

OIL & GAS CONSERVATION COMMISSION
Meeting: June 21, 1967
Mr. John Bannister, Exec. Secy.

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

Proposed Request

for Supplemental Appropriation to 1967-68 Budget

<u>Personal Services</u>	<u>Appropriated for 1967-68</u>	<u>Supplemental Request</u>
Executive Secretary	\$ 12,000.00	\$ 15,000.00
Geologist	9,300.00	10,800.00
Secretary-bookkeeper	5,280.00	6,600.00
Administrative Assistant	-	8,400.00
Commissioners	2,920.00	3,750.00
Extra and vacation help	-	2,000.00
Total	\$ 29,500.00	\$ 46,550.00

Note: The amount appropriated for Commissioners in effect gives us service for 116 days total commissioners time. If nothing but regular meetings were held, this would consume a total of 108 of the allotted 116 days.

In addition to the Commission regular meeting, it is necessary that representatives of the Commission (Governor Williams has designated Mr. Lockhart as his official representative) attend the IOCC sessions held twice each year. This normally consumes five days per commissioner. Commissioners are also on call for any special meetings called by the Governor or Legislature for any purpose.

Consequently we have requested a total of 150 days for Commissioners time, making a total of \$3,750.00.

We have also included a request for extra and vacation help which is most urgently needed due to the additional workload reflected by the Dineh bi Keyah discovery. Actually, this discovery would warrant the hiring of one additional steno. However at this time it is felt that with this smaller expenditure we can meet the additional burden. It is likely that some of this requested supplemental \$2,000.00 could be re-verted.

Again, an administrative assistant is requested at a salary of \$700.00 per month.

As to the increase in staff salaries, that even should these increases be allowed, the staff would still not be paid commensurate to similar positions in other states. Executive Secretaries or equivalent in most producing states command between \$18,000.00 and \$20,000.00 per year. Most staff geologists command generally in the neighborhood of \$12,000.00 per year. Secretary-bookkeepers doing the work and responsibilities of Mrs. Rushton are paid in the neighborhood of \$7,200.00 per year.

It is felt that these requests are reasonable and are well deserved.

I would like to point out the staff has in general been with the Commission in excess of three years during which period only one small raise was granted to them. This raise was accomplished by giving up any extra and vacation help and the staff assuming the workload and greatly reducing their normal vacation time in so doing.

<u>Professional Services</u>	<u>Appropriated for 1967-68</u>	<u>Supplemental Request</u>
Petroleum Engineer	\$2,000.00	\$2,000.00
		\$3,000.00
Total	\$2,000.00	\$5,000.00

This request is predicated upon securing the services of a registered petroleum engineer on a retainer basis of \$200.00 per month with a leeway of \$600.00 for any additional services the Commission may request. This would leave the \$2,000.00 originally appropriated available for the uses original intended, that is, court reporting, laboratory analysis services, etc.

<u>Travel-State</u>	<u>Appropriated for 1967-68</u>	<u>Supplemental Request</u>
	\$5,000.00	

This is at the minimum. However, it is felt we can stay within this budget.

<u>Travel-out-of-State</u>	<u>Appropriated for 1967-68</u>	<u>Supplemental Request</u>
	\$2,500.00	\$3,500.00

As you are well aware, out-of-state travel is necessary but is severely limited by necessary IOCC trips consuming up to \$2,000.00 when only one commissioner attends. With the Dineh bi Keyah Field coming in more travel to the Farmington vicinity and to headquarters of the producing companies will be

demanded.

Too, it is necessary in going to the Field to stay overnight in Farmington, which of course makes in effect a Dineh bi Keyah inspection trip an out-of-state trip.

I would also like to point out that legislative act designated this Commission as a member of the Water Quality Control Council and as such must bear the necessary expenses connected with this.

The additional \$1,000.00 requested would allow attendance at IOCC of an additional commissioner and other necessary out-of-state travel.

It is unlikely that the two items, Travel-State and Travel-out of-State, could be lumped together. However, if this could be done it would greatly increase the flexibility of travel.

The total amount of the supplemental request for increase is \$21,050.00 above the amount appropriated.

It is felt that these requests are in line with the burden and responsibility of the Commission.

In all likelihood the Commission will need in the very near future a permanent Reservoir Engineer and an additional steno. In all likelihood the hearing burden before this Commission will greatly increase, and consequently the cost of court reporting and Commissioner's time will increase.

The purely detailed administrative work now reflected by increased activity severely limits the availability of time the executive secretary and geologist for field work such as necessary inspections; and this of course must not be deleted as one of our most important functions is our field work.

Wide Loophole for Wells

Arizona Republic 6-21-67

Oil, Gas Tax Revision Studied

By BILL KING

THE ARIZONA Oil and Gas Conservation Commission today will debate the advisability of a major revision in state oil and gas production tax laws, which appear to contain a wide loophole.

On the basis of oil company reports to the Arizona Tax Commission, the tax commission valued 1965 oil and gas production in the state at \$652,052.12 for 1966-67 property tax purposes.

Oil and Gas Commission records, however, reflect production worth \$2,573,637 in the state in 1965. The law presently provides that the taxable value of oil and gas wells shall be equal to the value of the production in the preceding year.

The oil commission's records, based on re-

ports from producers, show substantial Arizona production by Eastern Petroleum Co. for 1965. But no assessed valuation on that company is reflected in tax commission records.

The same goes for Superior Oil Co. on a smaller scale.

The annual oil and gas well valuations set by the tax commission are sent to Apache County where all Arizona producers so far are situated. The county in turn applies state, county and school district tax rates to those values to compute and collect the property taxes payable.

In addition, the state collects a 1.5 per cent sales tax from all producers filing monthly production reports with the oil and gas com-

(Continued on Page 4, Col. 5)

(Continued from Page 1)

mission, according to officials, small administrative staff.

TODAY, HOWEVER, the oil and gas commission will hear a recommendation that crude oil and gas be subject to a 5 per cent tax on its gross value in lieu of all other state or local taxes. The proposed tax would be collectible from crude oil and gas purchasers, with half the revenue being retained by the state and half going back to the producing county.

This is the recommendation of John Bannister, oil and gas commission executive secretary. He said he will offer it for the commission's endorsement or rejection, since legislative leaders have asked the commission to say if it favors a change in oil and gas taxation by the legislature.

Bannister said he believes his proposal would make Arizona strictly competitive with other states in attracting oil and gas drillers. He said that Texas, by collecting its oil and gas tax from purchasers, rather than from producers, is able to handle millions in revenue with a

UNDER ARIZONA'S present property tax law applicable to oil and gas production, there are considerable discrepancies between production reported to the tax commission by several companies and production records kept on the same companies at the oil and gas commission.

The tax commission does not assess a company for the one-eighth to one-sixth of its production credited to a tax-exempt royalty owner such as the state or the Navajo Indian tribe, but this exemption does not appear to account for the difference between oil and gas commission records evaluating total 1965 Arizona production at \$2.5 million and tax commission records valuing taxable production at \$650,000 for the same period.

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JB copy


OFFICE OF
Oil and Gas Conservation Commission

STATE OF ARIZONA

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JOHN BANNISTER
EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

A G E N D A

Meeting
June 21, 1967

9:30 a.m. Call to order

- ✓ 1. Approval of minutes of meeting of May 17, 1967
- { 2. Executive Secretary's Report
- { 3. Geologist's Report
4. Old Business
 1. Harless wells ✓
 2. Navajo relations ✓
 3. Supplemental budget ✓
5. New business
 1. Tax recommendation ✓

Kerr-McGee #B2 gas well: discuss situation with commissioners

Barrett's request for letter confirming need for reporting and map service

Kerr-McGee's permits expiring

Pohlmann's letter

W.D.C.C.

Field Rules

Samples
Extended well

*Kerr-McGee
Cobalt
Molybdenum
Miss
W.D.C.C.
Hess*

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

Minutes of Meeting
May 17, 1967

Present:

Mr. Lynn Lockhart, Chairman
Mr. Lucien B. Owens, Vice-chairman
Mr. George T. Siler, Member
Mr. John Bannister, Executive Secretary
Mr. J.R. Scurlock, Geologist
Dr. Willard Pye, University of Arizona

Absent:

Mr. Hiram S. Corbett, Member
Mr. Kenneth G. Bentson, Member

Meeting called to order at 9:30 a.m.

Minutes of meeting of April 19, 1967 were approved.

Reports of the Executive Secretary and Geologist were accepted for filing.

It was decided that in the case of making decisions by telephone conference call that more time be given from time of receipt of the data by the commissioners, preferably 10 days, to the time of the telephone call; and that in the case of any matter requiring considerable discussion, that a meeting would be in order.

It was directed that the executive secretary prepare a supplemental budget with substantiating justification. Chairman Lockhart appointed a committee of Mr. Owens, Mr. Bannister, and himself to acquaint the Governor with the commission's needs as shown by this supplemental budget and arising from the Dineh bi Keyah discovery, and to propose that the Governor include this in any possible future call for special legislative session.

Meeting adjourned at 10:40 a.m.

APPROVED: May 21, 1967



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JOHN BANNISTER
EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

C O N F I D E N T I A L

June 9, 1967

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

The most recent development in the Dineh bi Keyah Field is that Kerr-McGee has commenced the construction of an 8-inch pipeline to transport production from the field to the Four Corners Pipe Line facilities.

Production until this line is on stream will level off at approximately 10,000 barrels per day. This is due to the fact that the roads over which the production is hauled by truck cannot accommodate a larger fleet.

Kerr-McGee anticipates that their pipeline should be in operation within 30 to 60 days. When this line begins operative production from this field should be in excess of 350,000 barrels per month.

As you are aware, the Anadarko well, although plugged and abandoned, encounters some gas with a helium content in excess of 6%. Kerr-McGee has now declared its #B2 well as a shut-in helium well and Humble has indicated that their #1 Navajo 87 and #1 and #2 Navajo 138 as probable helium wells and are suspending operations pending evaluation. It is unlikely that at this time Humble will drill their #1 Navajo 141.

Kerr-McGee has staked to new locations, the #14, SE NW 31-36N-30E, and #15, SE SW 30-36N-30E. Humble owns the adjoining four sections, i.e. Sections 25-26, 35, and 36, in 36N and 29E. This lies directly to the west of these two new Kerr-McGee locations, and undoubtedly Humble will come in should Kerr-McGee get productions. The supposition is now that the field will run to the west of current production, rather than to the north and northwest.

This office has received rumors that a Humble representative informed Representative Sam Steiger that this field would ultimately be one of the largest discoveries in the United States. We are attempting to confirm this. It is my feeling, however, that this is very optimistic view at this time.

The enclosed article from the Oil and Gas Journal pretty well summarizes the feelings about the last Indian lease sale held May 25. It is most encouraging to note that the bidding on the Arizona portion of the sale was much more successful than that of the New Mexico acreage, indicating some shift of interest on the Reservation.

As Mr. Scurlock will report, Pan American and Horizon Oil and Gas Company are both drilling northwest of the current field and it is anticipated that there will be further exploration of a general nature in northern Apache County.

Leasing of state and federal land seems to be leveling off following the flurry after the announcement of the Dineh bi Keyah discovery. As yet there have been no indications of drilling by other companies in the immediate vicinity of the field. However, in view of the fact that the Indians have not issued the leases from the recent sale, this is not surprising.

As you are aware, the recent war between the Arabs and the Israelis has discouraged the flow of oil from this region. Washington has put into operation some 35 additional tankers to offset this source. It is anticipated however that this situation will have no far reaching effects on exploration in Arizona or in the United States generally. Our national production capacity seems to be such that emergencies, short of all out war, can be met.

The total potential of the United States production is around 14½ million barrels per day, with production of approximately 12½ million barrels being assured from current sources. This would mean a somewhat larger increase in some of the prorating states, in that current production is somewhere in the neighborhood of 10+ million barrels per day.

We have at last received word from the Attorney General's Office concerning the Harless situation. The Attorney General does advise that we select a time to hold a hearing for Harless; and he apparently feels that it is not necessary to re-advertise, but to notify all interested parties as to the date and time of hearing. It is suggested that the hearing be called for the morning of July 19, 1967, our next meeting date. Copy of the letter from the Attorney General is attached.

Pursuant to our last meeting, Mr. Lockhart, Mr. Owens and I

met with Governor Williams to discuss the financial needs of this commission in view of the clearly increased workload now imposed upon us. Governor Williams was very sympathetic and asked that we advise the chairmen of the House and Senate Appropriation committees as to our needs. This has been done.

Both Senator Huso and Representative Pritzlaff appeared sympathetic and understanding; however they felt it would be impossible to take any action before the contemplated special session in September. Both of course were unwilling to introduce relief legislation during the past special session concerning reapportionment.

During the meeting with Senator Huso and Representative Pritzlaff we were requested to express the commission's views concerning oil taxation. Representative Pritzlaff specifically requested that the Commission express its views in writing.

It is my thought that the most simple and surest way of collecting a severance tax would be for the legislature to levy a tax of 5% against the gross value of production at the wellhead. Said tax would be collected from the purchaser.

Further, my suggestion is that the above tax would be in lieu of any other form of tax upon production. With one central state agency collecting all monies it then would be a simple matter to pass money from this source back to the counties.

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

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

June 7, 1967

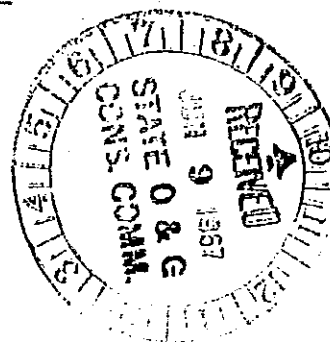
Mr. John Bannister
Executive Secretary
OIL AND GAS CONSERVATION COMMISSION
1624 West Adams
Phoenix, Arizona 85007

Re: Cottonwood Oil Company, Inc., et al,
v. The Oil and Gas Conservation Com-
mission of the State of Arizona, et
al, Cause No. 197135, Our file Q-170

Dear Mr. Bannister:

Enclosed you will find a conformed copy of the Judgment in the above referenced case. In response to your request for advice dated May 22, 1967, relative to how and when you may proceed with the administrative hearing in this matter, I suggest that a hearing date be set approximately thirty days from the receipt of this letter with a notice couched in terms similar to those following, given to the insurance companies involved, Mr. Harless, Mr. Mills, Mr. Johnson and the corporate entities:

"You are hereby advised that the hearing hereto scheduled before the Oil and Gas Conservation Commission on February 15, 1967, relative to the capping of the above referenced wells has been rescheduled for _____."



Mr. John Bannister
June 7, 1967
Page Two

We are, for the reason that judgment has been entered in
this matter, closing our Superior Court file.

Sincerely,

DARRELL F. SMITH
The Attorney General

JL Green

JORDAN L. GREEN
Assistant Attorney General

JLG:mr
Enclosure

JG:ng
4/20/67

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA

COTTONWOOD OIL COMPANY, INC.,)
RICHARD F. HARLESS and YAVAPAI)
OIL CORP.,)
Petitioners,) No. 197135
v.)
THE OIL AND GAS CONSERVATION) JUDGMENT
COMMISSION OF THE STATE OF)
ARIZONA and JACK WILLIAMS,)
Governor of the State of Arizona,)
LYNN LOCKHART, R. KEITH WALDEN,)
ORME LEWIS, LUCIEN B. OWENS and)
GEORGE T. SILER, as Members of)
said Commission,)
Respondents.)

The petition of petitioners for Writ of Prohibition
having come regularly on for hearing on March 29, 1967, the
petitioners and respondents present by counsel, and the
Court having heard oral argument by counsel, the matter was
taken under advisement;

NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED
that all relief sought in the petition is denied; and

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the
Alternative Writ of Prohibition heretofore issued in this
cause is quashed.

DONE IN OPEN COURT this 26 day of April, 1967.

WILLIAM A. HOLOHAN
WILLIAM A. HOLOHAN
Judge of the Superior Court

APPROVED as to form this
24th day of April, 1967.

By Larry Mills
LARRY MILLS
Counsel for petitioners

JACK WILLIAMS
GOVERNOR
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CHAIRMAN
LUCIEN B. OWENS
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EXECUTIVE SECRETARY
J. R. SCURLOCK
PETROLEUM GEOLOGIST

June 9, 1967

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

May 11, 1967. Sedona: Checked Harless wells. No change.
No activity.

Flagstaff: Checked Ed McGovack (U.S.G.S.)
re water well data for northeastern Arizona structure map,
which will be revised by June 30th.

May 15-16, 1967. Chambers: Checked Kerr-McGee strat tests.
These nine shallow tests were drilled with a 1500' Failing
truck-mounted rig to the Coconino at 1400 - 1500'. Locations
were picked on magnetic anomalies which proved unsuccessful
in locating structural highs. Kerr-McGee was looking for
helium reserves in these tests.

June 2, 1967. Sedona: Checked Harless locations. No change.
No activity.

Flagstaff: Jim Potter hopes to move a rig on
to his location (the old Willett well, T.D. 4000') by the end
of June. He plans to run gamma ray neutron log to evaluate
possible pay zones. As a last resort, he plans to use the
well as a water well for the paper mill at Flagstaff.

Location Map.

We are working up a small scale map (legal size 8½" x 14") of
Arizona which will show the location of the 525 (approx) oil
tests drilled in Arizona. Will be ready by end of June.

Dineh bi Keyah Field.

Dineh bi Keyah, our pride and joy, produced 163,603 barrels
of oil during April from four wells. Since then two more
wells (Kerr-McGee #9 and Humble 138-1) have gone on production.

Current Score

Kerr-McGee #1		Kerr-McGee #E-1	2
Kerr-McGee #2	6 wells	Anadarko	dry holes
Kerr-McGee #3X	on		
Kerr-McGee #7	production		
Kerr-McGee #9			

Humble 87-1	4 shut-in
Humble 140-1	helium wells
Humble 138-2	(from Devonian
Kerr-McGee #B2	McCracken sand)

Kerr-McGee #5	2 wells drilling
Kerr-McGee #6	

Kerr-McGee #8	
Kerr-McGee #12	
Kerr-McGee #4	7 locations
Kerr-McGee #C-1	
Kerr-McGee #14	
Kerr-McGee #15	
Humble #141-1	

New
Locations

Pan American #1-V Navajo NE SE Sec 16-38N-29E (proposed depth 4500'; wildcat)
 Horizon #1-24 Navajo-Mobil NW SW Sec 24-39N-23E (proposed depth 6500'; wildcat)
 Kerr-McGee #14 Navajo, SE NW Sec 31-36N-30E (Dineh bi Keyah Field; proposed depth 4100')
 Kerr-McGee #15 Navajo, SE SW Sec 32-36N-30E (Dineh bi Keyah Field; proposed depth 3650')

May 23-25, 1967. Orientation field trip see Dineh bi Keyah Field. (Will plan to show slides of field.) Attended Navajo lease sale at Window Rock.

th tabula County, long in the making, was in its final stages of preparation last week, according to Ralph Bernhagen, chief of Ohio's Division of Geological Survey. State oil officials were meeting with officials of New York and Pennsylvania late last week to draft uniform leasing and operating procedures for the three states' offshore areas.

A master lease grid has already been drawn up by the three states. Leases are in 15,500-acre blocks.

There are some 675,000 acres off New York and 460,000 acres

off Pennsylvania. New York is reportedly interested in leasing its entire acreage to one company or partnership of several companies. This would be in the interest of easy—and stringent—regulation. All three states are vitally interested in guarding against any possible pollution. This is the prime reason U.S. gas development in Lake Erie has moved so slowly.

Only two wells have been drilled in the U.S. waters—both were off Pennsylvania. And both were abandoned.

craters Amerada-Ashland merger

Re- lion a year against combined earnings in the latest year of slightly more than \$103 million.

Original terms called for Amerada stockholders to get one share of a new Amerada common and 0.635 share of a new \$4.875 cumulative convertible preferred stock for each common share held.

Ashland common holders were to get 1.5 shares of new Amerada common for each share held and a similar issue of Amerada preferred for each share of Ashland \$2.40 preferred held.

Largest single stockholder in Amerada is Hess Oil & Chemical Corp. Leon Hess, its chairman, said at the

Hess annual meeting in mid-May that his company felt present Amerada stockholders were not being offered enough in the exchange based on relative values of the two companies. Hess did not publicly oppose the merger.

The merger would have been one of the largest in the oil industry involving companies with stock valued on the market at more than \$1.8 billion. The consolidation also was viewed as a "natural" because it would have merged the top independent oil producing company (Amerada) with an aggressive, diversified refining-marketing and petrochemical company (Ashland).

Navajo sale pulls \$1.1 million

OIL BIDDERS put their biggest offers on a relatively untested structure rather than take a chance on the flanks of Arizona's newest and best field.

A hot duel broke out among the companies when the Navajo tribe opened acreage on the Fort Defiance anticline, 10 miles southwest of Kerr-McGee's fabulous find at Dineh bi Keyah. The 133 tracts near the structure drew the highest bids of any recent sale of reservation lands. They were all taken.

Interest in Dineh bi Keyah (The People's Field) was cooled by the quality of leases offered. Most were on the flanks and away from the expected production trend to the west.

A key to development of this field is Humble's 6-1 Tract 138 well in 6-35n-30e. Strong production here will push the field westward. The Navajo tribe has a line of promising leases along this route that are to go up for sale at the next leasing, probably this summer or fall.

Only four of five tracts offered near the field were taken. The fifth did not pull a single bid.

The sale. In all, the Navajos attracted 552 bids for 341 tracts in Northeast Arizona, Northwest New Mexico, and Southeast Utah. The companies, paying out \$1.1 million, snapped up 130,428 acres of the 215,822 offered in the May 25 sale, says Henry F. Pohlmann, minerals

supervisor for the Navajos.

Edward F. Daughtery, Carl C. Anderson, and James D. Coughran, landmen from Albuquerque, N.M., won three tracts near Kerrmac's discovery. Their highest bid was \$18,732 for a 640-acre parcel some 4 miles northwest. Howell Spear, Denver, picked up the fourth for \$16,320.

Union Oil Co. of California was the only big oil firm bidding on these tracts.

Promising structure. Contrasting sharply were bids of \$25,651 each by Gulf Oil Corp. for three sections on the north end of the giant anticline beginning north of Canyon de Chelly and stretching 55 miles south.

Tract 208, just east of the anticline's crest, was the sale's best, pulling bids from nine buyers. Ranked as the most active in the sale, they are Dalco, Kerr-McGee, Amerada, Shell, Texaco, Skelly, E. D. Richardson, and W. T. Blackburn, Denver independent. Gulf also won nearby tracts 209 and 210.

Gulf, not too active lately on the reservation, and Texaco Inc. dominated the sale. Between the two, they won the choice lots. Kerr-McGee, biggest operator in Dineh bi Keyah (OGJ, Apr. 3, p. 123), put up many offers around the structure but was outbid in all but a few instances.

Besides making the sale's highest offers, Gulf picked up tracts 215, 216, 217, 220, 221, and 222, all along the anticline's crest. Prices ranged from \$9,676 to \$19,241. Texaco outbid six companies to snap up tract 218, another prized area.

Gulf bought 37 sections for \$384,128. Texaco was high bidder on 14 sections with total bids of \$138,215.

And Kerr-McGee won nine, paying \$33,855.

Following the Navajo's accepted practices, these tracts are the first to move directly onto the structure. Generally, the Navajos move up structure so the most promising leases are the last offered. Future sales should open up more of the structure for bidding.

While the Fort Defiance anticline is well known in the industry, it has hardly been tested. With this sale, the industry has its first good chance to check for oil possibilities.

MONTHLY FINANCIAL REPORT

RECEIPTS MONTH OF	RECEIPTS CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
April 1967	1-7-10-060-0000			
400 00	1 Application for Permit to Drill		400 00	1,225 00
	2			
	3			
	4			
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	6			
	7			
	8			
	9			
	10			
	11			
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	16			
	17			
400 00	TOTAL CURRENT MONTH RECEIPTS		400 00	XXXXXX
XXXXXX	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		9,570 25	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		9,970 25	6225 00

CLAIMS PAID MONTH OF	EXPENDITURES FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
April 1967					
2,215 00	1 Personal Services	29,500 00	24,325 00		5,175 00
593 99	2 Current Expenditures	7,350 00	3,272 63	71 32	4,006 05
	3 Subscrips-Orgn Dues-				
216 35	4 Travel-State	5,000 00	3,375 02	450 00	1,174 98
168 40	5 Travel-out of State	2,500 00	1,340 13		1,159 87
	6 Capital Outlay-Equip	2,500 00	1,977 71		522 29
	7 Current Fixed Charges	600 00	266 31	60 00	273 69
	8 Professional Services	2,000 00	261 80		1,738 20
	9 Museum No. Arizona	2,500 00	1,875 00	625 00	
625 00	10 Ariz.BuMines, UofA	2,500 00	2,500 00		
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3,818 74	TOTALS	54,450 00	39,193 60	1,206 32	14,050 08

FORM 12-A POST AUDITOR

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

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 April 1967
22,150 00	110	1 Personal Services: Salaries & wages, employed	22,150 00
2,175 00	150	2 " " : Per diem, Board Members	
		3	
		4	
313 87	211	5 Postage	
1,239 32	212	6 Telephone, telegraph	290 88
3,375 02	220	7 Travel-State	216 75
1,340 13	230	8 Travel-out of State	168 40
261 80	240	9 Professional Services	
58 52	262	10 Maintenance/repairs to office equip., furn.	
324 41	294	11 Legal advt., notary/court/recording fees	135 63
5 50	295	12 Transportation of Things (shipping samples)	
4,448 80	299	13 Miscellaneous (blue prints, Ariz. Mines, Muscu)	694 70
		14	
		15	
		16	
695 15	310	17 Office supplies	89 78
277 74	360	18 Scientific supplies (drafting, correlated logs)	8 00
42	370	19 Maintenance Supplies	
33 90	390	20 Other Supplies	
		21	
		22	
157 66	411	23 Rent office equip (xerox)	
		24	
		25	
	421	26 Bonds of officials and employees	
108 65	430	27 Subscriptions & Orgn Dues	
		28	
		29	
		30	
	611	31 Capital outlay: Office Equip & Furniture	
	614	32 " " Medical & Scientific Equip.	
1,977 71	616	33 " " Automotive Equipment	
		34	
		35	
250 00	995	36 Creating Revolving Funds	
		37	
		38	
		39	
		40	
		41	
		42	
		43	
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		53	
		54	
		55	
39,193 60		TOTAL	3,818 74

OFFICE
AUDIT.(DO NOT WRITE BELOW THIS LINE)
TYPEDFIELD
AUDIT.

MONTHLY FINANCIAL REPORT

1	2	3	4	5
RECEIPTS MONTH OF	RECEIPTS CLASSIFICATION	APPROPRIATE RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
May 1967	1-7-10-060-0000			
250 00	1 Application for Permit to Drill		250 00	1,475 00
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
250 00	TOTAL CURRENT MONTH RECEIPTS		250 00	XXXXXX
XXXXXX	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		9,970 25	XXXXXX
250 00	TOTALS - MONTH AND YEAR TO DATE		10,220 25	1,475 00

6	7	8	9	10	11
CLAIMS PAID MONTH OF	EXPENDITURES FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
May 1967					
2,540 00	1 Personal Services	29,500 00	26,865 00		2,635 00
396 55	2 Current Expenditures	7,350 00	3,669 18	127 82	3,553 00
	2 Subscriptions				
644 19	4 Travel-State	5,000 00	4,019 21		980 79
187 25	5 Travel-out of State	2,500 00	1,527 38		972 62
	6 Capital Outlay-Equip	2,500 00	1,977 71		522 29
49 10	7 Current Fixed Charges	600 00	365 41	50 00	234 59
371 50	8 Professional Services	2,000 00	633 30		1,366 70
	9 Museum No. Arizona	2,500 00	1,875 00	625 00	
	10 Ariz. Bu Mines, UofA	2,500 00	2,500 00		
	11				
	12				
	13				
	14				
	15				
	16				
	17				
	18				
	19				
	20				
	21				
	22				
	23				
	24				
	25				
	26				
	27				
	28				
	29				
	30				
4,188 59	TOTALS	54,450 00	43,382 19	802 82	10,264 99

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

DIVISION

FOR THE MONTH OF

May 1967

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 May 1967
24,365.00	110	Personal Service: salaries/wages, employees	1 2,215.00
2,500.00	150	2 " per diem (board members)	2 325.00
		3	3
		4	4
313.87	211	Postage	5
1,365.38	212	Telephone, telegraph	6 126.06
4,019.21	220	Travel-state	7 644.19
1,527.38	230	Travel-out of state	8 187.25
633.30	240	Professional services	9 371.50
585.2	262	Mntns/repairs to office equip., furniture	10
324.41	294	Legal advt., notary, court, recording fees	11
16.36	295	Transportation of things (well samples)	12 10.86
4,453.27	299	Miscellaneous: blueprint serv. ArizRuMines,	13 4.47
		14 MusNoAriz	14
		15	15
		16	16
922.02	310	Office Supplies	17 226.87
306.03	360	Scientific Supplies: drafting, correlated logs	18 28.29
42	370	Maintenance Supplies	19
33.90	390	Other supplies	20
		21	21
		22	22
199.76	411	Rent office equip (copy machine)	23 42.10
		24	24
		25	25
		26	26
115.65	430	Subscriptions/organizations dues	27 7.00
		28	28
		29	29
		30	30
	611	Capital outlay: office equip & furniture	31
	614	" " medical & scientific equip	32
1,977.71	616	" " " " automotive	33
		34	34
		35	35
250.00	995	To create revolv fund	36
		37	37
		38	38
		39	39
		40	40
		41	41
		42	42
		43	43
		44	44
		45	45
		46	46
		47	47
		48	48
		49	49
		50	50
		51	51
		52	52
		53	53
		54	54
		55	55
43,382.19		TOTAL	4,188.59

OFFICE
AUDIT:(DO NOT WRITE BELOW THIS LINE)
TYPED:FIELD
AUDIT:

BY:

DATE:

BY:

DATE:

BY:

DATE:

DATE RECEIVED:

BY:

THE NAVAJO TRIBE

RAYMOND NAKAI
CHAIRMAN, NAVAJO TRIBAL COUNCIL

NELSON DAMON
VICE-CHAIRMAN

MINERALS DEPARTMENT
412 PETROLEUM PLAZA BUILDING
3535 EAST 30TH. STREET
FARMINGTON, NEW MEXICO 87401
&
P. O. BOX 146
WINDOW ROCK, ARIZONA 86515



June 8, 1967

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

Dear John:

Your Dineh bi Keyah hearing letter arrived. We don't know what to say. We'll think a while.

Kindest regards.

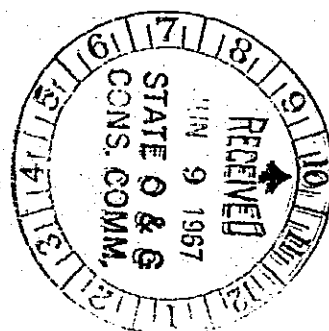
Very truly yours,

Hank

Henry F. Pohlmann
Minerals Supervisor

HFP:et

cc: Dineh bi Keyah File



June 7, 1967

Mr. Henry Pohlmann
Minerals Department
The Navajo Tribe
412 Petroleum Plaza Building
Farmington, New Mexico 87401

Dear Hank:

This letter is in answer to your telephone inquiry of June 2, 1967 wherein you requested some comments concerning our Order 21 in which this commission outlined an area of some 72 sections for 160-acre spacing for an oil well to the lower Hermosa formation. This area of course is on the Reservation.

You specifically wanted to know, did information developed within the 160-acre spacing area become public information, and you indicated you felt the order would have been a stronger order if we had made the order temporary and set a re-hearing within one year.

At present, information developed within the 72 sections allocated as an area for 160 acre spacing will not become public information. As you are aware, by statute an operator is entitled to hold his information confidential for a period of six months when he is within unproven territory and he so requests.

The hearing held was a hearing as to a request for spacing units within a given area. The commission feels that spacing was all that we could at that time consider. The commissioners have indicated that in the near future a hearing will be called to establish a pool and accompanying pool rules.

The points you mentioned were discussed by them when they arrived at their decision and it seemed to be their feeling that when a pool is established, information developed within the confines of the pool would become public information inasmuch as we would then have an established proven area.

Mr. Henry Pohlmann
June 7, 1967
Page 2

As you are aware, at the hearing the commissioners were considering making this a temporary order and calling for a rehearing sometime in the future. However, when their decision was made they felt that it would put the commission in a better position if the order were made permanent. It was pointed out that such a permanent order could be reviewed at the request of any interested party or by the commission itself.

They further expressed the idea that when a pool hearing is called and if a pool were established, the commission could at this time reduce the area previously established or altogether wipe it out by establishing a buffer zone around an established pool.

I have had indications from the companies involved that their requests for confidential status of the information now being developed will be relaxed in the near future.

I would like to take this opportunity to point out that this letter is speculative in that I cannot of course bind the commissioners as to what they may do in the future; and of course we must abide by any decision of the operators concerning confidential status.

Please be assured of this commission's cooperations.

Sincerely,

John Bannister
Executive Secretary
mf

bcc: Humble Oil & Refining Co., Denver, Colo.
Humble Oil & Refining Co., Oklahoma City, Okla.
Kerr-McGee Corporation, Farmington, New Mexico

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

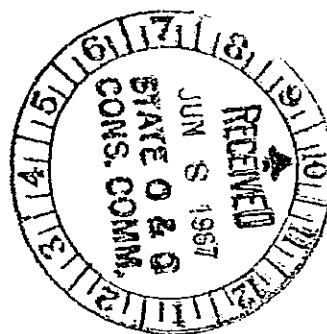
P. O. BOX 2088
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

June 7, 1967

AIR MAIL

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



Dear John:

I am enclosing a copy of our rules and regulations in which you will notice that we define the date of completion of a gas well on page 17 and the date of completion of an oil well on page 75.

I am afraid that our definitions will not be of much assistance in your case since, as a market demand state, our completion dates must relate to the initial assignment of allowables. In your case it must relate to your six months confidential period.

It is not our desire to tie ourselves down to a rigid date for the completion of a dry hole. We like to leave this date flexible for the purpose of approving plugging reports. We do not call a dry hole completed until the location has been leveled and cleaned-up.

I will be looking forward to visiting with you in Denver next week.

Very truly yours,

A handwritten signature in dark ink, appearing to read "A. L. Porter, Jr.", written over a horizontal line.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

June 6, 1967

Mr. A.L. Porter, Jr.
New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Dear Pete:

Would you please advise me as to when your commission considers a well as completed.

In Arizona we have a confidential period which runs for six months from date of completion. Neither our statutes nor our rules define "completion". In addition several of our other statutes depend on when a well is completed. Consequently we are seeking guidance in establishing what constitutes the completion of a well.

Your comments will be greatly appreciated.

Very truly yours,

John Bannister
Executive Secretary
mr