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**NET REVENUE** | 8,500 | 4,500 | 4,000 |
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November 16, 1967

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

Dear John:

With respect to your letter dated November 10, 1967, I have on November 15 hand delivered to you copies of all the pleadings in the collective Harless cases.

Secondly, the following suggested legislation should be added to A.R.S. § 27-520(A): Strike the "period" after the word "relief" and add a comma, and add the following language:

" * * * within 30 days from the effective date of the article, rule or regulation for order complained of."

Sincerely,

DARRELL F. SMITH
The Attorney General

[Signature]

JORDAN GREEN
Assistant Attorney General

JG:hc
AGENDA

Meeting
December 15, 1967
Room 204, Arizona State Office Bldg.
1624 W. Adams, Phoenix

9:30 a.m. Call to order

1. Approval of minutes of meeting of November 15, 1967
2. Executive Secretary's report
3. Geologist's report
4. Old business: Anadarko status (Joe Clifford, A&O office)
   Proposed Legislation
6. Adjourn

Vote: Ferrin, Fraser
Minutes of Meeting
November 15, 1967

Present:
Mr. Lynn Lockhart, Chairman
Mr. Lucien B. Owens, Vice Chairman
Mr. George T. Siler, Member
Mr. Kenneth C. Bentson, Member
Mr. Ralph H. Gilby, Member
Mr. John Bannister, Executive Secretary
Mr. J.R. Scurlock, Geologist
Mr. Willard Pye, University of Arizona
Mr. R.L. Dunlap
Mr. R.well N. Walsh

The meeting was called to order at 9:30 a.m. by Vice-chairman Lucien B. Owens. Chairman Lockhart moved, Mr. Bentson seconded, that the minutes of the meeting of October 18, 1967 be approved as submitted. Motion passed unanimously.

Chairman Lockhart stated that he had been Chairman of the Commission for about three years, but because he had been handicapped by surgery he asked the Commission to accept his resignation as Chairman and nominated Mr. Lucien Owens for Chairman, and asked that he be nominated by acclamation; and he also nominated Mr. George Siler for Vice Chairman.

Mr. Gilby moved that we accept Mr. Lockhart's resignation as Chairman, but with a vote of thanks for those things he had done under adverse circumstances. Mr. Bentson seconded. Mr. Owens added that he knew Mr. Lockhart had acted when he shouldn't have for his own good. The motion passed unanimously.

Mr. Siler asked that the record show that Mr. Lockhart was still "the buddy of the Commission".

Mr. Bentson opined that he did not particularly subscribe to the philosophy that the chairmanship was an honorary position but that the man most capable should take the position and he re-nominated Mr. Owens for Chairman because of his experience and the way he demonstrated as substitute during the last few sessions. Mr. Siler seconded. Mr. Gilby moved that it be made unanimous. Mr. Bentson seconded that motion. Motion passed unanimously.

Mr. Bentson then seconded Mr. Lockhart's nomination of Mr. Siler for Vice Chairman. The motion passed unanimously.

Mr. Lockhart thanked all the Commission for their help to him and for their taking time from their businesses to attend to Commission functions.
Mr. Owens added that it was his observation that where the Commission would miss Mr. Lockhart most was the many connections he had on the outside that brought increased activity to the State. He suggested that if Mr. Lockhart's health permitted, that he be the Commission's delegate to the upcoming Interstate Oil Compact Commission meeting in December in New Orleans. Mr. Lockhart responded, saying that health permitting he would be pleased to attend the meeting and that he always boosted Arizona.

Mr. Lockhart moved that the Executive Secretary's report be accepted for filing.

Because there followed considerable discussion of this above report, the meeting was recessed to go into the hearing of Case 29, scheduled for 10:00 a.m.

The meeting re-convened at 12:15 p.m. with further discussion of the Executive Secretary's report.

The Executive Secretary was instructed to have suggestions for proposed legislation available for the Commission meeting in December.

Due to possible conflicts with the Interstate Oil Compact Commission meeting and the Christmas season, it was agreed that the next Commission meeting would be Friday, December 15, 1967, at 9:30 a.m.

Meeting adjourned at 12:40 p.m.

APPROVED December 15, 1967

Lucien R. Owens
Chairman
December 5, 1967

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

Dineh bi Keyah is continuing its expansion. Humble has now completed its 2-88 well in the SE NE 25-36N-29E, at an estimated 1631 barrels of oil per day.

The Humble 1-88 is still in the phase of being tested. Humble has advised that two sills have been located, the upper being more analogous to the producing field; however it contains more gas. The lower sill apparently is productive of a little oil, however how much is not known.

Humble has received a permit to drill its 3-88, located SE NE 36-36N-29E.

Based upon these Humble successes, Kerr-McGee has drilled its F-1 located in SE SE26-36N-29E, and this has been made into a producer. Completion reports have not been filed and I do not at this time have the capability of this well.

However, Kerr-McGee has made application to take oil from the F-1, run it downhill to the approximately location of the #16 well where it will be metered, separated, and run into the pipeline.

This is the northern most producer in the field. Consequently the field is expanding both westerly and northerly.

The Gulf wells, drilling north of Canyon de Chelly, while all strat tests, have been plugged and abandoned.

South of the Pinto Dome-Navajo Springs Fields, Crest Oil has drilled its Fl Spurlock, located SW NE 3-17N-26E. At this time this well will probably result in a dry hole. However, the operator has indicated he would like to put this well on a temporary abandoned status for testing at some later date.

The Potter well, southwest of Flagstaff, (this is the well about which I spoke to you at our last meeting) has not changed status.
We have written to Mr. Potter on November 10 and again on November 28, but he has failed to reply to any of our requests.

The Attorney General has filed a counterclaim against Richard Harless seeking the enforcement of our penalty provisions. As you may be aware, Mr. Jordan Green who was representing us on this case has resigned from the Attorney General’s Office and the case has been taken by Mr. Joe Clifford. He is seeking to bring about a summary judgment on point of law. If he is successful it will not be necessary that the case then go to trial. Should there be any further developments in this I will of course report.

The Oil Discovery well, north of Sedona, has resulted in a dry hole at a total depth of approximately 3200 feet. It is our understanding that the operator had in excess of $126,000 in this hole. Approximately half of this money was spent in fighting a lost circulation problem above the 700-foot level. Once the operator ran the 7-inch pipe to 700 feet he overcame the lost circulation and the well drilled easily. However, no significant porosity was encountered.

The operator has indicated some interest in attempting another exploratory well somewhere in this general area.

As you may recall, Kerr-McGee drilled its B-1 well in the SE NW 5-32N-30E of Uncin bii Kayah. This well failed to encounter the sill and due, in my opinion, to mechanical difficulties did not complete as a helium well.

The operator has made application to drill a replacement well in the quarter section northwest-northwest. You will recall in our spacing order for this area the operator has the choice of drilling to the Hermosa in either the southeast quarter section or the northwest quarter section.

In order to drill the B-1X (the replacement well), the operator is completely shutting off the lower Hermosa formation in the B-1 and rededicating. Once this is done the B-1X can then be drilled to the Hermosa and not be in violation of the spacing or pooling order.

It is with most sincere regret that I inform you that Mr. Lynn Lockhart is as of this writing undergoing surgery again. At this time we have no indication of his condition. He is in Lincoln Memorial Hospital.

There has been considerable leasing activity in Cochise County, primarily by an individual from Oklahoma City. No applications as yet have been received as the result of this play.

The old Humble B-2 Havajo well, located SW NE 9-41N-28E, is being re-entered by AAA Fishing Tool Company, Farmington. They apparently will take a look at one of the Pennsylvanian limestones.

Approximately four miles west of Holbrook Faith Petroleum Company has had a rig on location for approximately three weeks. Faith Petroleum has been in contact with this office but has not as yet made an application and have had considerable difficulty in coming...
up with a bond and it is not known whether or not they will be able to make one. Undoubtedly they are failing to show sufficient financial statements for a bonding company to take this venture with them.

In one of the numerous calls from Mr. Loren Hughes of Faith, he finally announced in desperation that he might have to drill the hole as a water well. I informed him that if this attempted evasion was undertaken we would have to close him down. It is my understanding now that they are attempting to get another outfit to make bond for them. We of course are keeping our eye on this situation.

Satisfactory evidence of the approval of U.S. Geological Survey to the unit agreement for Pinta Dome has been furnished to this office. Pursuant to our order, a letter was issued making the effective date of the unit at 7:00 a.m. on November 28, 1967.

The Minister of Mines, British Columbia, has been invited to give a talk to the Oil and Gas Association. This talk will be given at a noon meeting Thursday, December 14, at the Adams Hotel.

This office has been informed that the Legislature will not consider any change in the oil and gas taxation structure during this current special session. However, they have indicated the possibility of considering the whole picture of oil and gas taxation during the regular session which commences in January.

As you are aware, the Interstate Oil Compact Commission meeting will be held December 11-12-13 in New Orleans. The first official function will occur however on the night of December 10. Governor Williams will be in attendance at this meeting and will make one of the major addresses. I will go to New Orleans on the afternoon of December 9th with the Governor's security aide to help in making final arrangements for the Governor.

Arizona Helium Corporation is now waiting for the arrival of the components for the extraction plant at Navajo. The building, housing, and all pipelines have been completed with the exception of the connection across the River. The supports have already been suspended on the bridge and it will be a quick and easy task to make this final connection.

I have been informed that the target date for the initial production run will be February 15 instead of January 1. It is not known why the components have not as yet begun to arrive.

C.T. Henderson has sold all his interest in Apache Drilling Co. Inc. to a group of people owning stock also in Arizona Helium Corporation. They acted not as representatives of Arizona Helium Corporation.

Mr. Bill Johnson, Tucson, has assumed the presidency of Apache Drilling Co. Inc., and is moving the headquarters to Tucson. It is my understanding that a financial institution in Tucson will loan Apache monies to begin a substantial exploration program to prove their holdings.
May I take this opportunity to remind you again that much of the information in this report is of confidential nature and should not be disclosed.
Champlin (Sec. 4-41N-28E) has an indicated oil discovery in the Pennsylvania shale zone. Production string was set at total depth of 675. A 2b. limestone zone was perforated from 650-75. After acid treatment, well flowed 20 bbls. oil plus 2 bbls. water per day. (This is probably all load water from the acid treatment—not from the formation.) The flow has decreased to 10 bbls. of oil plus 1 bbl. of water per day. (Tubing pressure 35#/G. O.R. 3190.1)

They plan to continue to flow the well for another week. Then the well will be shut in to determine pressure build-up. If pressure builds up sufficiently to indicate adequate reservoir, then they will acid-frack.

SIMMONS (Sec. 30-36N-27E) set 4 1/2" production string at 2605. Total depth of the well is 3313. Perforated Pennsylvania Desert Creek limestone zone 2404-2425. After acid treatment, well pumped 8 bbls. oil per day plus "considerable" water. Total fluid now being pumped has now reduced to 3/4 bbl. per day, of which 5-20% is oil. They are preparing to plug. In any case, this amounts to a small but very encouraging show for this area because it demonstrates that the Pennsylvania zones, which become thin as they approach the flanks of the Defiance Uplift, offer the possibility of stratigraphic traps in this area. This encouragement should spark more wildcatting in here.

Miami #1 NavaJo (Sec. 30-41N-36E) Proposed 6500' basement test. Drilling.

AAA Fishing Tool Co. (Farmington, New Mex.) will re-enter the old Humble E-2 (Sec. 9-41N-38E) which was drilled in 1938 to a depth of 6520. They hope to work over this old well and complete it in one of the several Pennsylvania limestone zones which appear favorable on the electric logs. If this attempt at completion fails, Humble hopes to acquire the well from AAA and use it as a salt water disposal well for its two East Boundary Butte wells, which currently are producing about 200 bbls. of salt water per day.

American Minaric #1 NavaJo (Sec. 28-38N-24E). O'Donell-Ewing (the contractor) collapsed the derrick while pulling on stuck drill pipe. Derrick was replaced. Pipe twisted off. Unable to recover fish. O'Donell-Ewing lost $140,000 on this hole. (Moved rig to Nevada.) Well dry and abandoned. TD 5857.

McCulloch #1 NavaJo (Sec. 1-38N-22E) Casing parted; could not recover fish. Plugged and abandoned. TD 3846. Skidded rig 150 ft. to the north and spudded #1-JX Navajo. Pipe stuck at 765 ft. Unable to recover fish. D&A.

Gulf #1 NavaJo II (Sec. 11-7N-8W) TD 2687; D&A.
Gulf #1 NavaJo #2 Sal (Sec. 4-7N-8W) TD 2656; D&A.
Gulf #1 NavaJo e (Sec. 4-34N-28E) TD 2681; D&A.
Gulf #1 NavaJo #2 (Sec. 22-7N-8W) TD 2836; D&A.

C & J Drilling #1 State (Sec. 5-9N-6W) Shut down. In fishing for a lost string of pipe another string as lost. Consequently there are two fish in the hole, side by side. Apparently the operators
Oil Discovery #1 Federal (Sec. 17-19N-6E; Coconino Co; 12 miles North
of Sedona) This well has been a classic study in fighting lost
circulation. The cause of the trouble was the cavernous nature of
the basalt which lies on the surface in this area. A cavern
15' deep has been found within 50 yards of the location. A crew
member reportedly entered the cavern and described it as
spreading out in all directions. At one point the bit dropped
8 ft. Total depth 3253 ft. in Pre-Cambrian, Dry and Abandoned.

Crest Oil #1 Spurlock (Sec. 3-17N-26E) This well
has been drilled to basement and is preparing to temporarily
abandon. (No data available.)

Potter #1 State (Sec. 24-20N-5E) This is the old Willett well 12 mi.
SW of Flagstaff. Moving in Walker-Neer C-32 cable tool rig,
plan to run Schlumberger log (Gamma Ray-Neutron) and attempt
completion. This permit to Potter was issued April 26, 1966.
Mr. Hennister has advised Potter that unless he brings himself
into compliance with the regulations of the Commission by
submitting to us written reports of work done and of his in-
tentions concerning the well, the Commission would require
that the well be plugged.

Buich bi Keyah Field produced its 2 millionth bbl. of oil during October.

Kerr McGee is disposing of salt water (about 800 bbls. per day)
by sprinking it from a truck over lease roads. The #E-1 has
not yet been converted into a water disposal well. Kerr McGee
is still waiting on Tribal approval.

Kerr McGee #F-1 (Sec. 24-36N-29E) Completed as oil well. (No data:
as yet. This gives Kerr McGee 12 producers in the field.

Kerr McGee # B-1 (Sec. 5-35N-30E) Well to be plugged off down the sill. They may want to use this well eventually as an injection
well in a secondary recovery program. Acreage will be re-dedicated
to the # B-1X, which will be drilled in the NW NW of this same
section.

Humble # 88-1 (Sec 25-36N-29E) TD 3850. Plugged back to 3550. Has
found the sill to be separated into two zones. The top sill zone
contains gas, the bottom zone oil. Still testing.

Humble # 88-2 (Sec. 25-36N-29E) TD 4814. Has Tested 3000 MCFPD gas
(containing 4-5% helium) from the McCracken. Plugged back and
completed in the sill for approx. 1600 BOPD. (Humble's 2nd well
in the Field.)

Humble # 88-3 (Sec. 3-36N-29E) Location.
From the Desk of

JOHN BANNISTER

Will need a legislator to sponsor this legislation (can be in one Bill) and order legislative Council to prepare.
Amend §27-515.4 by adding the following:

4. Collect such fees as determined by the Commission which will cover the costs of such services as, but not limited to, reproduction of records or any portion thereof, publication of technical maps, copies of rules and regulations, and any other forms of publications by the Commission. The monies so collected shall not be subject to the provisions of §27-523, but shall be deposited by the Commission with the state treasurer to the fund from which the expenditure was originally made.

Amend §27-517.4 by adding at the end:

The request for hearing shall be accompanied by a fee of $____. The interested persons requesting the hearing shall also be billed by the Commission as soon as possible for ___% of the cost of publication of the hearing and shall within ten days after receipt of the billing reimburse the Commission. The monies so collected shall not be subject to the provisions of §27-523, but shall be deposited by the Commission with the state treasurer to the fund from which the expenditure was originally made.

Amend §27-520.4 by adding at the end:

The civil action contemplated in this section must be commenced within twenty days from the effective date of the (article, rule or regulation or) order complained of.
November 28, 1967

Mr. James H. Potter
P.O. Box 493
Flagstaff, Arizona 86001

Re: Potter #1 State 8219
    SW NW 24-20N-53, Coconino County
    Permit 351

Dear Mr. Potter:

By our letter of November 10, 1967 you were requested to file a summary report informing this Commission as to the cement work you did during June in the captioned well to cut off a water flow. As you recall, you did state in our conversation of November 9 that this would be filed immediately.

As usual you have ignored requests of this Commission. You have advised several times when telephoned by this Commission that you were moving in a rig. You also advised that initial work had been started, hopefully to be completed during the weekend of October 9, 1967. However, no reports detailing any of these operations have been filed.

As you are aware, this permit was issued April 26, 1966, and it is felt that this Commission has been extremely lenient and cooperative in attempting to allow you to accomplish your aims. It is further felt that you have taken advantage of the Commission's desire to cooperate.

Once again we ask that you advise in writing as to all the work done by you and that you further advise in writing your intentions concerning this well. Should we not hear from you within a reasonable time, this Commission must enforce its rules and regulations and require that this well be plugged.

Should you desire to meet with the Commission, the next regular meeting will be on December 15, 1967, 9:30 a.m., in the Commission's office in Phoenix.
Again, we urge that you bring yourself into compliance with our rules and regulations. Should you have any questions, please advise.

Very truly yours,

John Bannister
Executive Secretary

enc: form 25
November 19, 1967

Mr. Harold Ferrin
P.O. Box 192
Mesa, Arizona

Re: Ferrin §3 NMA
SW NW 22-19N-17E, Navajo County
Permit 344

Ferrin §3 Aja Cattle Co.-Sabbitt Bros.
SW NW 4-17S-16E, Navajo County
Permit 356

Dear Mr. Ferrin:

As you are aware, the Commission has granted you an extension until December 31, 1967 in which to commence work on the two captioned wells. As yet this office has no information that further work has been commenced.

With approximately 45 days remaining in which to comply with the order, you are requested to advise us of your plans.

Very truly yours,

John Bonnette
Executive Secretary
June 21, 1967

Mr. Harold Ferrin
P.O. Box 102
Hermes, Arizona 85210

Re: Ferrin #1 State well
N 8 W 10-19W-17S, Navajo County
Permit 301

Ferrin #1 NMA well
E 1/2 N 9-19W-17S, Navajo County
Permit 344

Ferrin #1 Aja Cattle Co. Rabbit Bros. well
N 8 W 4-17W-16E, Navajo County
Permit 350

Dear Mr. Ferrin:

Your verbal request presented to the Commission at its regular meeting on June 21, 1967 for an extension of time in which to commence further drilling operations on the Ferrin #1 NMA well, Permit 344, and for the Ferrin #1 Aja well, Permit 350, is hereby granted. This extension will expire December 31, 1967 and is subject to the conditions herein below set forth, which were accepted by you during the meeting:

That the wells are no longer considered tight holes and that all information contained in the files may be made public information.

A summary report must be submitted on each of these wells wherein the current status is reflected and accurate data is shown. Samples also must be submitted.

On the #1 NMA a copy of all logs which have been run, including drilling logs, must be submitted.

As to the Aja Cattle Co. well, you have advised this Commission that no logs have as yet been run. A copy of the drilling log must be submitted.

You advised the Commission of your intention to turn the Ferrin #1 State, Permit 301, into the tank ever for use as a water well. In order to complete the files on this well it will be necessary that you...
file with this commission the water well acceptance form, properly executed, and the Well Completion Report, as well as samples.

Should you have any questions, would you please advise.

Very truly yours,

John Bennister
Executive Secretary
October 30, 1967

Mr. J.M. Fraser
1424 Kensington Avenue
Salt Lake City, Utah 84105

Re: Fraser #1 State well
NE SE 19-21S-13E, Cochise County, Arizona
Permit 93

Dear Mr. Fraser:

We have had no definite word from you concerning your progress on this well since approximately June 27, 1967 when you and Mr. O.L. Carson were in this office. At that time you advised it was your intention to test the Mississippian as well as the hot water zone and advised that Mr. Carson was headed to Farmington to look for a combination rotary-cable tool rig.

Will you please advise me at your earliest convenience as to your plans and intentions. As you are aware, this office has been more than patient in your endeavor to do something with this well. It is absolutely necessary that this well be brought into some conclusion in the immediate future. If there is a possibility of doing something, the Commission does not want to force a plugging. However, as I have said before, we are bound by our Rules and Regulations and must see to their enforcement.

Very truly yours,

John Beamister
Executive Secretary

cc: Hartford Insurance Group Bond 3125317
    Arizona Title Bldg., Phoenix, Arizona