

OIL AND GAS CONSERVATION COMMISSION
Meeting: April 19, 1967
Bannister, Exec. Secretary

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF Mar 1967	2 RECEIPTS CLASSIFICATION 1-7-10-060-0000	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
200.00	1 Application for Permit to Drill		200.00	200.00
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
200.00	TOTAL CURRENT MONTH RECEIPTS		200.00	XXXXXX
XXXXXX	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		9,370.25	XXXXXX
200.00	TOTALS - MONTH AND YEAR TO DATE		9,570.25	8,250.00

6 CLAIMS PAID MONTH OF Mar 1967	7 EXPENDITURES FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE	Total Appropri	Balance Appropriatic
2,515.00	1 Personal Services	22,125.00	22,110.00		15.00	29,500.00	7,375.00
271.06	2 Current Expenditures	5,512.50	3,678.64	217.52	2,616.34	7,350.00	1,837.50
	3 Subscriptions-Dues						
244.23	4 Travel-State	5,000.00	3,158.67	256.00	1,585.33	5,000.00	
547.05	5 Travel-out of State	2,500.00	1,171.73		1,328.27	2,500.00	
	6 Capital Outlay-Equip	2,500.00	1,977.71		522.29	2,500.00	
48.24	7 Current Fixed Charges	600.00	266.31	30.00	303.69	600.00	
231.80	8 Professional Services	2,000.00	261.80		1,738.20	2,000.00	
625.00	9 Museum No. Arizona	1,875.00	1,875.00			2,500.00	625.00
	10 Ariz.BuMines, UofA	1,875.00	1,875.00			2,500.00	625.00
	11						
	12						
	13						
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	30						
4,522.38	TOTALS	43,987.50	35,374.86	503.52	8,109.12	54,450.00	10,462.50

FORM 12-A POST AUDITOR

TO BE FILED WITH THE POST AUDITOR BY THE 15TH OF EACH MONTH

AGENCY Oil & Gas Conservation Commission IDENTIFICATION CODE NO. 1-7-10-000-0000

JACK WILL
GOVERNOR
LYNN LOCKE
CHAIRMAN
LUCIEN B. C.
VICE CHAIR
HIRAM S. C.
MEMBER
GEORGE
MEMBER
KENNETH
MEMBER

10.00 a

32x11

25x11

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. 1-7-10-000-0000

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF <u>Mar 19 67</u>
<u>19,935.00</u>	110	1 Personal Services: Salaries & wages, employees	<u>2,215.00</u>
<u>2,175.00</u>	150	2 " " : Per diem, Board Members	<u>300.00</u>
		3	
		4	
<u>313.87</u>	211	5 Postage	<u>113.08</u>
<u>948.44</u>	212	6 Telephone, telegraph	
<u>3,158.67</u>	220	7 Travel-State	<u>244.23</u>
<u>6,171.73</u>	230	8 Travel-out of State	<u>597.05</u>
<u>261.80</u>	240	9 Professional Services	<u>221.80</u>
<u>58.52</u>	262	10 Maintenance/repairs to office equip., furn.	<u>38.26</u>
<u>188.78</u>	294	11 Legal advt., notary/court/recording fees	<u>62.93</u>
<u>5.50</u>	295	12 Transportation of Things (shipping samples)	
<u>3,754.10</u>	299	13 Miscellaneous (blue prints, Ariz. Mines, Museum)	<u>625.00</u>
		14	
		15	
		16	
<u>624.88</u>	310	17 Office supplies	<u>43.72</u>
<u>269.74</u>	360	18 Scientific supplies (drafting, correlated logs)	<u>12.30</u>
<u>42</u>	370	19 Maintenance Supplies	
<u>33.90</u>	390	20 Other Supplies (film)	<u>57</u>
		21	
		22	
<u>138.15</u>	411	23 Rent office equip (xerox)	<u>30.04</u>
		24	
		25	
	421	26 Wages of officials and employees	
<u>108.65</u>	430	27 Subscriptions & Orgn Dues	<u>18.30</u>
		28	
		29	
		30	
	611	31 Capital outlay: Office Equip & Furniture	
	614	32 " " Medical & Scientific Equip.	
<u>1,977.71</u>	616	33 " " Automotive Equipment	
		34	
		35	
<u>250.00</u>	995	36 Creating Revolving Funds	
		37	
		38	
		39	
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		51	
		52	
		53	
		54	
		55	
<u>35,374.80</u>		TOTAL	<u>4,522.38</u>

OFFICE
AUDIT:

(DO NOT WRITE BELOW THIS LINE)
TYPED:

FIELD
AUDIT:

BY: _____ DATE: _____

BY: _____ DATE: _____

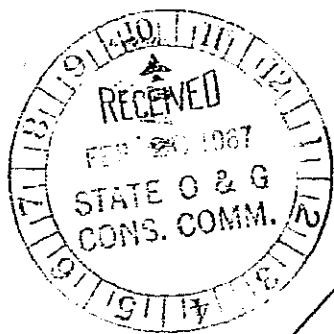
BY: _____ DATE: _____

*The family of
Clarence L Carpenter
acknowledges with deep
appreciation your kind expression of
sympathy*



Oil and Gas Conservation
Commission

1624 West Adams Rm. 202
Phoenix, Ariz. 85007





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

JACK WILLIAMS
GOVERNOR

LYNN LOCKHART
CHAIRMAN

LUCIEN B. OWENS
VICE CHAIRMAN

HIRAM S. CORBETT
MEMBER

GEORGE T. SILER
MEMBER

KENNETH G. BENTSON
MEMBER

A G E N D A

Meeting
April 19, 1967

9:30 a.m. Call to order

1. Approval of minutes of meeting of March 15, 1967
2. Executive Secretary's Report
3. Geologist's Report

4. Old business

1. *Humble decision*

2. *Bond form revision status*

5. New business

1. *Denver locc mtg. June 12, 13, 14 (#1100)*

2. *"Confidential" -- Humble, Kerr-McGee*

10.00 a.m.

Adjourn. Immediately enter into Hearing, Case 24, to consider amendment to Rule 102.

3. *Re-evaluation Committee*

*See memo, Bannister
Scurlock*

April 18, 1967

Memo from John Bannister, Executive Secretary

By telephone, April 18, 1967 at 10:35 a.m., Mr. John McGowan advised that: if the Commission in its forthcoming hearing on spacing in Dineh bi Keyah Field, sets aside an area as proven territory, that according to ARS 27-522, a well drilled within this area then is no longer subject to the confidential portion of said statute and thereafter all information is public.

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

Minutes of Meeting
March 15, 1967
Arizona Highway Department Auditorium
206 S. 17th Ave., Phoenix, Arizona

Present:

Mr. Lynn Lockhart, Chairman
Mr. Lucien B. Owens, Vice Chairman
Mr. Hiram S. Corbett, Member
Mr. George T. Siler, Member
Mr. Kenneth G. Bentson, Member
Mr. John Bannister, Executive Secretary
Mr. James R. Scurlock, Geologist
Mr. Orme Lewis
Dr. Willard Pye, University of Arizona

Meeting was called to order at 9:00 a.m.

Mr. Bentson, the new commissioner, was introduced by Mr. Lewis.
Mr. Bentson was welcomed by the Chairman, members and staff.

Mr. Lewis suggested, in his farewell to the Commission, that the proposed bond form might be presented to bond companies to determine whether they could and would issue this bond. The Executive Secretary agreed this is an excellent cooperative effort and that he would do so.

Mr. Owens stated that he for one had been well informed by and benefited from the experience and advice of Mr. Lewis; all those present joined in the acclamation and it was directed that the record so show.

Mr. Corbett nominated Mr. Owens for the position of Vice Chairman.
Mr. Siler seconded. Motion passed.

Minutes of the meeting of February 15, 1967 were approved.

Reports of the Executive Secretary and Geologist were acknowledged as received.

Meeting adjourned at 9:25 a.m. to go immediately into Hearing 22, to consider the application of Apache Drilling Co. Inc. for amendment to the spacing regulations.

APPROVED April 19, 1967

Lynn Lockhart, Chairman



JACK WILLIAMS
GOVERNOR
LYNN LOCKHART
CHAIRMAN
LUCIEN B. OWENS
VICE CHAIRMAN
HIRAM S. CORBETT
MEMBER
GEORGE T. SILER
MEMBER
KENNETH G. BENTSON
MEMBER

Oil and Gas Conservation Commission

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

JOHN BANNISTER
EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

April 7, 1967

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

The Kerr-McGee discovery field, officially named the "Dineh bi Keyah", continues to attract much attention. We are enclosing with this mailing an excellent report from the Oil and Gas Journal of April 3, 1967. We have taken the liberty of also mailing copies of this article to Governor Williams and to Legislature committee chairmen.

Tremendous interest is being shown by other companies in this area. It is my sincere belief we have a major oil find and certainly the most significant strike this year in the Rocky Mountain area. You probably have noticed the increased attention being given by the new media to this field.

Humble Oil & Refining Company has staked three locations and Anadarko Production Company (Fort Worth, Texas) has staked one location. Atlantic Richfield Company has indicated an interest in staking wells some 2½ miles to the east. It is requested that this information concerning Atlantic-Richfield be kept confidential at present. Humble Oil has requested that their wells be kept confidential.

The Kerr-McGee discovery well, #1 Navajo, is now producing in excess of 800 barrels per day and the confirmation well, the #2 Navajo, is now producing in excess of 3,000 per day.

Kerr-McGee is now contemplating a tank farm to facilitate moving oil inasmuch as the trucks are having an extremely difficult time getting to the remote well locations. By piping the oil to a central loading point they hope to save considerable time.

Kerr-McGee #3A Navajo well, which was a replacement well, has been re-named the #3X Navajo, the "X" being the normal industry designation of a skidded location.

In addition to this name change, the Humble #6-1 Navajo 138 has been re-named the Humble #1 Navajo 138.

We have received an opinion from the Attorney General concerning the necessity of registering oil/gas well drilling contractors with the Registrar of Contractors. As you can see, it is the opinion of the Attorney General that an oil or gas well driller in Arizona must be registered unless he is drilling on Indian lands.

With the consent of Chairman Lockhart, Vice-Chairman Owens, and member Ken Bentson, we have made arrangements with Mr. Ewell N. Walsh, Petroleum Engineer Consultant, to sit with the Commission as a reservoir engineer to advise us concerning reservoir data which Kerr-McGee will present at its hearing on April 19, 1967, at 2:30 p.m. We feel that this move is a wise precaution.

In preparing for our hearing at 10:00 a.m. on April 19, 1967, and at the advice of the Attorney General, this office attempted to file with the Secretary of State our intention to change our rules.

As you are aware, ARS 27.516.B is our controlling statute as to our rule-making power. This is at variance with the general method of adopting and amending rules and regulations. The Secretary of State's office advised it would not accept our filing inasmuch as it was in variance with ARS 41-1000, the general administrative act, and this office pointed out that inasmuch as our statutes did not require that we file with or through that office, it was not necessary for us to do so.

I have discussed this with Mr. Eubank, Attorney General's office, and he is taking this situation under advisement. Inasmuch as we are complying with the statutes which control this commission, we are safe and correct in holding our hearing.

Since our hearing of March 15, 1967 on Rule 102 (James R. Pickett) there has been no occasion to vary from the regular method of issuing a permit. As you will recall, this office is under specific directions pending our upcoming hearing on this rule.

It is suggested that should the proposed amendment of Rule 102 be adopted, that specific instructions to the Executive Secretary be made concerning the handling of emergency administrative procedures. Please see the attached sheet for a suggested form of direction.

By letter of March 28, 1967, and received by this office on March 29, 1967 at 10:00 a.m., the Attorney General's office advised that hearing on the Harless et al writ of prohibition had been set for Wednesday, March 29. Upon receiving the letter I immediately called the Attorney General's office and

learned that the hearing had been set for 8:30 a.m. Inasmuch as this was the first advice as to the hearing, I was not present to listen to the arguments.

Mr. Jordan Green, Assistant Attorney General representing the Commission, advised that he had no feeling as to the outcome and that he felt it would be from 30 to 60 days before a judicial decision would be reached. I will keep you advised as I am able.

Pursuant to telephone directions from the Commissioners, I notified Governor Williams that John Bannister was designated by the Oil and Gas Conservation Commission to serve on the State's Water Quality Control Council.

By letter of April 3, 1967 Governor Paul Johnson of Mississippi, as chairman of Interstate Oil Compact Commission, appointed me to work on the Subcommittee of Energy Resources Committee for the purpose of working with the oil and gas division of the Department of Interior and American Petroleum Institute to try to work out a standard system of oil and gas statistics. By letter dated April 4, 1967 I accepted the appointment.

By letter dated March 13, 1967, Governor Johnson appointed Mr. Lockhart to the IOCC Energy Resources Committee and to the Secondary Recovery and Pressure Maintenance Committee; I was appointed to the Regulatory Practices Committee and Mr. Scurlock to the Research Committee. These appointments were made with the concurrence of Governor Williams.

By letter dated April 3, 1967, enclosing a copy of Eastern Petroleum Company's telegram of March 29, 1967 to Kerr-McGee, Kerr-McGee advised the Commission that Eastern Petroleum Company as operator of Navajo Springs Unit was limiting its purchases to 12,500 MCF monthly, citing as Eastern's purpose re-evaluation of the reservoir. Previously Kerr-McGee had been drawing 27,000 MCF monthly from Navajo Springs.

The action taken by Eastern Petroleum Company is within its authority as Unit Operator, and it is my belief that Eastern Petroleum is protecting the recoverable reserves of Navajo Springs from the reduced prices now being offered by Kerr-McGee. Please maintain this information confidential.

New Permits:

- 386 Kerr-McGee #3X Navajo, SE SE 32-36N-30E, Apache County
- 387 Henderson Operator #1 State 8665, SW NW 16-18N-25E,
Apache County
- 388 Humble #1 Navajo Tract 138, SE NE 6-35N-30E, Apache County
- 389 Kerr-McGee #7 Navajo, SE SW 29-36N-30E, Apache County
- 390 Kerr-McGee 3c Navajo, SE NE 31-36N-30E, Apache County
- 391 Kerr-McGee #8 Navajo, SE SE 29-36N-30E, Apache County
- 392 Kerr-McGee #5 Navajo, SE SE 31-36N-30E, Apache County
- 393 Humble #1 Navajo 140, SE NE 8-35N-30E, Apache County
- 394 Humble #1 Navajo 141, SE NW 9-35N-30E, Apache County
- 395 Anadarko Production #1-135 Navajo, NW NW 3-35N-30E,
Apache County
- 396 Kerr-McGee #9 Navajo, SE SE 30-36N-30E, Apache County

Suggested Form of Direction

Inasmuch as the Commission recognizes that many situations will arise wherein undue hardship and/or financial loss could be created for an operator while waiting for a permit to drill to be issued, the Commission directs the executive secretary to handle emergencies in the following manner:

(1) If the request for an administrative deviation from the standard procedure of issuing a permit is requested during the normal working day, the executive secretary will contact the chairman or vice-chairman or one other member. After full explanation of the circumstances involved he will act upon the instructions given by the contacted member. This action will subsequently be presented to the entire Commission at its next regular meeting.

(2) In the event that the emergency application for permit to drill is made to the executive secretary at an hour other than the normal business day, the executive secretary may act as he deems reasonable and will at the earliest opportunity on the next normal working day verify his actions with the chairman or vice-chairman or one other member of the Commission. This action will be presented to the entire Commission at its next regular meeting.

The executive secretary may contact the chairman or vice-chairman or one other member by telephone. A memo of explanation will be included in the appropriate well file.



JACK WILLIAMS
GOVERNOR
LYNN LOCKHART
CHAIRMAN
LUCIEN B. OWENS
VICE CHAIRMAN
HIRAM S. CORBETT
MEMBER
GEORGE T. SILER
MEMBER
KENNETH G. BENTSON
MEMBER

OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA
ROOM 202
1024 WEST ADAMS
Phoenix, Arizona 85007
PHONE: 271-5161

JOHN BANNISTER
EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

April 10, 1967

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

March 2. Cottonwood: Checked Harless. Still inactive.
Rig now located near center SW/4 35-18N-4E (no permit for
this location). Cellar and pit dug.

March 13. Flagstaff: Consult with Dr. Smouse (University
of Northern Arizona) re publication geological article on
Defiance Uplift.

March 15-16: Attend Navajo Sale--leases near Kerr-McGee
new discovery.

March 21-22. Yuma: attend meeting Oil & Gas Association.
Dinner meeting with Kiwanis Club.

TRAVEL out of state

4.17 Balance \$ 1,148.00

10CC Mtg - Denver

June 12 - 13 - 14

RT 1/2 Tax exempt air fare \$ 105.50
Travel expense - - - 95.00
(@ \$15.00 day + 20.00 taxi, regis.)
Lv 6-11, ret. 6-15 \$ 200.50 per person
5 people could attend

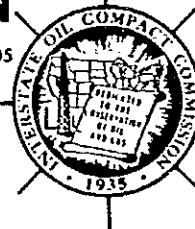
Travel by coach or tourist approx \$ 200.00 less
or, return afternoon of 6-14 \$ 150.00 less

INTERSTATE OIL COMPACT COMMISSION

HEADQUARTERS OFFICE: P. O. BOX 53127 • 900 N. E. 23RD STREET • OKLAHOMA CITY, OKLAHOMA 73105
TELEPHONE JACKSON 5-3556 — AREA CODE 405

LAWRENCE R. ALLEY
Executive Secretary

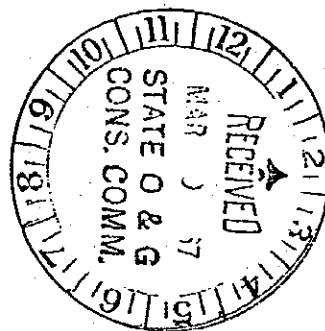
March 15, 1967



NOTICE

Enclosed is a form for your use in requesting reservations for our Midyear Meeting, which is to be held in Denver, Colorado, June 12-14. Headquarters for the meeting will be the Cosmopolitan Hotel; however, sessions will also be held in the Brown Palace Hotel, located directly across the street from the Cosmopolitan.

All reservations will be handled by the IOCC Headquarters Office, P. O. Box 53127, Oklahoma City, Oklahoma 73105. The reservation request form must be returned to this office NOT LATER THAN MAY 1. The hotels have given us a deadline for reservations, and if we do not receive the enclosed form by the above-mentioned date, we are not sure we will be able to guarantee reservations for you.



MEMBER STATES: ALABAMA - ALASKA - ARIZONA - ARKANSAS - COLORADO - FLORIDA - ILLINOIS - INDIANA - KANSAS - KENTUCKY - LOUISIANA
MARYLAND - MICHIGAN - MISSISSIPPI - MONTANA - NEBRASKA - NEVADA - NEW MEXICO - NEW YORK - NORTH DAKOTA - OHIO - OKLAHOMA
PENNSYLVANIA - SOUTH DAKOTA - TENNESSEE - TEXAS - UTAH - WASHINGTON - WEST VIRGINIA - WYOMING
ASSOCIATES: GEORGIA - IDAHO - OREGON

REQUEST FOR HOTEL RESERVATIONS

MIDYEAR MEETING
INTERSTATE OIL COMPACT COMMISSION
DENVER, COLORADO
JUNE 12-14, 1967

HEADQUARTERS -- COSMOPOLITAN HOTEL

Please indicate below the accommodations you desire. We will appreciate your returning the form to the address listed below at your earliest convenience, but NOT LATER THAN MAY 1. The hotel is unable to guarantee reservations received after this date.

Interstate Oil Compact Commission
P. O. Box 53127
Oklahoma City, Oklahoma 73105

COSMOPOLITAN HOTEL

SUITES (One Bedroom) \$30.00-\$60.00 _____ (Two Bedroom) \$45.00-\$75.00 _____

SINGLE - \$11.50-\$29.00 _____ DOUBLE - \$16.50-\$33.00 _____ TWIN - \$18.50-\$33.00 _____

BROWN PALACE HOTEL

SUITES (Studio) \$32-\$35 _____ (One Bedroom) \$32-\$75 _____ (Two Bedroom) \$50-\$110 _____

SINGLE - \$13.50-\$20.00 _____ DOUBLE - \$18.50-\$21.50 _____ TWIN - \$18.50-\$25.00 _____

Accommodations are for _____ person(s).

If your wife will accompany you to the meeting, please list her name below, as well as names and addresses of others for whom you are making reservations.

Name	Mailing Address	City & State

I (We) will arrive June _____, at _____ o'clock, and depart June _____, at _____ o'clock.

Confirm to:

Name _____

Company or State Affiliation _____

Business Mailing Address _____

City _____, State _____, Zip Code _____

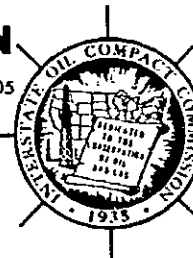
NOTE: All reservations will be confirmed by the hotel direct to the individual concerned. Please submit all reservations to this office not later than May 1, 1967, as we are not sure we will be able to assist you in obtaining a guaranteed reservation after this date.

INTERSTATE OIL COMPACT COMMISSION

HEADQUARTERS OFFICE: P. O. BOX 53127 • 900 N. E. 23RD STREET • OKLAHOMA CITY, OKLAHOMA 73105
TELEPHONE JACKSON 5-3556 — AREA CODE 405

LAWRENCE R. ALLEY
Executive Secretary

March 15, 1967



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MARYLAND - MICHIGAN - MISSISSIPPI - MONTANA - NEBRASKA - NEVADA - NEW MEXICO - NEW YORK - NORTH DAKOTA - OHIO - OKLAHOMA
PENNSYLVANIA - SOUTH DAKOTA - TENNESSEE - TEXAS - UTAH - WASHINGTON - WEST VIRGINIA - WYOMING
ASSOCIATES: GEORGIA - IDAHO - OREGON

REQUEST FOR HOTEL RESERVATIONS

MIDYEAR MEETING
INTERSTATE OIL COMPACT COMMISSION
DENVER, COLORADO
JUNE 12-14, 1967

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Interstate Oil Compact Commission
P. O. Box 53127
Oklahoma City, Oklahoma 73105

COSMOPOLITAN HOTEL

SUITES (One Bedroom) \$30.00-\$60.00 _____ (Two Bedroom) \$45.00-\$75.00 _____

SINGLE - \$11.50-\$29.00 _____ DOUBLE - \$16.50-\$33.00 _____ TWIN - \$18.50-\$33.00 _____

BROWN PALACE HOTEL

SUITES (Studio) \$32-\$35 _____ (One Bedroom) \$32-\$75 _____ (Two Bedroom) \$50-\$110 _____

SINGLE - \$13.50-\$20.00 _____ DOUBLE - \$18.50-\$21.50 _____ TWIN - \$18.50-\$25.00 _____

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If your wife will accompany you to the meeting, please list her name below, as well as names and addresses of others for whom you are making reservations.

Name _____ Mailing Address _____ City & State _____

I (We) will arrive June _____, at _____ o'clock, and depart June _____, at _____ o'clock.

Confirm to:

Name _____

Company or State Affiliation _____

Business Mailing Address _____

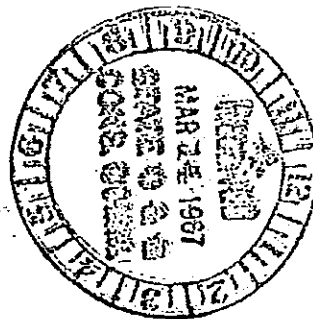
City _____, State _____, Zip Code _____

NOTE: All reservations will be confirmed by the hotel direct to the individual concerned. Please submit all reservations to this office not later than May 1, 1967, as we are not sure we will be able to assist you in obtaining a guaranteed reservation after this date.

DEPARTMENT OF LAW
OFFICE OF THE
Attorney General
STATE CAPITOL
Phoenix, Arizona 85007

DARRELL F. SMITH
THE ATTORNEY GENERAL
WILLIAM E. EUBANK
CHIEF ASSISTANT ATTORNEY GENERAL

March 10, 1967



Mr. John Bannister
Executive Secretary
OIL AND GAS CONSERVATION COMMISSION
Room 202
164 West Adams
Phoenix, Arizona 85007

Dear Sir:

In answer to your letters of November 18, 1966, January 24, 1967, and the letter of Mr. Orme Lewis, Vice-Chairman dated March 6, 1967, in the format of your letter dated November 18, 1966, the following answers are given.

A. The necessity of a hearing, to which your first question relates, complies with the constitutional requirement of due process of law. As you may recall, in our recent letter of January 9, we advised you that the law in this State requires notice of proceedings and an opportunity to be heard before Commission action of the character in question can be taken. Gibbons v. Arizona Corporation Commission, 95 Ariz. 343, 390 P.2d 582. The only exception to this rule is under the circumstances of an emergency and is fully covered by A.R.S. § 27-516 (C). In situations other than an emergency, a statute providing for the entry of an order for the plugging of a well by the Commission without notice and without an opportunity to be heard by the operator of the well would clearly be unconstitutional.

B. The following language is offered as a proposed amendment to Rule 102, and would become the fourth paragraph thereof. "...The permit to drill may be revoked by the

Mr. John Bannister
March 10, 1967
Page Two

Commission for violation of any law of the State of Arizona, or any rule, regulation or order of the Commission."

C. Enclosed find the recommended form for a performance bond which has been amended to require the plugging of a well by the bonding company rather than the payment of money to the Commission.

D. This office is under the impression that the enclosed bond form will adequately deal with the problem of the inability of the Commission to recover funds paid into the State General Fund pursuant to A.R.S. § 35-148. If, however, the Commission insists upon a statutory amendment, this office will supply the Commission with the necessary form.

Sincerely,

DARRELL F. SMITH
The Attorney General

Jordan Green
JORDAN GREEN
Assistant Attorney General

Enclosure:

cc: Mr. Orme Lewis

JG:sg

PERFORMANCE BOND

KNOW ALL MEN BY THESE PRESENTS

Bond Serial No. _____

That we: _____

of the County of _____ in the State of _____

as principal, and _____

of _____

AUTHORIZED TO DO BUSINESS WITHIN the State of Arizona.

as surety, are held and firmly bound unto the State of Arizona and the Oil and Gas Conservation Commission, hereinafter referred to as the "Commission", in the penal sum of _____, lawful money of the United States, for which payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators or successors, and assigns jointly and severally, firmly by these presents.

The conditions of this obligation are that, whereas the above bounden principal proposes to drill a well or wells for oil, gas or straiographic purposes in and upon the following described land situated within the State, to-wit:

NOW, THEREFORE, if the above bounden principal shall comply with all the provisions of the Laws of this State and the rules, regulations and orders of the Commission, especially with reference to the requirements of A.R.S. § 27-516, providing for the proper drilling, casing and plugging of said well or wells, and filing with the Oil and Gas Conservation Commission all notices and records required by said Commission, then in the event said well or wells do not produce oil or gas in commercial quantities, or cease to produce oil or gas in commercial quantities, this obligation is void; otherwise it shall remain in full force and effect.

Whenever the principal shall be, and declared by the Oil and Gas Conservation Commission in violation of the Laws of this State and the rules, regulations and orders of the Commission, the surety shall promptly:

1. Remedy the violation by its own efforts, or
2. Obtain a bid or bids for submission to the Commission to remedy the violation, and upon determination by the Commission and the Surety of the lowest responsible bidder, arrange for a contract between such bidder and the Commission, and make available as work progresses sufficient funds to pay the cost of remedying the violation; but not exceeding, including other costs and damages for which the surety may be liable hereunder, the amount set forth in the first paragraph hereof.

Liability under this bond may not be terminated without written permission of this Commission.

WITNESS our hands and seals, this _____ day of _____,
19____.

Principal

WITNESS our hands and seals, this _____ day of _____,
19____.

Surety

(If the principal is a corporation, the bond shall be executed by its duly authorized officers, with the seal of the corporation affixed. When principal or surety executes this bond by agent, power of attorney or other evidence of authority must accompany the bond.)

APPROVED
Date _____

STATE OF ARIZONA
OIL & GAS CONSERVATION COMMISSION

STATE OF ARIZONA
OIL & GAS CONSERVATION COMMISSION
Bond

By _____

File two copies

Permit No. _____

Form No. 2

9B

H. D. HAND
ROOM 207, 2030 EAST SPEEDWAY
TUCSON, ARIZONA 85719

TELEPHONE 325-8122
Mar. 16, 1967

Mr. John Bannister, Executive Secretary
The Oil and Gas Conservation Commission of the State of Arizona
State Office Building
Phoenix, Arizona 85007

Dear Mr. Bannister:

In reviewing in my mind the statement I made at the hearing No. 22 on March 15, 1967 I realize that in part at least it must have sounded misinformed or unenlightened. I am afraid that I did not make the point that I was trying to get across in a rather ineffectual manner.

The point that I wished to stress was that it seems to me that the rules, particularly Statewide Rule 105, tends to discourage rather than encourage the "wildcatter". The rules as a whole are highly commendable and conform to the Declaration of Policy as to conservation, prevention of waste, encouraging orderly development, etc., but of necessity are slanted at properties that are already found and are in the process of being developed. But we cannot conserve, prevent waste, develop, etc. until we have found the oil and gas to which to apply these commendable rules. This brings up the case of the "wildcatter" and you will have to agree we desperately need and should encourage the drilling of many more exploratory wells.

I maintain that the prudent "wildcatter" should locate his test on a gas drilling unit since he doesn't know in advance (usually) whether he is going to encounter oil or gas and that he should be allowed to complete and produce it as a gas well or oil well in the happy event he finds economic quantities of either substance. I will readily concede that the points I raised at the hearing (under Rule 105 B) can be handled under other rules. These rules, however, are permissive at the option of the Commission, e.g. The Commission may grant exceptions as to location....(Rule 105 D);Exceptions to the rules and spacing patterns may be granted....(Sec. 27-504 B). The fractional lease holder problem within the governmental section of a gas drilling unit can be solved under Sec. 27-505 Pooling of Interests, where the commissioner may enter an order pooling and integrating the interests. But it must be noted that with the exception of an unorthodox location granted administratively on the basis of topography, exceptions for unorthodox locations and spacing, and the pooling of interests require a notice and hearing and the rules do not state that they will be granted even if presented under acceptable circumstances.

These may seem like minor considerations but, in my opinion, they do present stumbling blocks, even though small, to a "wildcatter".

Mr. John Bannister

-2-

I requested consideration of a rule change for drilling units to 160 acres for gas and 40 acres for oil with the thought that this would remove the 'stumbling blocks'. I now have the feeling that, in light of the overwhelming evidence presented at the hearing in favor of Rule 105 as it now stands, the Commission will not change the rules and this is probably rightly so. However, I would like to recommend consideration of a minor change in the rules that would not alter the conservation aspect and would tend to remove one of the minor 'stumbling blocks' mentioned above. It is this: The location for a test well on a gas drilling unit be permitted anyplace in a governmental section of 640 acres but no closer than 330 feet to any boundary line and the 40 acre location of a gas discovery resulting from the test well would determine the pattern for the field, i.e. all other gas wells drilled in the resulting field must be in the same '40' in each of their respective sections as the discovery well.

Thank you for bearing me out.

Sincerely yours,

H. D. Hand
H. D. HAND



JACK WILLIAMS
GOVERNOR
LYNN LOCKHART
CHAIRMAN
LUCIEN B. OWENS
VICE CHAIRMAN
HIRAM S. CORBETT
MEMBER
GEORGE T. SILER
MEMBER
KENNETH G. BENTSON
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

April 4, 1967

Mr. Lynn Lockhart, Chairman
Oil and Gas Conservation Commission
P.O. Box 217
Springerville, Arizona 85938

Dear Mr. Lockhart:

Pursuant to the instructions of the Commission, I am setting up a hearing for April 19, 1967 at 10:00 a.m. concerning our Rule 102. As you know, the purpose of the proposed amendment is to give the Commission flexibility in cases of emergency for the issuance of permits and to set up means whereby the Commission may cancel a permit for violation of a rule.

I have discussed the proposed amendment with Mr. Eubanks and Mr. McGowan of the Attorney General's Office and we have arrived at the suggestions for these changes as shown on the attached sheet.

It is suggested that we amend the title of Rule 102, that the three paragraphs of the existing rule be set forth as Rule 102.A, and that paragraph 2 be added. The capitalized type on the attached sheet indicate these changes as recommended by the Attorney General's Office.

The Attorney General's Office further recommended that we comply not only with ARS 27-516.B, our specific legislation as to how our rules and regulations shall be made and changed, but also to comply with the general method of amendment of rules and regulations.

Pursuant to this I have obtained from the Office of Secretary of State the necessary forms to comply with the normal administrative procedure.

It is my understanding that the specific rules established for this Commission are the ones with which we must comply, and that compliance with the general administrative rules is merely a matter of safeguarding our action. There has not been raised any question as to how we have previously amended

Mr. Lynn Lockhart
April 4, 1967
Page 2

rules and regulations inasmuch as these have been in accordance with our specific statutes.

The Attorney General's Office further recommended that when our new rule is in force and when the Executive Secretary does make an administrative exception to Rule 102 due to an emergency, that this action should be immediately reported to one of the commissioners and his concurrence obtained; and that at the first available general meeting of the Commission this matter be explained to the Commission and their concurrence also be obtained.

Also enclosed is a copy of the Notice of Hearing.

Very truly yours,

John Bannister
Executive Secretary
nr

enc

cc: Mr. Mr. William E. Rubanks, Attorney General's Office
Mr. John McGowan, Attorney General's Office

Proposed Amendment

102. Application to Drill AND PROCEDURE TO CANCEL PERMIT

- A. 1. A person desiring to drill a well (other than a seismic shot hole) shall notify the Commission of such intent on a form prescribed by the Commission (Form 3) and shall pay a fee of \$25.00 for each well. The application for permit to drill shall be accompanied by a plat as provided in Rule 105.C. The location must be surveyed and the submitted plat certified by a registered surveyor and bear his certificate number.*
2. Upon receipt of the application, the fee and bond filed in accordance with provisions of this section, the Commission will promptly issue such person a permit to drill, unless the drilling of the well is contrary to law, or to a rule, regulation, or order of the Commission. The drilling of the well is prohibited until a permit to drill is obtained, EXCEPT IN THE CASE OF AN EMERGENCY, AND THEN AS THE COMMISSION DIRECTS. The permit shall be on such form prescribed by the Commission (Form 27). IF THE PERMIT IS DISALLOWED, THE COMMISSION WILL IMMEDIATELY NOTIFY THE PERSON IN WRITING THE REASONS THEREFOR.
3. Unless operations are commenced within 90 days after date of approval, the permit to drill will become null and void unless an extension in writing is granted by the Commission. ~~if the permit is disallowed, the Commission will immediately notify the person in writing the reasons therefor.~~
- B. THE COMMISSION MAY, AFTER NOTICE AND HEARING, CANCEL A PERMIT FOR ANY VIOLATION OF ITS RULES AND REGULATIONS. IF THE WELL HAS BEEN COMMENCED, THE COMMISSION MAY ORDER THE PERMIT-HOLDER TO CEASE ANY FURTHER WORK, MAY ORDER THE WELL TO BE PLUGGED AND ABANDONED, AND MAY ORDER THE PERFORMANCE OF ALL OTHER OBLIGATIONS REQUIRED BY THE RULES AND REGULATIONS.

* Surveyors registered in states other than Arizona are acceptable.

April 5, 1967

Mr. Jordan Green
Assistant Attorney General
159 The Capitol
Phoenix, Arizona 85007

Dear Mr. Green:

Re: Cottonwood Oil Company, Inc.
v.
Oil & Gas Conservation Commission
No. 197135

In reply to your letter of March 28, 1967 concerning caption
subject, the address for Arkla Exploration Company is:

Mr. Ray B. Jones, Attorney
Arkla Exploration Company
P.O. Box 669
Holbrook, Arizona

Very truly yours,

John Bannister
Executive Secretary
mr

4-17-67
Green's secy telephoned: writ of prohibition denied
Alternate writ, previously issued
is withdrawn

DEPARTMENT OF LAW
OFFICE OF THE
Attorney General
STATE CAPITOL
Phoenix, Arizona 85007

DARRELL F. SMITH
THE ATTORNEY GENERAL
WILLIAM E. EUBANK
CHIEF ASSISTANT ATTORNEY GENERAL

March 28, 1967

Mr. John Bannister
Executive Secretary
Oil & Gas Commission
Room 202, Capital Building
Phoenix, Arizona

Re: Cottonwood Oil Company, Inc.
v.
Oil and Gas Commission
No. 197135
Status Report

Dear Mr. Bannister:

Petitioner's Supplemental Memorandum in Support of Writ of Prohibition has been received. The hearing on the Writ of Prohibition has been set for Wednesday, March 29, 1967.

While we appreciate the offer of Arkla Exploration Company to file an amicus brief in this matter, a request by our office to Arkla at this time would be inappropriate inasmuch as the hearing is set for tomorrow. However, if you would be kind enough to forward to me the address of Arkla Exploration Company, I would like to send to them a letter expressing our appreciation for their kind offer.

Sincerely,

DARRELL F. SMITH
The Attorney General

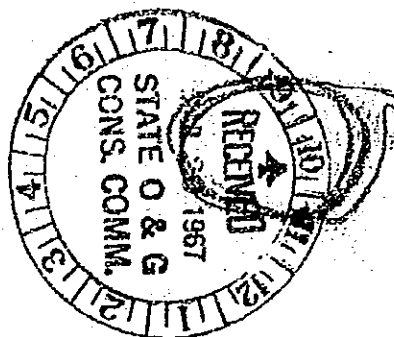
Jordan Green

JORDAN GREEN
Assistant Attorney General

JG:sg

*Hearing was held in Div. 11
at 8:30 AM - this office
was not notified in time
to attend*

*Div. 11
8:30 AM today
per phone call
to AG office*



INTERSTATE OIL COMPACT COMMISSION

HEADQUARTERS OFFICE: P. O. BOX 53127 • 900 N. E. 23RD STREET • OKLAHOMA CITY, OKLAHOMA 73105
TELEPHONE JACKSON 5-3556 - AREA CODE 405

LAWRENCE R. ALLEY
Executive Secretary

April 4, 1967

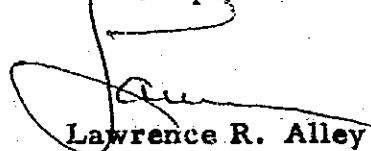


Mr. Orme Lewis
114 West Adams
Phoenix, Arizona

Dear Orme:

Even though you have asked Governor Williams to replace you at the end of your term on the Arizona Oil and Gas Commission, we would sincerely hope that you would continue to work with Mr. Bentson or whoever might be appointed to fill your place on the legal report of oil and gas conservation activities. I know of no one in Arizona who is more able to make this report than you.

Kindest personal regards,


Lawrence R. Alley

LRA:mr

cc: Mr. Lynn Lockhart
Mr. John Bannister

MEMBER STATES: ALABAMA - ALASKA - ARIZONA - ARKANSAS - COLORADO - FLORIDA - ILLINOIS - INDIANA - KANSAS - KENTUCKY - LOUISIANA
MARYLAND - MICHIGAN - MISSISSIPPI - MONTANA - NEBRASKA - NEVADA - NEW MEXICO - NEW YORK - NORTH DAKOTA - OHIO - OKLAHOMA
PENNSYLVANIA - SOUTH DAKOTA - TENNESSEE - TEXAS - UTAH - WASHINGTON - WEST VIRGINIA - WYOMING
ASSOCIATES: GEORGIA - IDAHO - OREGON

1	2	3	4	5
RECEIPTS MONTH OF	RECEIPTS CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
Mar 1967	1-7-10-060-0000			
200 00	1 Application for Permit to Drill		200 00	200 00
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
200 00	TOTAL CURRENT MONTH RECEIPTS		200 00	XXXXXX
	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		9,370 25	XXXXXX
200 00	TOTALS - MONTH AND YEAR TO DATE		9,570 25	8,250 00

6		7		8		9		10		11					
CLAIMS PAID MONTH OF		EXPENDITURES		TOTAL AMOUNT AVAILABLE YEAR TO DATE		CLAIMS PAID YEAR TO DATE		OUTSTANDING ENCUMBRANCES		UNENCUMBERED BALANCE		Total Appropri		Balance Appropriation	
Mar 1967															
2,515.00	1	Personal Services	22,125.00	22,110.00						15.00		29,500.00	7,375.00		
271.06	2	Current Expenditures	5,512.50	3,678.64						2,616.34		7,350.00	1,837.50		
	3	Subscription - Organ. Dues													
244.23	4	Travel-State	5,000.00	3,158.67								5,000.00			
577.05	5	Travel-out of State	2,500.00	1,171.73								2,500.00			
	6	Capital Outlay-Equip	2,500.00	1,977.71								2,500.00			
482.24	7	Current Fixed Charges	600.00	366.31								600.00			
221.80	8	Professional Services	2,000.00	261.80								2,000.00			
625.00	9	Museum No. Arizona	1,875.00	1,875.00								2,500.00	625.00		
	10	Ariz.BuMines, UofA	1,875.00	1,875.00								2,500.00	625.00		
	11														
	12														
	13														
	14														
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	23														
	24														
	25														
	26														
	27														
	28														
	29														
	30														
4,522.38		TOTALS	43,987.50	35,374.86								54,450.00	10,462.50		

TO BE FILED WITH THE POST AUDITOR BY THE 15TH OF EACH MONTH

AGENCY Oil & Gas Conservation Commission IDENTIFICATION CODE NO. 1-7-10-000-0000

32 x 1

25X100

$$\begin{array}{r} 2,413 \\ 12,637 \\ 1,953 \\ 1,177 \\ \hline 128,983 \end{array}$$

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. 1-7-10-000-0000

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF <u>Mar 19 67</u>
<u>19,935</u> 00	110	1 Personal Services: Salaries & wages, employees	<u>2,215</u> 00
<u>2,175</u> 00	150	2 " " : Per diem, Board Members	<u>310</u> 00
		3	
		4	
<u>313</u> 87	211	5 Postage	<u>113</u> 08
<u>948</u> 44	212	6 Telephone, telegraph	
<u>3,158</u> 67	220	7 Travel-State	<u>244</u> 23
<u>1,171</u> 73	230	8 Travel-out of State	<u>597</u> 05
<u>261</u> 80	240	9 Professional Services	<u>221</u> 80
<u>58</u> 52	262	10 Maintenance/repairs to office equip., furn.	<u>38</u> 26
<u>188</u> 78	294	11 Legal advt., notary/court/recording fees	<u>62</u> 93
<u>5</u> 50	295	12 Transportation of Things (shipping samples)	
<u>3,754</u> 10	299	13 Miscellaneous (blue prints, ArizRuMines, Museum)	<u>625</u> 00
		14	
		15	
		16	
<u>624</u> 88	310	17 Office supplies	<u>439</u> 12
<u>269</u> 74	360	18 Scientific supplies (drafting, correlated logs)	<u>12</u> 30
<u>42</u>	370	19 Maintenance Supplies	
<u>33</u> 90	390	20 Other Supplies (film)	<u>57</u>
		21	
		22	
<u>138</u> 15	411	23 Rent office equip (xerox)	<u>30</u> 04
		24	
		25	
	421	26 Bonds of officials and employees	
<u>108</u> 65	430	27 Subscriptions & Orgn Dues	<u>18</u> 20
		28	
		29	
		30	
	611	31 Capital outlay: Office Equip & Furniture	
	614	32 " " Medical & Scientific Equip.	
<u>1,977</u> 71	616	33 " " Automotive Equipment	
		34	
		35	
<u>250</u> 00	995	36 Creating Revolving Funds	
		37	
		38	
		39	
		40	
		41	
		42	
		43	
		44	
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		53	
		54	
		55	
<u>35,574</u> 80		TOTAL	<u>4,522</u> 38

OFFICE
AUDIT:

(DO NOT WRITE BELOW THIS LINE)
TYPED:

FIELD
AUDIT:

BY: _____ DATE: _____

BY: _____ DATE: _____

BY: _____ DATE: _____

STATE OF ARIZONA
OIL, GAS, AND HELIUM PRODUCTION - FEBRUARY 1967

Operator	Well Name	Field	Formation	Barrels	Production	Cumulative
O I L						
El Paso Natural Gas Co.	Navajo #1	Blta Peak	Ismay	136	550	11,097
Humble Oil & Refining Co.	Navajo E1	E Boundary Butte	Paradox	2,615	4,583	127,521
	Navajo #1	"	"	924	1,876	47,921
Monsanto Chemical Co.	Navajo 138 #1	Dry Mesa	Mississippian	1,038	1,824	136,407
	Navajo 138 #3	"	"	5,582	11,179	200,400
Pan American Petroleum Co.	Navajo O #1	Undesignated	Ismay	783	1,472	15,604
Shell Oil Co.	Navajo 23-11	E Boundary Butte 8	Paradox	137	308	16,181
	Navajo #2	E Boundary Butte 7	"	16	43	1,595
Superior Oil Co.	Navajo H14-16	Twin Falls Creek	"	0	0	657
Texaco Inc.	Navajo AG #1	Walker Creek	Devonian	1,198	2,629	80,265
Kerr-McGee Corp.	#1 Navajo	Dineh bl Keyeh	Hermosa	10,606	10,606	10,606
		Wells current not producing				21,379
TOTAL OIL				23,035	35,070 *	669,633 *
H E L I U M						
Kerr-McGee Corp.	Fee #1 Unit III	Pinta Dome	Coconino	2,084	5,203	369,052
	Fee #2 Unit VIII	"	"	9,966	17,541	416,452
	State #1 Unit VI	"	"	4,327	12,783	269,661
	State #3A Unit IV	"	"	4,053	9,153	43,401
	State #2 Unit V	"	"	8,983	23,478	838,944
	State #4A Unit I	"	"	5	11	48,233
Eastern Petroleum Co.	State 1-28 Unit II	"	"	3,139	5,994	365,203
	State 1-10 Unit X	"	"	423	715	39,356
	State 1-2 Unit IX	"	"	1,843	4,013	167,068
	Barfoot #1 State	Navajo Springs	"	4,068	8,731	137,612
	Santa Fe #13	"	"	30,523	50,800	304,864
TOTAL HELIUM				69,414	138,422	2,999,846
N A T U R A L G A S						
Humble Oil & Refining Co.	Navajo E#1	E Boundary Butte	Paradox	875	1,534	513,555
	Navajo #1	"	"	14,069	20,020	1,033,390
El Paso Natural Gas Co.	Navajo #1	Blta Peak	Ismay	78,911	167,197	2,132,657
Pan American Petroleum Co.	Navajo O #1	Undesignated	"	2,413	3,910	533,591
Shell Oil Co.	Navajo 23-11	E Boundary Butte 8	Paradox	12,637	31,491	1,159,500
	Navajo #2	E Boundary Butte 7	"	17,953	30,871	691,058
	Franco Wyo #1 Navajo	N Toh Atin	"	1,177	3,048	627,979
Superior Oil Co.	Navajo H14-16	Twin Falls Creek	"	948	2,166	200,985
TOTAL NATURAL GAS				128,983	260,237	6,892,715

* Reflects operator's corrected report for January 1967

Hobbs pool today is a good example of

Oil conservation in New Mexico

THOUGH OIL has been known to exist in New Mexico for more than 50 years, the doors to our more than three decades of significant oil and gas production were really opened by the completion of the second well in the Hobbs pool in 1930.

Hobbs pool, 37 years later, would stand as a living example of the wise application of sound conservation policies.

Since it was developed at a time when derrick to derrick drilling was still pursued in some areas in obedience to the law of capture, and ultimate recovery was a ridiculously low fraction of the total oil in place, there was little to indicate that the average cumulative per well production in this pool would total more than 500,000 bbl as of today.

Best of all, this is a continuing story, for more than one-third of the wells are still producing top allowable and 40% are still flowing. The API History of Petroleum Engineering states that Hobbs pool was probably the first to have tubing in all oil wells at the time of completion.

Though there may have been no prophets, there were men of vision in both industry and state government who dared to endorse the radical ideas of 40-acre well spacing and the control of production.

Had it not been for such foresight, we might be speaking of Hobbs pool, if we mentioned it at all, as that depleted pool of 1,000 or even 2,000 wells that produced a few million bbl back during the thirties. Instead, we talk about that pool of 350 wells that has to date produced 190 million bbl.

New Mexico's big business. For a number of years the development of oil and gas resources has been the state's biggest business, and as such it has a tremendous effect upon our economy.

During the year 1965 some 700 oil and gas operators produced more than 119 million bbl of crude oil and condensate and 944 billion cu ft of gas from more than 26,000

A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation
Commission

wells in eight counties of New Mexico. These wells range in depth from less than 100 ft at Shiprock to more than 16,000 ft near Jal.

The total value of oil and gas during 1965 was in excess of \$450 million, of which more than \$60 million went into the state government in the form of rentals, royalties, and taxes.

Additional income is derived from the liquids such as gasoline, butane, and propane that are extracted from gas at some 32 extraction plants at a rate of more than 27 million bbl/year.

Ranks high. Presently New Mexico ranks as follows among the oil and gas producing states:

Crude oil, 6th in reserves, 6th in production.

Total liquid hydrocarbons, 5th in reserves, 6th in production.

Natural gas, 5th in reserves, 5th in production.

Regulatory groups. When an oil or gas operator is mentioned, the reference may be to the owner of one well, the owner of several hundred wells, or any number in between. All of the wells drilled and all of the oil and gas produced by these operators is done under the regulations of the Oil Conservation Commission which is composed of the governor, the state land commissioner and the state geologist.

The commission's activities are financed by a conservation tax of fourteen one-hundredths of 1% of gross value of oil and gas sales.

The laws which govern the development of the state's oil and gas resources were enacted by the legislature in 1935, with relatively few amendments having been made during the ensuing years. (From 1930 to 1935 spacing and production controls were accomplished under a cooperative operator's agreement which was approved by the com-

missioner of public lands and the state geologist. Laws governing the casing and plugging of wells were enacted as early as 1912.)

The conservation act which created the Oil Conservation Commission charged it with the primary responsibilities of preventing the waste of oil and gas and protecting correlative rights. Differences of opinion as to what constitutes waste and as to whose rights are being violated keeps the job from becoming too simple.

During the past 31 years many rules and regulations designed to aid the commission in carrying out its two primary functions have come into being as the result of many public hearings. These rules have been based upon the best technical and legal information available from both industry representatives and commission staff members.

Commission setup. For the administration of its rules and regulations the commission maintains four offices and employs 48 people. The main office is located in Santa Fe and district offices have been established in the producing areas at Artesia, Aztec, and Hobbs.

The exploration for and the development of New Mexico's oil and gas reserves is far from being a haphazard business.

Through systematic filing of reports by operators and periodic inspections by field personnel, the commission is kept fully advised on all wells drilled from the time of the notice of intention to drill to final abandonment.

This means that wells are located, spaced, cased, cemented, tested, produced, and abandoned in accordance with commission regulations. A permanent file on each well drilled is maintained by the commission.

Limitations. In New Mexico the commission is required by law to limit production of both oil and gas to market demand. To determine what the market demand is, a public hearing is held each month at

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which time testimony is heard as to the daily amount of oil and the monthly amount of gas each purchaser desires to purchase during the ensuing month, as well as testimony concerning existing stocks and any other pertinent information that might have a bearing on the demand.

In the case of oil, the commission enters an order establishing a normal unit allowable which will allow the wells of the state to produce the approximate total required to meet the demand. Normal unit is the term applied to a well in the depth range of 0 to 5,000 ft located on a 40-acre tract, which is the statewide standard spacing unit.

Many pools have been developed on larger than 40-acre units as a result of special pool rules established after notice and hearing. Units in such pools are granted allowables commensurate with their acreage. Many wells are also deeper than 5,000 ft. Such wells are assigned allowables wherein appropriate depth factors are considered.

Oil proration in New Mexico employs only the factors of acreage, depth, and gas/oil ratios. During the last 15 years the normal unit allowable has ranged between 53 and 33 bbl.

During World War II New Mexico adopted a bonus allowable rule granting 5 bbl/ft of depth to discovery wells. The rule was rescinded in 1949 with a finding to the effect that it had not accomplished the purpose for which it was established.

During the recent resurgence of interest in incentives for exploration, the commission adopted a new bonus allowable rule. This rule differs from the bonus rules of the other states in that it applies only to the discovery well.

Back allowable is granted when the underage occurs as a result of purchaser prorationing.

Casinghead or associated gas is controlled by a gas/oil ratio limitation to assure each producer his share of the reservoir energy. The statewide limit is 2,000 cu ft of gas per barrel of oil. Higher limits have been established in certain pools when there was a market for the gas and it was determined after public hearing that no damage to the reservoir would result.

As to dry gas wells the nomina-

tions or requests from purchasers are totalled for each pool and then the individual well allowables are computed for each well in accordance with the formulas for the individual pools.

Some pools are on a straight acreage formula while in other pools both acreage and deliverability are considered. Gas pools are spaced on 160, 320, and 640-acre patterns. Eighty-five percent of our dry gas comes from pools with proration units of greater than 160 acres.

When the oil allowable orders are signed they are sent immediately to the district offices where individual well allowables are computed, and proration schedules showing each proration unit allowable are published and mailed to the operators as their authority to produce and sell oil for the month. The allowables for gas wells are computed in the Santa Fe office wherein the services of the Univac are employed. These proration schedules also serve as a guide to purchasers.

Knowledge of production. Since the commission tells the operators



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how much oil and gas they can produce, it follows that we must be in a position to know the actual amount of production. From the operator's monthly production reports, the personnel in the tabulating department compile a monthly statistical report which indicates at a glance whether or not a well is overproduced beyond the allowed tolerance.

The publication of proration schedules and the maintenance of records on all oil, gas, and water produced from more than 23,000 wells indicates the degree of coordination that must be maintained between commission offices to assure that there will be no interruption of production.

The commission is kept informed about the activities of crude-oil and natural-gas transporters by monthly reports made on prescribed commission forms. This is true also of extraction plants. All of these reports show the amounts of oil and gas purchased, from whence it came, and the products derived therefrom.

Flexible rules. The conservation rules may be changed, amended, or rescinded only after notice and hearing. In some instances hearings are also required for exceptions to rules, although the secretary-director's administrative authority to grant exceptions has been considerably broadened in recent years. These requirements result in more than 300 applications for hearing each year.

Under a system set up in 1955 about 90% of these applications are heard by examiners appointed by the commission. These examiners are petroleum engineers on the commission staff. The commission is only required to hear cases that have been appealed from a decision of a case heard before an examiner, and allowable cases, though it sometimes exercises its prerogative of hearing other cases.

The technical and legal personnel in our Santa Fe office devote a major portion of their time to reviewing applications, advertising them for hearing, preparing for and conducting hearings, and preparing recommended orders.

The technical personnel in our district offices, when not occupied with the checking of commission

forms or witnessing various operations in the field, are kept busy conferring with industry representatives about the numerous problems that arise from day to day. Many difficulties may be avoided if commission representatives are consulted about operations concerning which there may be questions.

IOCC member. New Mexico, being the first state to pass enabling legislation to allow it to join the Interstate Oil Compact Commission, has actively participated in compact

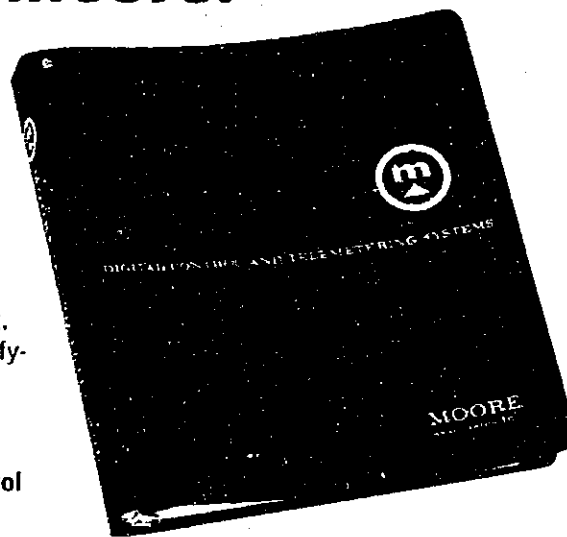
activities since it was formed.

Today two members of this commission and four of its staff members serve on standing committees. Our chairman served for many years on the legal committee, and was chairman of the compact during 1964.

Fortunately New Mexico came into prominence as a producing state at a time when both public officials and industry representatives were beginning to become aware of the values of oil and gas conservation. Consequently our job

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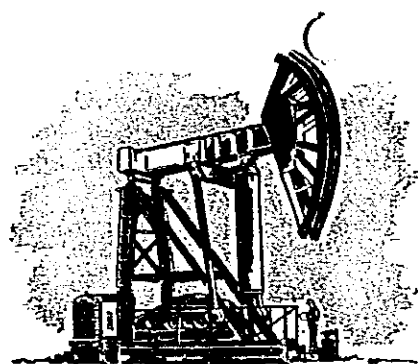
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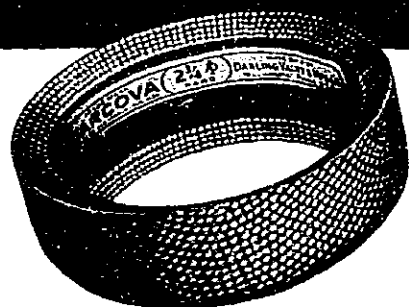
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of preventing waste has not been as difficult as it was in some of the older producing states.

Savings. Forward-looking spacing and production-control policies that date back almost to the beginning of commercial production, have resulted in the saving of untold millions of dollars to those who have developed our resources.

What is more important, those policies have made it mandatory that these resources be developed with a minimum of waste and a maximum of benefits to the people of the state.

Our commission can point with a reasonable degree of pride to its conservation record, but we do not rest upon past accomplishments. It is our job to keep abreast of changing conditions. Technical improvements of all kinds make many things feasible today that would not have been considered wise a few years ago.

It is our responsibility to know this, and I think our performance as a regulatory agency bears testimony to the fact that we are flexible enough in our thinking to change when conditions dictate that a change is desirable, remembering that what we do must be in the public interest.

Paper presented at the Southwestern Federation of Geological Societies convention, Hobbs, N.M.

Rice Co., Kan.

A comparatively new Wichita company has made a strike to open Hertach field in Rice County.

Range Oil Co. 1 Hertach, SW NE SW 7-18s-10w found natural production from Arbuckle Cambro-Ordovician open hole 3,275-80 ft. Well is making 112 bo/d, no water, with an estimated oil gravity of 39°.

Whitley Co., Ky.

A shallow eastern Kentucky wildcat has made a good gasser.

In Whitley County, Ky., Merle B. Pipe 1 C. L. Roaden has a flow of 12 MMcf/d from Big Lime Mississippian. Testing of zone is to continue. Location is in 23-F-65, Corbin Quadrangle and 2 miles northwest of closest production in Woodbine field. Last reported depth was 1,070 ft.

Kleberg Co., Tex.

Prolific oil production opens a new field in Kleberg County, Tex.

Wildcat is Humble Oil & Refining Co. 31 King Ranch Big Caesar. Spotted on 3,184-acre lease in Rincon de Santa Gertrudis Grant, A-192, well is 2 miles northeast of Kingsville.

Upper Pflueger perforations 7,441-46 ft were completed flowing 526 bbl 39°-gravity oil through 3/16-in. choke under 900 psi. GOR measured 598:1. Lower Pflueger perforations 7,469-74 ft gauged 260 bo/d through 3/16-in. choke with 760 psi. Gravity tested 40.4° and GOR was 538:1. Proposed name for the new field is South Celestine.

DISCOVERIES

Kansas

Kiowa County:

Graham-Michaelis Drg. 1-33, C SE NE 33-30s-18w. IP 4-point OF 14,500 Mcfd, Mississippian, 4,994-5,019 ft, SICP 1,447 psi. TD 5,120 ft, elev. 2,153 ft GRD. New gas discovery.

Meade County:

Ferguson Oil Co 1 Friesen "C", C NE SW NE 22-33s-28w. IPCOF 6,865 Mcfd, Morrow Pennsylvanian. TD 5,970 ft, elev 2,506 ft GRD. New gas discovery. (Extends Borchers field).

Ness County:

R. V. Lehner 1 Cranston, C NW NW 25-20s-24w. IPP 111 bo/d, Mississippian, 4,349-59, trace water, 35.2°. TD 4,359 ft, elev 2,264 ft GRD. New oil discovery.

Russell County:

Leo J. Drilling Oil Co. 1 Layher, NE SW NW 20-15s-15w. IPP 133 bo/d, Lansing Pennsylvanian, 3,084-3,148 ft, trace water, 37°. TD 3,450 ft, elev 1,809 ft GRD. New oil discovery.

Scott County:

Brooks Hall Oil Corp. 1 Wasinger, C NW NW 11-20s-33w. IPOF approx 200 Mcfd. Krider Permian, 2,622-27 ft. TD 4,785 ft, elev 2,937 ft GRD. New gas discovery.

Montana

Daniels County:

Champlin Petroleum 1 Foster, NE NE 22-34n-50e. IPF 142 bo & 1 bw/d, Madison Mississippian, 6,993-7,004 ft. TD 7,818 ft, elev 2,802 ft KB. New oil discovery.

New Mexico

Lea County:

Elk Oil Co. 1 Aztec-State, 15-17s-36e. IPF 1,118 bo/d, Abo Permian, 9,444-80 ft, 32/64-in. choke, 35°, 500 Mcfd, TP 380 psi. TD 9,626 ft, elev 3,850 ft GRD. New oil discovery.

New Mexico, East

Lea County:

Ashmun & Hilliard 1 Daisy Clayton, 22-15s-33e. IPF 213 bo/d, Pennsylvanian, 10,164-74 ft, 24/64-in. choke, 41.9°, GOR 1,600:1, TP 250 psi. TD 10,275 ft, elev 4,179 ft GRD. New oil discovery.

Wyoming

Campbell County:

J. A. McRae & Thomas G. Dorrough 1 State, SE SE 36-53n-69w. IPP 800 bo/d, nat, Minnelusa Pennsylvanian, 7,164-85 ft. TD 7,370 ft, elev 4,264 ft GRD. New oil discovery.

OIL AND GAS CONSERVATION COMMISSION
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