

OIL & GAS CONSERVATION COMMISSION  
Meeting: April 16, 1969.  
Mr. John Bannister, Exec. Sec.



OFFICE OF  
**Oil and Gas Conservation Commission**  
 STATE OF ARIZONA  
 ROOM 202  
 1624 WEST ADAMS  
 Phoenix, Arizona 85007  
 PHONE: 271-5161

A G E N D A

Meeting  
 April 16, 1969  
 Room 204, Arizona State Office Bldg.

9:30 a.m.

Call to order

1. Approval of minutes of meeting of March 19, 1969
2. Executive Secretary report
3. Geologist report
4. Old business
5. New business
6. Adjourn
  - Discuss travel*
  - Proposed trip to Douglas*
  - Time rendering decision on Case 36*

10:00 a.m.

Hearing, Case 36  
 Kerr-McGee Corporation

IF YOU ARE UNABLE TO ATTEND THIS MEETING, PLEASE NOTIFY THIS OFFICE AS SOON AS POSSIBLE.

*17th Saturday*

*May 21<sup>st</sup> wed next meeting*

*10AM City Council Chambers*

*Douglas*

OIL AND GAS CONSERVATION COMMISSION  
1624 West Adams - Suite 202  
Phoenix, Arizona 85007

Minutes of Meeting  
March 19, 1969

Present:

Mr. Lucien B. Owens, Chairman  
Mr. George T. Siler, Vice Chairman  
Mr. Kenneth G. Bentson, Member  
Mr. Frank E. Moore, Member  
Mr. John Bannister, Executive Secretary  
Mr. James R. Scurlock, Geologist  
Mr. James A. Lambert, Administrative  
Assistant

Absent:

Mr. Ralph W. Bilby, Member

Meeting was called to order at 9:30 a.m. by Chairman Owens.

Minutes of the meeting of February 26, 1969 were read and approved.

Reports of the Executive Secretary and Geologist were discussed and accepted.

Meeting adjourned at 10:00 a.m. to be followed by hearing of Case 35.

APPROVED April 16, 1969

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Lucien B. Owens, Chairman



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
ROOM 202  
1624 WEST ADAMS  
Phoenix, Arizona 85007  
PHONE: 271-5161

April 8, 1969

Memo to: Commissioners  
From: John Bannister

Re: Report of Activity

Our agenda for the forthcoming meeting is the usual, however I do wish to have an opportunity to discuss our remaining budget for in-state travel. This fund is as usual at this time of year, again reaching a critical stage and must be conserved for essential purposes.

Following the regular meeting we will hear Case 36, being Kerr-McGee's request for deviation from 160 acre spacing for one well in the Dineh-bi-Keyah field. Inasmuch as this well primarily involves questions of reservoir engineering, I have secured the services of "Red" Walsh from Farmington to sit with the Commission as consultant.

I would like to take this opportunity to point out that in order to arrive at a proper conclusion it is more than likely that "Red" will want to have a chance to study data presented prior to any recommendation as to the tenor of our decision. Consequently, I would suggest that at the end of the hearing we make no attempt to reach a decision but give "Red" the time he will need. Normally, if a decision is reached within ten days after a hearing it is considered a reasonable amount of time and complies with statutory requirements.

Drilling activity is increasing since the weather is breaking up in the north. We at present have seven wells drilling in Apache County - one in the Dineh-bi-Keyah area and six north thereof. Four wells are in various stages of drilling in the Sedona area and Mr. Hopkins has entered into a drilling program with Mike O'Donnell calling for four additional wells. Persistent rumors mention the possibility of considerable exploration in Cochise County and we have had several inquiries concerning rules and regulations as pertain to drilling in the southeast area of our state, namely Cochise, Graham and Greenlee Counties.

We still have received no definite word as to the Commission's budget, however I assume it will be somewhere in the neighborhood of that which was recommended by the Governor. As soon as definite word is received, you will be advised.

I am maintaining frequent contact with A. A. Hopkins, Jr., and feel that in general our problem in this area has been solved, however I will continue close surveillance.

It has been reported to me that the Arizona Helium Plant at Navajo has successfully made a test run of eleven to twelve hours and again I say, with tongue in cheek, should be on stream within the near future. Persistent reports have it that as soon as the plant is operative they will commence a substantial drilling program aimed at developing supplies of helium on leases they own.

New Permits:

Consolidated Oil & Gas #3 Navajo, NE SW 3-41N-28E, Apache County.

Gulf #1 Navajo BS, NW NE 12-37N-29E, Apache County.

Hopkins #1 Frye Strat, SW NW 34-17N-5E, Yavapai County.



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

ROOM 202

1624 WEST ADAMS

Phoenix, Arizona 85007

PHONE: 271-5161

April 8, 1969

**GEOLOGIST'S REPORT**

FROM: JAMES SCURLOCK  
TO : COMMISSIONERS

YAVAPAI COUNTY

Hopkins #34-1Y Federal  
T18N, R5E, G & SRM  
Sec. 34: SW/4 NW/4  
Permit #482

**"TIGHT HOLE"**

Well has been pumping water. Pump now shut down because of packer leak. Mr. Hopkins indicates that he will re-seat the packer and resume pumping as soon as possible.

Mr. Hopkins and Mr. Mike O'Donnell (O'Donnell & Ewing Drilling Company, Phoenix) are attempting to arrange a five-well drilling program to be drilled by O'Donnell in the Sedona area.

Riddle #3-A Federal  
T17N, R4E, G & SRM  
Sec. 3: NE/4 NE/4  
Permit #485

Total depth of 1242' in Cambrian sandstone. Operator has removed the rig. A hand-bailer was used to recover water which had a slight show of oil. When a sample of the water was allowed to sit overnight, it had a "good odor" of oil. Scum on top of water had the appearance of paraffin. This slight show has encouraged Mr. Riddle to look for a cable tool rig so that he can clean out the hole and perhaps drill in a few more feet and thus check on the formation. There was no return of air in the interval 1219' to 1242' and thus no samples were returned in this interval.

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APACHE COUNTY

Consolidated Oil & Gas #1 Navajo  
T41N, R28E, G & SRM  
Sec. 2: SW/4 SW/4 East Boundary Butte Field  
Permit #481

Consolidated has been given permission by the Commission to produce oil from the Desert Creek (limestone) perforations from 4739' to 4743' while disposing of the accompanying salt water by injection into the Akah Formation through perforations 4897' to 4909'.

Well now has been worked over. Well currently pumping 25 barrels of oil plus 2 barrels of salt water in 24 hours.

Consolidated Oil & Gas #2 Navajo  
T41N, R28E, G & SRM  
Sec. 3: NE/4 SE/4 East Boundary Butte Field  
Permit #488  
Still a waiting location.

Consolidated Oil & Gas #3 Navajo  
T41N, R28E, G & SRM  
Sec. 3: NE/4 SW/4 East Boundary Butte Field  
Permit #490

Spud date: 3-17-69. Set 8-5/8" at 323' (K.B.) with 200 sacks. Contractor is Arapahoe Drilling Company, Farmington. Elevation: 5331' ground. Drill Stem Test, Desert Creek Zone 4612' - 4638'. Recovered 40' of oil-cut mud.

DST #2: (Akah) recovered 30' of oil-cut mud, 630' of oil, 240' of slightly water-cut oil, and 200' of salt water.

DST #3: (Lower Akah) recovered 400' of gas-cut mud and 425' of gas-cut salt water.

Currently drilling ahead at 5014'.

Kerr-McGee #C-1 Navajo  
T36N, R30E, G & SRM  
Sec. 33: NW/4 SW/4  
Permit #484

Spud date: 2-11-69. Set 9-5/8" at 328' with 200 sacks. Penetrated 50' of Pennsylvanian sill. Top of sill-3452'.

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Well running structurally high, about as expected; however, the sill was tight, i.e., lacking in porosity and permeability and apparently very poorly fractured so as not to have very good reservoir characteristics. Total depth is 3590'. Set 7" OD casing at TD. Perforated 3459' to 3496'. Acidized and fractured perforations. Installed pump. Currently pumping 30 - 40 barrels per day of load oil, no water. Still testing on pump.

This well will be a small producer at best; however, it is located at a sufficiently high structural elevation that it will probably produce no water.

Odessa #2 Navajo 8447  
T37N, R29E, G & SRM  
Sec. 33: SE/4 SE/4  
Permit #489

Spud date: 3-29-69. Set 9-5/8" at 264' with 125 sacks.  
Drilling ahead. This well is located 7 miles NW of Dineh  
bi Keyah Field.

Scuttlebutt:

The Hopi Tribe is ready to hold another sale of oil and gas leases. Inasmuch as the last sale had a negative response, the Tribe is now asking those interested to fill out a questionnaire indicating interest in the proposed lease sale. The area proposed is exclusively Hopi (known as District Six) and is in the same area as reported in prior sales.

Unfortunately, none of this lies in the area of the Ziltahjini Dome which lies to the north on joint Hopi-Navajo lands. Although by court decree these jointly owned lands which have never been opened to leasing belong to the Hopi and Navajo Tribes on a 50-50 basis, Mr. Bannister believes that the reason now for the delay in offering these lands for leasing is the in-fighting between the two tribes for more control.

You will remember that the reason we are so interested in the Ziltahjini area is because of the very large domal structure in this area covering approximately 60 square miles and comprising a structural closure of something on the order of 600'. This structure represents one of the best oil prospects in Arizona.



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Scuttlebutt:

The merger of Sinclair Oil Corporation and the Atlantic Richfield Company has been announced. This merger will give Atlantic Richfield an additional outlet which will now cover 48 states through the Sinclair service stations.

Scuttlebutt:

Mr. Michael P. Grace III, oil operator from Midland, Texas, has acquired four sections on the "Nine Mile Anticline" 18N, 25E, Apache County. A basement test is reported scheduled in the SWSW of Section 9.

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF	2 RECEIPTS CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
March 1969	1 Permits to drill		75 00	675.00
75 00	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
75 00	TOTAL CURRENT MONTH RECEIPTS		75 00	XXXXXX
XXXXXX	TRANSFERS IN		(150 00)	
XXXXXX	BALANCES BROUGHT FORWARD		5,707 75	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		5,632 75	675.00

6 CLAIMS PAID MONTH OF	7 EXPENDITURES FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
March 1969	1 Personal Services:				
3,625 00	2 General Fund	27,262 50	26,751 26	-	511 24
150 00	3 Conservation Fund	6,750 00	6,487 50	-	262 50
419 17	4 Current Expenditures	4,511 25	3,308 96	719 48	482 81
807 33	5 Travel-State	5,542 00	3,564 52	728 90	1,251 58
188 43	6 Travel-out of State	3,248 00	1,109 43	140 00	1,998 57
-	7 Current Fixed Charges	525 00	95 75	-	429 25
115 00	8 Professional Services	2,000 00	320 00	-	1,680 00
-	9 Capital Outlay	583 00	352 56	-	229 44
-	10 Museum N. Arizona	1,875 00	1,875 00	-	-
-	11 Arizona Bureau Mines	1,875 00	1,875 00	-	-
	12				
	13				
	14				
	15				
	16				
	17				
	18				
	19				
	20				
	21				
	22				
	23				
	24				
	25				
	26				
	27				
	28				
	29				
	30				
5,304 93	TOTALS	54,173 75	45,739 98	1,588 38	6,845 39

FORM 12-A POST AUDITOR

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

AGENCY ... COMMISSION

DIVISION IDENTIFICATION CO NO. 1-7-10-000-0000

1 CLAIMS PAID YEAR TO DATE	2 OBJECT CODE NO.	3 DISTRIBUTION OF EXPENDITURES CLASSIFICATION	4 CLAIMS PAID MONTH OF March 1969
32,263.76	110	1 Salaries, wages: employees	3,625.00
975.00	150	2 Per diem: board members	150.00
		3	
287.12	211	4 Postage	
1,261.77	212	5 Telephone, telegraph	129.02
1,493.59	221	6 Travel-State: meals and lodging	344.56
642.40	222	7 mileage reimbursed private cars	152.90
91.48	223	8 fares for planes, trains, etc	
1,116.60	224	9 State-owned auto expense	153.77
24.85	225	10 telephone, taxi, etc	10.00
60.00	226	11 registration fees at meetings	20.00
		12	
		13	
218.58	231	14 Travel-out of State: meals and lodging	70.33
932.50	233	15 fares for plane, train	232.50
3.00	234	16 State-owned auto expense	
26.35	235	17 telephone, taxi, etc	21.60
15.00	236	18 registration fee at meetings	
		19	
320.00	240	20 Professional services	115.00
		21	
47.88	262	22 Mntns/repairs to office equip., furniture	
311.29	294	23 Legal advt., notary, court, recording fees	141.49
	295	24 Transportation of things (well samples)	
3,842.19	299	25 Miscellaneous (blueprint service, Ariz Bu Mines, Museum N. Arizona)	17.48
		26	
		27	
		28	
440.29	310	29 Office supplies	32.88
555.23	360	30 Scientific supplies	98.30
3.06	370	31 Mntns supplies (duplicate keys	
60.33	390	32 Other supplies (film	
		33	
		34	
	411	35 Rent, office equip: copy machine	
		36	
14.50	421	37 Bond (notary public)	
81.25	430	38 Subscription/organization dues	
		39	
		40	
352.56	611	41 Office equipment/furniture	
		42	
		43	
		44	
		45	
250.00	995	46 To create revolv fund	
		47	
		48	
		49	
		50	
		51	
		52	
		53	
		54	
		55	
45,739.98		TOTAL	5,304.93

OFFICE  
AUDIT:

(DO NOT WRITE BELOW THIS LINE)  
TYPED:

FIELD  
AUDIT:



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

ROOM 202

1624 WEST ADAMS

Phoenix, Arizona 85007

PHONE: 271-5161

March 25, 1969

MEMO: COMMISSIONERS  
FROM: JOHN BANNISTER

RE: HEARING, KERR-McGEE

John Fisher of Kerr-McGee Corp. called this date to advise that we will receive a hearing request from Kerr-McGee to be held on April 16, 1969.

Kerr-McGee will seek to get permission to drill and produce a well to be located in the NW/4 SE/4 of Section 32, Township 36 North, Range 30 East, Apache County. This well would be a direct offset to their 3-X well located in the NE/4 SE/4 of said Section.

You will recall that the Commission held a hearing whereby spacing in the Dineh bi Keyah field was established on 160 acres with well sites to be either in the SE/4 or NW/4 of the 160 acres. Kerr-McGee is now requesting an exception to this space rule and also an exception to Rule 105.A which requires a diagonal offset.

Mr. Fisher explained Kerr-McGee is seeking information in this well to determine that a well on 160 acre spacing is actually draining this much acreage. This could be a prelude to reverting to 80 acre spacing. The drilling pattern as now established in this field on 160 acre spacing would allow Rule 105.A to be adhered to, i.e., diagonal offsets. If this request should be allowed, this would constitute exception to diagonal offsetting in the field.

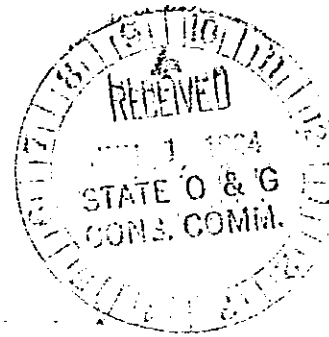


DEPARTMENT OF LAW  
OFFICE OF THE  
**Attorney General**  
STATE CAPITOL  
Phoenix 7, Arizona

ROBERT W. PICKRELL  
THE ATTORNEY GENERAL  
WILLIAM E. ZUBANK  
CHIEF ASSISTANT ATTORNEY GENERAL

May 28, 1964

Mr. John Bannister  
Executive Secretary  
Oil and Gas Commission  
1624 West Adams  
Phoenix, Arizona 85007



Dear Mr. Bannister:

Recently you forwarded to this office a number of communications containing requests for opinions concerning various areas of the law relative to the exploration, production and purchase of oil and gas in the State of Arizona.

I will answer these inquiries in the chronological order in which they were directed to this office.

Under date of April 17, 1964, you made the following inquiry:

Question: Is the rule of capture of production of oil, gas and/or helium the prevalent rule within the State of Arizona? If not, what is the basic concept of oil and gas production?

Answer: NO. There is no reference to any concept within the statutes governing oil and gas production in the gas law of this state that would imply the rule of capture is the guiding legal philosophy in the state. The basic concept governing the production of oil and gas in Arizona is found in the declaration of policy as contained in A.R.S. §27-502.A, which states:

- "A. It is the public policy of the state to:
1. Conserve the natural resources of oil and gas and products thereof.
  2. Prevent waste of oil and gas resources.
  3. Provide for protection and adjustment of correlative rights of owners of land wherein the natural resources lie and of owners and producers

Mr. John Bannister  
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of oil and gas resources and products thereof, and of others interested therein.

4. Encourage development of natural resources of oil and gas and their products.
5. Encourage continuous and economic supply thereof and demand therefor.
6. Safeguard the health, property and public welfare of citizens of the state and other interested persons.
7. Promote all purposes indicated by the provisions of this article."

It follows from a reading of the above statute that any arrangement consistent with numbers 1 through 7 above would be acceptable as a basic concept, or to state the same proposition positively, a basic concept which furthers this declaration of policy would be consistent with legislative intent.

Under date of April 16, 1964, you made the following inquiry:

Question: Does the Oil and Gas Conservation Commission under any of our statutes, and particularly under A.R.S. §27, Ch. 4, Article 1.1, "Fieldwise Unitization," have the right to establish a field price which will govern the price paid for production within a specified area by a common purchaser thereof, or to receive and consider evidence concerning same?

Answer: NO, I find nothing in the statutes governing the production of oil and gas which could reasonably be construed as authority to regulate the price the purchaser of oil and gas must pay. Apart from the absence of state authority to establish the price, I might add, such a concept would be directly contrary to the present economic philosophy of this state, i.e., free enterprise, and the classic economic concept of supply and demand.

Under date of April 16, 1964, you made the following inquiry:

Question: Is it required under our existing statutes that any unitization agreement, con-

Mr. John Bannister

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cerning federal, state, fee, or Indian land or in any combination thereof, being entered into within the physical boundaries of the State of Arizona be approved by the Oil and Gas Conservation Commission prior to the initiation of unit operations.

Answer: This question involves a multiplicity of legal question. Suffice it to say for the purpose of this communication, that state statutes are not enforceable on federal lands except by provision in a federal statute which would have the effect of assimilating the state law. Application of state statutes to Indian lands would only be possible by permission in the form of a treaty executed by the governing body of the Indian tribe in question and the proper state executive. Generally speaking, it is more judicious to take the position that the State of Arizona has no jurisdiction over federal and Indian lands. It might be possible to arrive at a working agreement within this area through these agencies. The natural resources contained within this land (federal - Indian) are not the subject of a property interest of the State of Arizona notwithstanding a royalty interest on or production payable to the State of Arizona. As to non-federal and non-Indian lands mentioned in your question, the formation of a unit can only take place with the approval of the Oil and Gas Commission (A.R.S. §27-531 et seq.). A.R.S. §27-532 provides for the approval by the Oil and Gas Commission of a plan of unitization or unit agreement.

Under date of April 20, 1964, your inquiries designated 1.A and 1.B were previously answered in my memorandum dated April 21, 1964. The remaining requests of that date are hereinafter answered.

Question 1.C: After a request for a hearing is received, within what period of time must the Commissioners set a date for the hearing ?

Answer: Within a reasonable time after the expiration of ten days from the date of notice of the hearing.

Question 1.D: After complying with the requirements for publication under 1.A and 1.B above, within what period of time must the hearing be held ?

Answer: Any time following the expiration of ten days from the date of notice of the hearing was given, to set in the sound discretion of the Commission.

Mr. John Bannister  
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Question 2.A: Under the provisions of A.R.S. Title 27, Article 1.1 "Fieldwide Unitization," or other pertinent statutes, may the Oil and Gas Commission, in order to protect the reservoir pressure of an established unit and field, to prevent drainage of surrounding leases be shut in until the unit is operative as such if such well is legally producing from a valid and existing oil and gas lease ?

Answer: Generally, NO. However, a more definite answer would require additional data. It is my opinion that the Commission could stop production from the well which is adjacent to the unitized field because it presumably would be having the effect of draining the non-producing well or it might only be draining its own productive areas. However, if the edge well was in a dry field, i.e., with no water drive, a low edge well could possibly drain off most of the gas in the affected unitized reservoir. It is apparent that a precise answer to this question would require additional geological facts.

Question 3: What is the meaning of "correlative rights?"

Answer: In lay terms correlative rights may be thought of as the interest in or rights of an individual in relation to other individuals who likewise have interest in a particular productive area. In Bristol v. Cheatham, 75 Ariz. 227, 255 P.2d 173, where ground water was the subject of litigation, the Arizona Court defined correlative rights as the right of interested owners to their proportionate share thereof. The California case of Alphonzo E. Bell v. Bell View Oil Syndicate, 76 P.2d 167, 24 Cal. App. 2d 587 indicated the correlative rights to oil and gas is in no sense a stationary right in which each surface owner enjoys a fixed amount of the minerals in question but his proportionate share continues to vary with the change in the reservoir.

Question 4: Under the provisions of A.R.S. §27-501.01, A.R.S. §27-508.01 and Title 27, Article 1.1 "Fieldwide Unitization," and any other pertinent statutes, may the Oil and Gas Commission order a common purchaser from two established and separate fields or pools to:

- (1) Take ratably from one field compared to the other field?

Answer: NO.



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- (2) Establish what could be ratably taken from the fields based upon the reserves of each field.

Answer: NO.

- (3) Within a field assign reserves, based upon 100% of original reserves to each leases, and if one lessee had produced his lease prior to unitization, deduct the amount so produced from his assigned reserve ?

Answer: NO, the jurisdiction of the Oil and Gas Commission to exercise supervisory control does not attach until the unit has actually been established by an order of the Commission. Production of a lease prior to the Commission's jurisdiction (unitization) is activity engaged in, over which the Commission had no jurisdiction at the time the oil and gas was being extracted, the reservoir of a given field is established at the time of unitization.

My apologies for the delay in getting these answers to you.

Sincerely yours,

ROBERT W. PICKRELL  
The Attorney General

*Edward I. Kennedy*  
EDWARD I. KENNEDY  
Assistant Attorney General

cc: Oil and Gas Commissioners

