
Mr. Paul Brown
Mr. Alfred Morgan
Dr. Willard Pye, University of Arizona
Dr. Wes Peirce, Arizona Bureau of Mines
Dr. Charles Kalil
Mr. Loy Turbeyville
Mr. Joe Barrett, Yucca Petroleum Company
Mr. Robert Noble, Envoy Petroleum Company

Chairman Lockhart called the meeting to order at 2:20 p.m.

Minutes of the meeting of September 21, 1966 were approved.

Chairman Lockhart stated the Commissioners had received advance copies of the Executive Secretary's report and asked if anyone wanted it read. After receiving no such request, the Executive Secretary's report was filed.

Mr. Scurlock added to his geologist's report, stating that some later information received was that Eastern Petroleum Company had decided not to drill the location in Section 15, but were moving to Section 9 where they were negotiating the lease. Chairman Lockhart asked the assembly if there were any questions to ask the geologist. There were none. The geologist's report was filed.

Mr. Bannister reported that Camplin Oil Company was prepared to spud about October 15, but no confirmation of this had been

Minutes of Meeting
November 16, 1966
Page 2

received as yet.

Mr. Bannister recalled to the Commission its previous discussion concerning applications to drill an oil (rather than gas) exploration well on 80-acre locations in the known helium area and the Commission's warning to these operators that before these wells could be produced they must be brought into compliance with spacing regulations. The Commission had directed Mr. Bannister to suggest something that could be put on the permit to press home the point. Mr. Bannister then handed copies of three suggestions to the commissioners which could be reproduced on a rubber stamp and stamped on each permit, and requested direction from the Commissioners.

Mr. Scurlock suggested that we get voice from the grass roots as to what they want in spacing; that he had heard many comments as he travelled around that much oil money is being kept out of Arizona because of our spacing.

Mr. O'Donnell asked if this were an open meeting. He was assured that it is.

Mr. Lewis pointed out that the topic under discussion concerned the wording of the message for the rubber stamp, and suggested that the shorter the message, the more apt people were to pay attention. However, attention should be called to the fact that they are in compliance with what they ostensibly have in mind when they apply to drill or they wouldn't get the permit.

Mr. Bannister asked if we could accomplish this by adding "with respect to the product to be produced" to the last of the three suggestions and it would then read: "Prior to being allowed to produce this well you must be in full compliance with Rule 105, A through G, with respect to the product to be produced." This then could be stamped on the lower left hand corner of the permit.

Mr. Fulton asked, that if in the spacing for hydrocarbon gas or for helium, do the rules state you must be 2,000 feet from the section lines? Mr. Bannister affirmed this and that the section must be a government section.

Mr. Fulton then asked if a man, due to 80-acre spacing for an oil well got helium, how is he going to make a legal location out of that for production. Mr. Bannister replied the only possible way is to ask the Commission for an exception.

Mr. Fulton then pointed out that the State Land Department allowed a man to take an oil, gas or helium lease on 40 acres or more. If the man spent his money for a 40-acre lease, he isn't allowed to drill that. There is a terrible difference between the Oil and Gas Conservation Commission Rules and Regulations and the State Land Department.

Minutes of Meeting
November 16, 1966
Page 3

Mr. Lewis replied that it appears on the surface that there is a conflict, and further that the federal government is in conflict also. BLM does not have the same requirements for leasing to meet the various requirements for spacing in the many states. It is believed that they too work on the 40-acre principal. Assume that a man had only an 80-acre lease and he intended to drill an oil well. But he hit helium. The 40-acre lease provisions enable him to pick up, if available, any series of acreage necessary to meet the requirement.

Mr. Lewis again pointed out that the topic under discussion was the wording for the rubber stamp and that it must be concluded. Mr. Lewis moved that the wording as suggested by Mr. Bannister be approved. The motion carried.

Mr. Bannister recalled to the Commission that he had been directed to contact various other states concerning incentives. He reported briefly on the replies received:

Canada re-adjusted the prorationing, allowing a new hole to produce more; Florida passed a \$50,000 bonus bill and if the discovery were on state land waived the state's royalty for five years. Humble did collect this money, but then added another \$10,000 and gave each of the two state universities \$30,000. Iowa proposed in 1953 a \$100,000 bill for several categories of wells but it failed to pass the legislature. Nebraska in 1939 and in 1950 paid a \$10,000 bonus to Ohio Oil Company, but it was felt that the money was not an incentive. Oregon had considered a bill from \$100,000 to \$1,000,000, but there was no action because a study by the legislature concluded that the bonus would not accomplish the desired purpose. Tennessee in 1953 had a \$50,000 bonus for either an oil or gas well. The appropriation lapsed for lack of takers. Tennessee spokesman said it did not affect exploration and they felt the best incentive was to develop geology information that could be made available to the companies.

Mr. Owens asked if dry hole support was being offered. Mr. Bannister replied that dry hole support has not been attempted in the United States. Australia offered to pay 51% of the bill to anyone coming in to find oil. It has been a most successful program. The 51% will be recovered from production.

Mr. Lewis asked how much this had cost Australia. Mr. Bannister replied that it was about \$50,000,000, but this was a cumulative figure and he could not break it down by years. Australia did accomplish their purpose.

Mr. Bannister reported that a study of the nine shut-in helium wells revealed all were in conformance with spacing requirements with the exception of five drilled by Apache Drilling Company; they were on 80-acre spacing. The Attorney General in reply to a Commission request for opinion stated that it was the duty of the Commission to look upon the application as it was presented; if the application is regular on its face, then it is the

Minutes of Meeting
November 16, 1966
Page 3

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Commission's obligation to issue the permit.

Mr. Lewis asked if permits for these wells had been granted by this Commission or before the existence of this Commission. Mr. Bannister replied that one was granted by the State Land Department, three were issued under the 1959 rules which had been declared invalid. In effect, the only wells that may be in violation are the five Apache Drilling Company wells.

Mr. Lewis asked, of the nine shut-in wells, how many are in compliance with the current spacing rules. Mr. Bannister replied that four of the shut-in are fine. There are five on 80-acre spacing but they are not producing.

Mr. Lewis commented then that all nine wells were valid based upon their applications.

Mr. Bannister commented that the operator of the five wells on 80-acre spacing has been warned that they cannot be produced as helium wells under the current dedication; they must comply with the 640-acre rule.

Chairman Lockhart asked what relief would this company have. Mr. Bannister replied the company now is making an intensive study of the area with the ultimate intention to come before the Commission and request that this area be put on 160 acre spacing for gas wells.

Mr. Lewis pointed out that since they have no way of collecting this gas then really there is no problem at the moment. The Commission recognizes fully that the situation may exist where a fellow asks for a helium well on proper spacing, but later wants a helium well on 80-acres because of the peculiarities of geology of the area. Also he may ask for an oil well. Whether he drills it as a calculated risk or with the idea he might hit helium, if he can show the geology for such, that it is wise to drill on 80 acres, 60 acres, or 90 acres, because of the peculiarities of the geology, we are willing to hear it. But we don't want to turn ourselves into a constant hearing board merely for the purpose of adjusting well spacing.

Mr. Owens asked if any of these wells were on contiguous acres. Mr. Bannister replied that they were widely scattered.

Mr. Noble commented that we should have a structure geology study made to determine spacing for an area.

Mr. Bannister pointed out that Arizona has state-wide spacing only. But the rules do have provisions to make special rules for a field, based upon information submitted to the Commission.

Mr. O'Donnell commented that he has had comments that the

Minutes of Meeting
November 16, 1966
Page 5

present statewide rules hamper exploration. In San Juan Basin a deep well, 6,000-8,000 feet for gas will drain 640 acres. But in Arizona, helium at 1,200-1,400 feet will not drain 640 acres. At one time E.A. Columbus, Denver, stated that a helium well at that depth will only drain 160 acres and an oil well at that depth would only drain 40 acres.

Mr. Lewis wondered if in the other states the depth as well as other characteristics were not considered.

Mr. Bannister replied that where a state has adopted the depth factor as part of their statewide spacing requirements, a definite acreage is stipulated and they will not and cannot deviate, even if the well will not drain the entire area allocated to it. The flexibility that we have is lost.

Mr. O'Donnell commented that the common thinking was an oil well for 40 acres. He personally would like to see 40 acres for an oil and 160 acres for a gas well, regardless of depth. Then when you get into some regular dry gas go into 640 acres.

Mr. Noble stated his people would like to see better spacing. They think the 640 acres is too much to be drained by one gas well.

Dr. Pye commented that we are trying to encourage exploration. So if the reduction of acreage is necessary for a wildcat well, that is one thing. But after the well is drilled that is another thing. Then you have data for judgment as to where the field might be. The very important thing is probably that depth should be considered. Maybe after one or two wells are drilled, then there should be a hearing for spacing on that field based on engineering data.

Mr. Bannister pointed out that the states which have adopted spacing based on depth consideration have done so only after hundreds of wells have been drilled. They got a lot of geology and production history before they felt safe. We cannot in all fairness adopt a depth factor at this time because we don't know if it will satisfy the geology pattern of our state.

Chairman Lockhart concurred and felt we had to set the acreage and let the producer prove to the contrary.

Mr. Bannister pointed out that the more valid argument for wider spacing is that this will prevent an Ohio situation wherein unnecessary wells were being drilled. There is one other thing to consider. In the State of Ohio drilling was largely on fee acreage. The federal government looked at this and directed that it be brought under control. This was the big stick that brought Ohio drilling under control.

Mr. Lockhart asked if there were any harm this Commission could do by cutting the spacing down to 60 or 40 acres. Then if we get production, raise it.

Minutes of Meeting
November 16, 1966
Page 6

Mr. Bannister replied the danger there could be that we could not come back to a field drilled on 40 acres and order that every other well be closed if subsequent information showed that wider spacing would drain the field. You can drill additional wells if needed, but you can't undrill a well.

Mr. O'Donnell asked if a hearing could be called. Mr. Lewis replied that before we call a hearing on spacing we would have to hear from an operator as to what data he has to justify closer spacing. It would depend a great deal on what we have before us before we call a hearing.

Mr. O'Donnell asked if this were a point of geology or engineering. Mr. Bannister replied there was no reason why anyone could not submit to the office a brief on his point of view, including substantiating data.

Mr. Lewis said that then with that compilation we had some tools to work with to decide whether we do or do not call a hearing.

Mr. Alfred Morgan stated that he knew of only one person in the state who felt the spacing was correct. The questions is qualified people and qualified information. Apache Drilling Company has done much more and has much more information than you are aware of. There is no way to get underground information to draw the logical conclusion without drilling.

Dr. Kalil stated the base point at issue is what is really necessary to stimulate interest when vital capital is more difficult to come by now than it has been in the past. You know of many of the reasons, off shore drilling, foreign drilling, lucrative profits. Venture capital to establish spacing so that wells can economically and efficiently drill and produce is arrived at by two methods. Spacing based upon maximum engineering facts and the establishment of compulsory fieldwide unitization to control the efficient production of a reservoir. This Commission is charged with the authority to adjust rules and regulations depending upon development of industry. But one of the problems is that we don't quite have an industry yet. One of the ways to attract more people is in putting a block together, if the spacing pattern for gas is 640 acres, a fellow would have to gather together a fairly large block to justify expenditure. If the spacing is 80 acres for an oil well he would have to get together a fairly large block. Economically speaking it might be wise and judicious to consider a little less spacing in an effort to stimulate the development of drilling. The fields in the Holbrook Basin are categorized as shallow fields. In other parts of the state sedimentaries may be deeper and thicker and it may be down in Cochise County we might prefer 640 acres for spacing. The paramount point now is what possibly can be done to stimulate interest. I do think the suggestion of 160 acres for gas and 40 acres for oil

is certainly not unreasonable at this stage of the game.

Chairman Lockhart called upon Mr. Fulton for comments.

Mr. Fulton stated he had been negotiating for the past year with several companies to come to Arizona for oil and gas and helium exploration. He points out to them our rules and regulations are flexible; there is merely a hearing necessary to get an unorthodox location or to get a lesser spacing for an oil or gas well. But then they come to the boundaries which is 2,000 feet from the section line. If a man was honestly drilling for oil in the northwest quarter section and did get a helium well, it would be assinine for that man to run the risk of losing a helium well to continue drilling with a probable potential of oil or natural gas. They all tell me that when they are modified to the extent and that they are in writing they are willing to come here and spend millions of dollars. But until then they are not interested. Thanks a lot, Arizona.

Mr. Fulton stated further he wanted to see 40 acres for an oil well and 160 acres for a gas well.

Mr. Lewis asked Mr. Fulton, with respect to the 40 and 160 acres, did he believe that anything should be changed with respect to the location of the well within the 40 and 160 acres.

Mr. Fulton replied that he would, for geological reasons, but after a hearing.

Mr. Lewis then commented, in other words the same rules we have now with respect to its location, but with the flexibility of a hearing to relocate if geology demands.

Mr. Fulton answered by saying, we have a structure. It comes through the northwest quarter of a section you have under lease. There is a known producing well in the section adjoining on the high of the structure, and if you can obtain that high, giving you a better chance of production by moving as high as you can on the section you have under lease. I think this a matter that a hearing could be held on and the Commission with geology information should grant such an unorthodox location.

Mr. Lewis stated that what his question is really directed to, is not changing the flexibility of the Commission, but in the 40 acres or in the 160 acres, it would still require the well to be roughly in the center.

Mr. Fulton replied the operator would still have to have a special hearing because there would still be in the 160 acres many locations where it would not be advisable to locate.

Mr. Lewis stated he wanted to stay away from talk about conditions for a special hearing. Let us talk about the rule. The

Minutes of Meeting
November 16, 1966
Page 8

rule would still say approximately in the center. Is that what you have in mind?

Mr. Fulton replied, no. Why not go like some of the other states. Make it 330 feet from the legal subdivision.

Mr. Siler asked Mr. Bannister to get information on which states have 40-acre spacing and which have spacing like ours.

Dr. Kalil stated many states have spacing less than ours. But because of the characteristics of the structures and of the reservoirs they have found such spacing patterns most feasible. Administratively, in the rules and regulations there can be granted by the Commission without hearing, an exception to a well location if the operator will state some insurmountable reason.

Mr. Noble asked if the Commission had authority to change spacing without a hearing. Mr. Lewis replied that any state board, in adopting rules and regulations, must follow a specific law that requires a hearing, that notice be filed before and afterwards with the Secretary of State. This would be true of any department of state.

Chairman Lockhart declared a recess at 3:15 p.m.

Chairman Lockhart called the meeting to order at 3:45 p.m.

Mr. Bannister announced that at this meeting we had a few copies of a dry hole map of Cochise County. The Commission was in process of preparing, and it will probably be ready in June, a dry hole map of the state. Copies of the Rules and Regulations and a dry hole map of northeastern Arizona are also available at this time.

Chairman Lockhart asked Mr. Bannister to report on the upcoming Interstate Oil Compact Commission meeting in Phoenix. Mr. Bannister replied that he had been requested to report at the Arizona Oil and Gas Association meeting on this, which meeting follows, and since everyone present during this Commission meeting would also be present at that meeting, he would like to make his report at that time. Mr. Bannister did point out that Turf Paradise was having a special IOCC race and hope there would be a good turnout for that.

Mr. Fulton stated that another thing that should be presented to the legislative body is tax relief on new production in the state, such as other states and Canada have offered and are doing now.

Chairman Lockhart suggested that Mr. Fulton or his association get the information together for presentation, and of course the Commission would do all they could to help.

Mr. Lewis pointed out we were going into a period in which our

Minutes of Meeting
November 16, 1966
Page 9

tax structure was going to be looked at very thoroughly. The report of re-assessment of all property should be received shortly. There will be a bundle of legal arguments as to whether or not the legislature has the right to allocate taxes on a percentage basis between different classes of property, either by proven action or by referendum or by constitutional amendment. While that is being considered, while we might get something like this underway from the point of view of getting them to familiarize themselves with it, I think it should only be approached from an educational point of view while these other things are going on. Mr. Lewis further suggested that such a measure not be presented early in the session while the session was developing. Then, present it with the idea that it would be printed and then people would become familiar with this bill. Then when they go into special session, which most certainly will be devoted to taxes, the door is open.

Dr. Kalil asked what would be the effect upon the legislature when some segment of our economy is requesting a tax incentive. What would be the effect upon other segments of our industrial economy? Because then they could begin to clamore, "we've been here for years. We've contributed X tax dollars." It might open the barn door.

Meeting adjourned at 4:35 p.m.

STATEMENT OF LEDGER TRANSACTIONS
November 196

	Expenditures Current Month	Total Expenditures to date	Outstanding Encumbrances	Allotment to date	Balance to date	Total Appropriation	*Balance of Appropriation
Personal Services: Staff	\$ 2,215.00						
Commissioners	250.00						
TOTAL	\$ 2,465.00	\$ 11,950.00		\$ 14,750.00	\$ 2,800.00	\$ 29,500.00	\$ 14,750.00
Current Expenditures Other							
Telephone	98.85		198.00				
Miscellaneous: Amshel log, maps	144.37		198.00	\$ 3,675.00	\$ 2,218.70	\$ 7,350.00	\$ 3,675.00
TOTAL	\$ 243.22	\$ 1,258.30	198.00				
Travel-State: Staff	51.25		100.00				
Commissioners	268.30		64.92				
Gasoline/related	123.37		164.92	\$ 5,000.00	\$ 3,406.83	\$ 5,000.00	
TOTAL	442.92	\$ 1,428.25	164.92				
TOTAL Travel out-of-State	\$	\$ 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	\$ 54.03	\$ 86.48	\$ 70.00	\$ 600.00	\$ 443.52	\$ 600.00	
TOTAL Professional Services				\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	
TOTAL Museum Northern Arizona		\$ 1,250.00		\$ 1,250.00		\$ 2,500.00	\$ 1,250.00
TOTAL Arizona Bureau Mines		\$ 1,250.00		\$ 1,250.00		\$ 2,500.00	\$ 1,250.00
TOTALS	\$ 3,205.17	\$ 19,775.42	\$ 432.92	\$ 33,525.00	\$ 48,316.66	\$ 54,450.00	\$ 29,925.00

* Allocated quarterly

RECEIPTS: Current Month \$ 50.00
Year to date 450.00
Balance \$ 9,195.25