

OIL & GAS CONSERVATION COMMISSION  
Meeting: July 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  
July 16, 1969  
Room 204, Arizona State Office Bldg.

10:00 a.m. Call to order

- ✓ 1. Approval of minutes of meeting of May 21, 1969.
- ✓ 2. Executive Secretary report
3. Geologist report
4. Old business - *Revered \$3,800 ± or 4.5%*
5. New business
6. Adjourn

✓ *Mtg. on 7-17 w/ Econ. Dev. Board*  
✓ *Personal Services Fund - Comm. Secretary*  
✓ *Audit*  
✓ *Personnel*

*Draw up instruction  
for comm. personnel*

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



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

July 8, 1969

Memo: Commissioners  
From: John Bannister  
  
Re: Report of Activity

I am enclosing a statement prepared pursuant to the request of the Department of Economic Planning and Development. This statement reflects many discussions that the Commission has had concerning the problem of exploration. I would like to stress that, as pointed out in the statement, this is not the official position of the Commission nor will it be all points that might be discussed at our meeting with the Development Board on July 17th. Needless to say, all Commissioners are urged to attend the meeting with the Development Board at 1:30 p.m. July 17. The Development Board is located at 3003 North Central Avenue in the Mayer Central Building on the 17th floor.

It is my feeling that the interest expressed by the Development Board in the problem of encouraging the development of oil and gas within the State is most commendable and, I hope, will be most fruitful. We can discuss at length these and other problems at our meeting on the 16th.

Since our last meeting on May 21 the Commission has been audited by the Auditor General's Office. Mr. Harold Herl made the audit, which covered the last four years. To date he has expressed satisfaction with the financial affairs of this Commission and everything seems to be in complete order. He has, however, commented that the Commission seems to use too much gasoline. We will reserve any comment until we see what criticism may develop on this point. As you know, the cars are specifically assigned to Mr. Scurlock and myself on a twenty-four hour basis, inasmuch as we are subject to call at any time. Both cars, of course, are used for transportation to and from the office.

I attended the I.O.C.C. meeting in Casper, Wyoming on June 16th. This organization has expressed some concern over objections to it from the Federal Legislature, however the Governors of the producing states have all urged their congressional representatives to support the extension of the Compact. It is anticipated that there will not actually be undue delay in securing this extension. The opinion of the I.O.C.C. staff as well as some of the Federal officials in attendance seemed to be that this is a continuation of the large anti-oil push currently going on in Washington. The subject of depletion allowances which threaten the oil industry was discussed, however the I.O.C.C. properly did not take a stand upon this issue. The next meeting of this body will be in Salt Lake City the early part of December, with an executive meeting to be held in Anchorage in September.

Currently, there are sixteen wells drilling in the State, of which all but six are actively being pursued. The six wells not actually drilling are on temporary abandoned status awaiting testing. Four of these are helium wells in the Pinta Dome-Navajo Springs area; two are Hopkins wells in Sedona.

I might report I learned today that at long last the Forest Service will issue the Hopkins permits. They indicated one permit in Section 34, Township 18 North, Range 5 East will clear today and that the remaining permits will be cleared within two weeks. The Bureau of Land Management in Phoenix, as well as this Commission, have been actively seeking cooperation of the Forest Service in this area. These permits have been hanging fire since February of this year.

It looks as though 1969 will be a banner year for drilling in this State. We still have persistent rumors that wells are to be drilled in Cochise County, however as yet no applications have been forthcoming. The location in Mohave County, being in the NE/4 NE/4 of Section 29, Township 38 North, Range 7 West, some 22 miles south of Colorado City, should be spudded shortly.

The Commission has updated and re-issued its location map, a copy of which is enclosed for your records. We are also updating our geologic map in the northeast section of the State and this should be re-printed within the next two weeks. Both of these maps have accomplished a great deal for this Commission and it is hoped our efforts in this direction may be increased as time and money permit.

On June 20, 1969, I issued a permit to Odessa Natural Gasoline

Company for its No. 1 Navajo 8898. This well is located in the SW/4 NW/4 of Section 10, Township 35 North, Range 30 East. Through my error I neglected to note this location was not in compliance with our Commission Order No. 21. This order, which was dated May 10, 1967, sets forth that a well drilled in Section 10, Township 35 North, Range 30 East, shall be either a NW or SE 1/4 1/4 location and have 160 acres dedicated to it. When I discovered my error, I wrote to the company and pointed out that, through my error, the location of this well was unorthodox according to Order 21. A corrected dedication, i.e. NW change, has been made. It is to be noted that the well is in an extremely mountainous area and, had our Order 21 been fully complied with, an unorthodox location would have been granted due to topographical reasons. However, this is not an excuse. I flat goofed. Should this well result in a dry hole, no harm will have been done, however should production occur, the Commission will have to call a hearing and authorize this unorthodox location. The only harm which would result would be one well off-spacing within a correct spacing unit. I do not anticipate any big problem resulting from my error.

The leasing of State and Federal lands within Arizona has settled down and we must now wait to see what drilling may result from the recent lease plays.

The Commission has closed its books for the fiscal year 1968-69. All claims are in with a few exceptions. These exceptions are normal year-end holdovers and will be handled as part of our normal routine.

I am pleased to report that the staff has received approximately a 5% pay raise pursuant to our new budget. These raises will be in effect as of July 1st.

New Permits:

Odessa #1 Navajo 8898, SW/4 NW/4 10-35N-30E, Apache County

Harris #1 Federal 3758A, NW/4 NE/4 29-38N-7W, Mohave County

Montanto #1 Navajo 717 (Carrizo), SE/4 SE/4 1-39N-29E, Apache County

Thoureen #1 Santa Fe, NE/4 SW/4 27-21N-26E, Apache County

Thoureen #1 Navajo 1767, NE/4 SW/4 25-21N-25E, Apache County

New Permits, Contd:

Kerr-McGee #11 Navajo 8832, NW/4 SE/4 32-36N-30E, Apache  
County

Gulf #1 Navajo 2290, NE/4 NE/4 34-37N-30E, Apache County

Globe Minerals #1 Navajo 10022, SE/4 SE/4 5-41N-28E, Apache  
County



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July 8, 1969

GEOLOGIST'S REPORT

FROM: JAMES SCURLOCK  
TO : COMMISSIONERS

APACHE COUNTY

Consolidated Oil & Gas #1 Navajo  
T41N, R28E, G & SRM  
Sec. 2: SW/4 SW/4 East Boundary Butte Field  
Permit #481  
Have moved in completion rig. Pulled rods, pump, and tubing. Preparing to test lower zone in the Pennsylvanian.

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.

Globe Minerals (AAA) #E3  
T41N, R28E, G & SRM  
Sec. 9: NE/4 NE/4  
Permit #483  
Completed as an oil well. Pumping 576 barrels of oil per day plus 24 barrels of water. Gravity 38.8°. Productive horizon Pennsylvanian Desert Creek and Akah formations. Completed 6-10-69 as a development well in the East Boundary Butte Field.  
Seven-inch casing set at total depth of 5173'. Perforations from 4756-60', 4810-13', 4895-98', and 5044-5046'.  
Formation tops:  

Chinle	782'
Shinarump	1989'
De Chelly	2045'
Cutler	2380'

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Geologist's Report  
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APACHE COUNTY (Cont.)

Globe Minerals (AAA) #E3 (Cont.)  
Formation tops: (Cont.)

Upper Hermosa	3955'
Ismay	4532'
Desert Creek	4696'
Akah	4894'
Total Depth	5173'

Globe Minerals #1 Navajo 10022  
T41N, R28E, G & SRM  
Sec. 5: SE/4 SE/4  
Permit #508

A waiting location. Proposed depth 5700'. This will be a Mississippian test, a step-out in the East Boundary Butte Field. Contractor will be Mesa Drillers from Farmington.

Depco #1 Navajo 1546  
T38N, R30E, G & SRM  
Sec. 2: NW/4 NW/4  
Permit #497

Total depth of 5112'. No Drill Stem Tests or cores taken. Well bottomed in igneous sill which had penetrated the Devonian formation.

Formation tops:	
DeChelly	1336'
Hermosa	3098'
Molas	4404'
Igneous Sill	4425'
Molas	4448'
Mississippian	4506'
Devonian	4712'
Elbert	4730'
Igneous Sill	4784'
Total Depth	5112'

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

Completed on pump for 12 barrels of oil per day plus 1 barrel of water. Gravity of oil 39°. Gas-Oil Ratio 167. Productive interval 3452-3501'. This well is structurally high but small production is explained by



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APACHE COUNTY (Cont.)

Kerr-McGee #C-1 Navajo (Cont.)

the fact that the intrusive sill here is tight. Total depth is 3590'.

Formation tops:

Chinle	270
Coconino	1152'
Cutler	1858'
Hermosa	2974'
Intrusive	3452'
Hermosa	3501'

Kerr-McGee #11 Navajo 8832

T36N, R30E, G & SRM

Sec. 32: NW/4 SE/4

Permit #506

Still a location. Proposed depth 3030' in the lower Hermosa. This will be a development well in the Dineh bi Keyah Field. Ground elevation 7402'.

Monsanto #1 Navajo 717

T39N, R29E, G & SRM

Sec. 1: SE/4 SE/4

Permit #503

Still a waiting location. Well will be located 12 miles south of Teec Nos Pos. Proposed depth estimated from 6100 to 7600' depending on the amount of intrusive igneous material encountered.

This well is located at a very high elevation in the Carrizo Mountains which in themselves represent a large igneous intrusive body of tertiary age. Ground elevation is 8895'.

Contractor is Cactus Drilling Company. They are currently building roads. Road cost is reported at approximately \$30,000.

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APACHE COUNTY (Cont.)

Gulf #1 Navajo 2290  
T37N, R30E, G & SRM  
Sec. 34: NE/4 NE/4  
Permit #507

"TIGHT HOLE"

Still a location. Well site is located 6 miles northeast of Dineh bi Keyah Field. Contractor will be Circle A Drilling Company. Proposed depth is 4400'. Ground elevation is 6047'.

Thoureen #1 Santa Fe  
T21N, R26E, G & SRM  
Sec. 27: NE/4 SW/4  
Permit #504

Spud date 6-20-69. Set 7" casing at 31' with 5 sacks. Currently drilling at 850'. This is an 1100' Coconino test. Contractor is Eastern Petroleum. Ground elevation is 5869'.

Gulf #1 Navajo 1481  
T4N, R7W, NSM  
Sec. 11: SW/4 SW/4  
Permit #499

"TIGHT HOLE"

Located 26 miles northwest of Ft. Defiance. Spud 6-3-69. Plugged and abandoned 6-16-69. Total depth is 2375'. Ground elevation 7434'.

Formation tops:

Organ Rock	900'
Hermosa	1630'
Mississippian	1865'
Devonian	1890'

Odessa #1 Navajo 8898  
T35N, R30E, G & SRM  
Sec. 10: SW/4 NW/4  
Permit #501

Spud date 6-27-69. Contractor is Loffland Brothers from Farmington. Proposed depth is 4900'. Ground elevation 9260'. This will be a basement test. Odessa probably is looking for both oil and helium in this step-out well which is located 2 miles southeast of the Dineh bi Keyah Field.

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APACHE COUNTY (Cont.)

Gulf #1 Navajo 1797  
T4N, R7W, NSM  
Sec. 36: SW/4 SW/4  
Permit #500

"TIGHT HOLE"

Located 22 miles northwest of Ft. Defiance. Contractor is Circle A Drilling Company. Spud date 6-17-69. Plugged and abandoned 6-27-69. Total depth 2032'. Ground elevation 7558'.

Formation tops:

Organ Rock	876'
Ismay	1536'
No Mississippian present	
Devonian Elbert	1720'
Total depth	2032'

YAVAPAI COUNTY

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

"TIGHT HOLE"

Well pumping approximately 50 barrels of water per day.

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

Moved cable tool rig back on hole. Total depth 1242'. Encountered bridge with cable tools at 775'. Attempted to cement 7" casing with Halliburton. Cement job unsuccessful. Have now removed rig from location. Planning to move back in with the rotary rig and use high-pressure jet stream of clear water in attempting to push the mud back into the formation.

MOHAVE COUNTY

Harris #1 Federal 2758A  
T38N, R7W, G & SRM  
Sec. 29: NW/4 NE/4  
Permit #502

Proposed depth 3000'. Well located 21 miles north of

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MOHAVE COUNTY (Cont.)

Harris #1 Federal 3758A (Cont.)

Tuweep. Will be drilled with cable tools. Contractors are Ed Burdge and Glade Stubbs of Virgin, Utah. Ground elevation 5200'. Still a waiting location.

SCUTTLEBUTT:

Sporadic leasing continues in Cochise County. Aztec Oil and Gas Company, Dallas, Texas, has recently taken 20,000 acres of Federal leases in the San Simon Valley. This acreage lies in Townships 10, 11, 12, and 13 South; Ranges 28, 29, 30, and 31 East. Approximately 6,000 acres is located in Graham County and 13,000 acres in Cochise County.

Cockrell is reported to have spudded his Hidalgo County, New Mexico, well on June 28. This is a Permian test. Proposed depth is 8000'. This well is located approximately 25 miles southeast of Lordsburg and 35 miles east of the Arizona line. This is the first of a three-well program. Currently drilling at about 400'.

Gene Carpenter, Consulting Geologist, Phoenix, is putting together a Devonian wildcat in Gila County which will be located approximately 2 miles north of Roosevelt lake in Section 5, Township 4 North, Range 13 East. This will be the first wildcat well in Gila County. Proposed depth is 3000'.

Statement - Oil & Gas Conservation Commission

7-9-69

*For original - see  
Dept. Econ. Planning  
& Develop. File*

Gentlemen:

There is no organization closer to the oil and gas industry of Arizona than is the Oil and Gas Conservation Commission. This Commission not only enforces its rules and regulations but works closely with the various segments of the industry in all phases of its operations. We find in many cases that we become the industry's troubleshooter inasmuch as there is not, at this time, any other organization to which they can turn for help with their various problems. The Commission recognizes that there is no magic formula by which we can say to the industry "drill more wells within our State - find more oil to help solve our economic problems and to further this industry".

Since February of 1967 with the discovery of the Dineh-bi-Keyah field in Apache County, the interest of the industry within our State has definitely been on the upswing. Currently we are enjoying more exploration than we have had since that discovery year. The leasing of land for oil and gas purposes within the State is likewise on the upturn. I am sure you are aware of the recent leasing activity in Graham, Greenlee and Cochise Counties wherein some 650,000 acres of State and Federal land have been placed under oil and gas leases within a two month period. In many conversations with both independent and integrated oil companies I am pleased at their continued optimism as to the oil and gas future

of our State. It is but a question of time before sizeable exploration does occur in Arizona.

Currently, oil companies have been operating on limited exploration budgets and they have chosen to expend most of these budgets in states where larger and widespread production tends to lend more encouragement to wildcatting. However, the international situation and the Federal Government's discouragement of foreign expenditures for exploration purposes all tend to act in favor of our State.

I would like to discuss with you what the Oil and Gas Commission considers some of the most pressing problems and deterrents as to industry development:

1. Geology. The State of Arizona has done but little oil and gas geological work. The nearest approach we have to a State geology survey is the Bureau of Mines in Tucson. As you may know, this bureau is under the direction of Dean Forrester, who also heads the College of Mines. As the name implies, the majority of its efforts have been directed toward the mining interests, particularly that of copper. This is not in the way of criticism inasmuch as the mining industry contributes so much to our State, however it is the Commission's feeling that a portion of the effort of this organization should be directed toward purely oil and gas purposes. It should develop new oil and gas geology and secure the dissemination

of this to all interested parties. In truth, it is the Commission's feeling that the Bureau of Mines should be expanded into a State Geological Survey with all geological land uses being explored and information published and disseminated.

As you know, this Commission maintains permanent files of all wells drilled for oil and gas within the State. Due to our budget limitations and shortage of manpower, the Commission is not able to fully utilize all the information in its possession. As an example, samples of each well are collected and stored by this Commission however, due to limited budget and lack of personnel, these samples are collected and stored at the Museum of Northern Arizona in Flagstaff (as to all wells north of the Mogollon Rim) and all wells, regardless of location, at the Bureau of Mines in Tucson. The repositories are used inasmuch as the Commission does not have sufficient storage space nor does it have personnel to catalog and handle these samples. Ideally, the Commission's records, as well as all geology samples, should be housed at one location so that a visiting geologist seeking information has only to come to the Commission and need not go from Phoenix to Flagstaff or Tucson to look at samples to get the complete geological picture.

I might add that the Commission does contribute \$2,500 per year to each of the above-named institutions for services rendered, however due to limited facilities of these depositories, complete use and running of samples is not done.

In March of 1969, through the efforts of the Commission, a contract was let from the Four Corners Regional Commission to the Bureau of Mines to do a geological study of the State concerning itself with oil and gas and with coal and uranium. Upon completion of the study, Arizona will be somewhat in the position that such surrounding states as Utah, Colorado and New Mexico were some 30 to 40 years ago, that is, initial geological work for oil and gas purposes has been initiated. This Commission hopes that further contracts can be secured for the continuation of these studies. The initial study will be extremely broad in scope, cataloging, among other things, such works as are now in existence and containing some originally developed geological information. This work, when completed, will be available through the Four Corners Regional Commission, the Bureau of Mines, and the Oil and Gas Commission.

The Commission feels that this is a step in the right direction but only a beginning step at this point.

Perhaps the greatest encouragement that can be given the oil and gas industry is in the development of new geological reports wherein the potential areas of Arizona are delineated and information which will encourage exploration thinking on the part of the companies is developed. We cannot stress the need in this field too greatly. This Commission does have a charge upon it to encourage development of this industry. We have taken such steps as



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the development and publishing of maps on a limited scope. Unfortunately, due to budgetary and manpower limitations, the Commission cannot pursue an active role at this time in this endeavor.

2. Taxation. Another step which the Commission feels would be of the utmost encouragement to the oil and gas industry is the subject of taxation of production. There has been some study made by the Legislature, however this has been inconclusive in nature. Much of the information given to the Legislature was, in my opinion, prejudicial and protecting the interest of individuals rather than being completely factual. As the situation now exists, the oil industry is faced with a great spread of ad valorem taxes upon production. Generally speaking, in Arizona our production ad valorem taxes run approximately 6 to 7% and, as you know, there are some taxing districts within the State wherein the ad valorem tax might run as high as 15%. This unknown factor is feared by producing companies, particularly inasmuch as when planning their budgets they are unable to predict the affect of the taxing structures in Arizona on their income.

It is the suggestion of this Commission that there be considered for the oil and gas industry and perhaps to other extractive industries a 5% severance tax in lieu of all other forms of ad valorem taxes upon production. This money should be collected monthly by the State and disbursements made down to the counties on

the development and publishing of maps on a limited scope. Unfortunately, due to budgetary and manpower limitations, the Commission cannot pursue an active role at this time in this endeavor.

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6.

a monthly basis. A simple collection system could be evolved similar to that in the State of Texas. In Texas, a staff of some seven people collect upwards to half a billion dollars per year by billing the purchaser monthly. To apply this to Arizona - it would be a simple matter for this Commission to make a tax billing each month to the operator of the oil and/or gas well, based upon the amount of production for the preceding month. This, of course, would necessitate legislation to accomplish not only collection but the levying of the tax. It is the feeling of this Commission that the 5% tax should be based upon 100% of the value of the oil or gas at the wellhead.

It is estimated that income from this would be somewhere between \$50,000 and \$60,000 per month with no great expenditure of revenue involved in collecting same. The State then could easily arrange for a payment directly to the County involved. By setting the taxing figure of 5% above suggested, this would put Arizona in a favorable competitive position with New Mexico, Colorado, Utah and our other surrounding states.

3. Workmens Compensation. Of interest to the drillers actually performing drilling operations in this State is the high rate of workmens compensation now enforced by the State. We investigated this situation in depth some two years ago and found that an artificially high rate had been established for the oil and gas

industry. This was based upon an unknown experience factor, that is, there had been no loss experience with the exception of one case within the State at that time. Similar operations such as water well drilling and mine core drilling enjoyed a much more favorable rate.

It is suggested that careful attention be given to the establishment of a fair workmens compensation rate for the oil and gas industry within this State. A considerable payroll saving to the oil well driller would be most encouraging to that necessary segment of the oil industry.

4. Registration and Licensing. Again, concerning oil well drillers, this Commission sponsored legislation to exempt the oil well driller from the necessity of complying with the Contractor's registration and licensing provisions. As you may be aware, the Registrar of Contractors is primarily concerned with the building trades industry. The oil well driller falls under his jurisdiction only by inference. The Attorney General specifically ruled that these provisions are not enforceable against a driller on either Federal or Indian lands, which automatically exempt him on some 75% of the land within the State of Arizona. Consequently, he is faced with a problem of perhaps moving his rig half a mile to a new location and coming under the jurisdiction of the Registrar of Contractors, whereas by not moving he would evade such jurisdiction. To my

knowledge, in such states as Texas, New Mexico, Utah, etc., the oil well driller is specifically exempt from the Contractor's licensing provisions. As you may know, the majority of the legitimate oil well drillers performing in this State come from the Farmington, New Mexico area. Many are quite leery in coming into the State on locations other than Indian Reservations, due to the Contractor's provisions. I am enclosing a copy of House Bill 61 which this Commission sought in our January, 1969 session of the Legislature. This bill failed.

5. Commission. This Commission has sought legislation to increase the efficiency of operation, specifically in requiring a specific date wherein certain reports necessary to this Commission's operation should be filed. Also included in this attempted legislation were sought provisions to help reduce the cost of this Commission and a provision concerning the time within which an action of this Commission could be legally attacked. This latter provision was sought at the insistence of the Attorney General. House Bill 66 was introduced in January, 1969, and failed. However, it failed not on the merits but due to other considerations. A copy of this bill is likewise attached.

It is the desire of this Commission that when appearing before you on July 17th its comments not be considered the "official" position of the Commission. We would like to view this as an

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opportunity to exchange ideas and views and to express at some  
future time the "official" position of this Commission as to its  
feeling as to the encouragement of the industry within the State.

Sincerely,

Oil & Gas Conservation Commission

By John Bannister  
John Bannister  
Executive Secretary

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
			(Partial) June 1969
43,438.76	110	1 Salaries, wages: employees	1
1,375.00	150	2 Per diem: board members	2
		3	3
583.58	211	4 Postage	4
1,626.21	212	5 Telephone, telegraph	5
1,915.55	221	6 Travel -State meals and lodging	6
827.23	222	7 mileage reimbursed private car	7
117.48	223	8 fares for planes, trains, etc.	8
1,835.47	224	9 State-owned auto expense	9
29.25	225	10 telephone, taxi, etc.	10
65.00	226	11 registration fees at meetings	11
		12	12
		13	13
513.11	231	14 Travel-out of State meals and lodging	14
1,387.50	233	15 fares for plane, train	15
75.00	234	16 State-owned auto expense	16
162.81	235	17 telephone, taxi, etc.	17
68.50	236	18 registration - meetings	18
		19	19
1,184.34	240	20 Professional services	20
		21	21
87.26	262	22 Mntns/repairs to office equip., furniture	22
440.91	294	23 Legal advt., notary, court, recording fees	23
103.45	295	24 Transportation of things (well samples)	24
5,096.40	299	25 Miscellaneous (blueprint service, Ariz Bu Mines, Museum N. Arizona)	25
		26	26
		27	27
		28	28
1,329.64	310	29 Office supplies	29
660.80	360	30 Scientific supplies	30
3.06	370	31 Mntns supplies (duplicate keys)	31
197.16	390	32 Other supplies (film)	32
3.10	322	33 Janitor supplies	33
		34	34
-	411	35 Rent, office equip: copy machine	35
		36	36
14.50	421	37 Bond (notary public)	37
109.84	430	38 Subscription/organization dues	38
		39	39
		40	40
517.92	611	41 Office equipment/furniture	41
		42	42
		43	43
		44	44
		45	45
	995	46 To create revolv fund	46
		47	47
		48	48
		49	49
		50	50
		51	51
		52	52
		53	53
		54	54
		55	55
63,701.33		TOTAL	6,516.35

# MONTHLY FINANCIAL REPORT

1	2	4	5
RECEIPTS MONTH OF	RECEIPTS CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS
June 1969			
175 00	1 Permits to drill		175 00
	2		
	3		
	4		
	5		
	6		
	7		
	8		
	9		
	10		
	11		
	12		
	13		
	14		
	15		
	16		
	17		
175 00	TOTAL CURRENT MONTH RECEIPTS		175 00
	TRANSFERS <del>IN</del> Out		(1,862 50)
XXXXXX	BALANCES BROUGHT FORWARD		5,457 25
	TOTALS - MONTH AND YEAR TO DATE		3,770 25
			1,075 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
Partial June 1969					
	1 Personal Services:				
1,862 50	2 General Fund	36,350 00	36,063 76	-	286 24
1,862 50	3 Conservation Fund	9,000 00	8,750 00	-	250 00
596 71	4 Current Expenditures	6,015 00	5,131 57	207 33	676 10
756 05	5 Travel - State	5,545 00	4,789 98	178 83	576 19
498 68	6 Travel - Out of State	3,248 00	2,139 42	-	1,108 58
1 19	7 Current Fixed Charges	525 00	124 34	280 00	120 66
313 72	8 Professional Services	2,000 00	1,184 34	175 00	640 66
-	9 Capital Outlay	582 00	517 92	-	64 08
625 00	10 Museum N. Arizona	2,500 00	2,500 00	-	-
-	11 Arizona Bureau Mines	2,500 00	2,500 00	-	-
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6,516 35	TOTALS	68,265 00	63,701 33	841 16	3,722 51

FORM 12-A POST AUDITOR

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





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

June 12, 1969

Memo: Commissioners  
From: John Bannister  
  
Re: Report of Activity

There will be no Commission meeting during the month of June. I have discussed our financial situation with Chairman Ralph Bilby. Briefly, the Commission's In-State Travel Funds are not sufficient to pay the Commissioners' expenses to attend this meeting. As you are aware, this is an annual problem with this Commission. It is my personal feeling that it is unfair to call upon our Commissioners without sufficient financial ability to reimburse them at least for their expenses. I know of no way at present to correct this yearly budget problem. You will recall I have discussed this with you on several occasions and it is the general feeling that when such situation arises the most essential use of our State Travel Funds is to allow Mr. Scurlock and myself to fulfill our functions of field inspections.

I feel that the Commission's meeting of May 21, 1969 in Douglas was quite successful in all phases except attendance by the local residents. It is my feeling that the program the Commission put on was most commendable and, in spite of the poor attendance, we have received much favorable publicity.

I am enclosing a letter setting forth a testing program worked out by the Commission, Kerr-McGee Corporation and Humble Oil Company as to the testing procedure for the Kerr-McGee No. 11 Navajo Well in accordance with our Order No. 21A in Case 36. As you will recall, this was the case discussed at our meeting in Douglas. Mr. Ewell Walsh was in attendance at this meeting on behalf of the Commission and both Mr. Walsh and I are well satisfied with the testing procedure.

I would, however, point out that the termination time as set forth in Section 7 of the procedure is somewhat less than ideal. It would be preferable to have established a longer time for continuous bottom hole pressure readings in the No. 11 Navajo Well,

however, in consideration of the great and continued cost of this testing schedule and in consideration of the fact that there is no feasible way to anticipate a termination time which would guarantee the last bit of desired information, the 192 hour maximum time consequently represents a compromise. However, both Mr. Walsh and I feel that this will allow a sufficient time to be able to plot the necessary pressure information. In general the testing procedure outlined is most satisfactory.

You will note our reference to Order 24 wherein an annual bottom hole pressure test was required for certain key wells within the field. Inasmuch as we contemplate the testing procedure on the No. 11 Navajo Well to be within the time period of less than a month of that time set forth in Order 24, we are allowing Kerr-McGee Corporation to conduct said tests on the Nos. 1 and 2 Wells at this time. This will reduce lost revenue to both the State and Kerr-McGee Corporation through excessive shutting in of production.

We have also provided the Kerr-McGee No. 9 and Humble No. 1, also key wells as set forth in Order No. 24, to be tested after the completion of the test on the No. 11 Well. It is felt that by delaying test on these two we will accumulate a greater amount of pressure information as to the Dineh-bi-Keyah reservoir. I am sure that this re-arranging of our annual bottom hole pressure test will meet with your approval. Should you have any questions concerning this, please advise.

As you have been advised, we have received few complaints concerning the drilling of the well by A. A. Hopkins, Jr., within the town limits of Sedona. Each of these complaints have been answered and the situation has completely quieted down. Mr. Hopkins is raising money for an additional four wells in the Sedona area and for two wells somewhere in the Flagstaff vicinity. Currently it is anticipated that O'Donnell and Ewing Drilling Company of Phoenix will drill these wells.

Mr. Hopkins operations have been unduly delayed in that the Coconino National Forest has not issued its permits for his activities on forest lands. You will recall Mr. O'Donnell reported this situation to you at our meeting in Douglas. This Commission has been working through the Bureau of Land Management and the Regional Forester's Office in Albuquerque in an attempt to correct this situation. Of some six pending permits (pending since February of this year) only one location has been cleared at this time. The cleared location, however, is not geologically favorable in view of the drilling that has occurred since the application for it was made.

The I.O.C.C. meeting for June will be held in Casper, commencing the 15th of June, and I will be in attendance.

As usual, I have been invited to lecture at A.S.U. on the subject of oil and gas conservation in Arizona at the annual Teachers Conservation Workshop. This will be given on July 7th.

New Permits:

Hopkins #1 Jordan Strat, SE/4 SE/4 6-17N-6E, Coconino County

Gulf #1 Navajo 1481, SW/4 SW/4 11-4N-7W, Apache County

Gulf #1 Navajo 1797, SW/4 SW/4 36-4N-7W, Apache County



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

ROOM 202

1624 WEST ADAMS

Phoenix, Arizona 85007

PHONE: 271-5161

June 10, 1969

**GEOLOGIST'S REPORT**

FROM: JAMES SCURLOCK  
TO : COMMISSIONERS

APACHE COUNTY

**Consolidated Oil & Gas #1 Navajo**

T41N, R28E, G & SRM

Sec. 2: SW/4 SW/4

East Boundary Butte Field

Permit #481

Still testing on pump. Currently pumping 3 barrels of oil plus 2 barrels of water per day.

**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

Development well in East Boundary Butte Field. This well has been completed for 25 barrels of oil per day. Gas production is too small to measure.

**Kerr-McGee #C-1 Navajo**

T36N, R30E, G & SRM

Sec. 33: NW/4 SW/4

Permit #484

Still testing on pump. Making load oil; no water.

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Geologist's Report  
6-10-69

APACHE COUNTY (CONT.)

Gulf #1 Navajo 1219  
T6N, R7W, NSM  
Sec. 32: NE/4 NE/4  
Permit #496

"TIGHT HOLE"

Spudded 5-14-69. Set 8-5/8" at 366 with 179 sacks of cement. Total depth 2778'. No cores; no DST's; no shows. Plugged and abandoned 5-29-69.

Formation tops:

De Chelly	477'	
Organ Rock	1385'	
Hermosa	2025'	
Mississippian	2283'	
Elbert	2430'	
McCracken	2614'	
Aneth	2680'	
PreCambrian	2740'	
Granite	2778'	TD

Depco #1 Navajo 1546  
T38N, R30E, G & SRM  
Sec. 2: NW/4 NW/4  
Permit #497

Wildcat located 15 miles north of Dineh bi Keyah Field at the foot of the Carrizo Mountains. Drilling at 3735'. No cores; no drill stem tests. Top of the Hermosa formation 2720'. Proposed depth 5000'. They are looking primarily for igneous sill production.

AAA Fishing Tool #E3 Navajo  
T41N, R28E, G & SRM  
Sec. 9: NE/4 NE/4  
Permit #483

East Boundary Butte development well. Spudded 5-17-69. Set 10-3/4" at 332' with 225 sacks. Total depth 5173'. Set 7" O.D. casing at 5173' with 250 sacks. Drill Stem Test #1: 4730'-4776' recovered 100' of fresh oil, 715' heavily oil-cut mud. Drill Stem Test #2: 4800'-4923' recovered 90' gas-cut mud, 1165' heavily oil-cut mud, 270' mud-cut oil.

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Geologist's Report  
6-10-69

APACHE COUNTY (CONT.)

AAA Fishing Tool #E3 Navajo (Cont.)  
Drill Stem Test #3: 5120'-5173' recovered 180' slightly  
oil-cut mud and water, 1920' black salty sulphur water.  
Currently moving in completion rig.

Gulf #1 Navajo 1481  
T4N, R7W, NSM  
Sec. 11: SW/4 SW/4  
Permit #499

"TIGHT HOLE"

Located 14 miles north of Saw Mill, Arizona. Contractor  
is Circle A Drilling Company. Spudded 6-4-69. Set 8-5/8"  
at 277' with 225 sacks. Proposed depth 2500'. Currently  
drilling at 300'.

Gulf #1 Navajo 1797  
T4N, R7W, NSM  
Sec. 36: SW/4 SW/4  
Permit #500

Located 8 miles north of Saw Mill, Arizona. Location is  
being prepared. Proposed depth is 2500'. Contractor  
will be Circle A Drilling Company.

YAVAPAI COUNTY

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

"TIGHT HOLE"

Well continues to pump approximately 50 barrels of water  
per day.

Hopkins #34-2 Federal  
T18N, R5E, G & SRM  
Sec. 34: NE/4 NW/4  
Permit #495

"TIGHT HOLE"

All water encountered was fresh; no oil shows. Plugged and  
abandoned 5-13-69.

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Geologist's Report  
6-10-69

YAVAPAI COUNTY (CONT.)

Hopkins #34-2 Federal (Cont.)

Formation tops:

Mississippian	504'
Devonian Martin	662'
Cambrian Tapeats	1167'
Granite Wash	1192'
Granite	1215'
Total depth	1217'

COCONINO COUNTY

Hopkins #1 Jordan Strat  
T17N, R6E, G & SRM  
Sec. 6: SE/4 SE/4  
Permit #498

"TIGHT HOLE"

Contractor is O'Donnell & Ewing. Total depth 1254 in Granite.

Core #1: 854-74' recovered 8" of dolomite; no show.

Core #2: 1060-80' recovered 20' of dolomite; no show.

Well has been turned over to land owner for water well.

Rig is still on location. Well is capped.

Formation tops:

Devonian Martin	854'
Granite	1220'

There were some complaints from the townspeople; however, when they learned that they would have to post a bond in order to obtain an injunction against the well, the complaints were dropped.

SCUTTLEBUTT:

Have visited Arizona Helium Plant. They now have made their first shipment of helium. On 5-25-69 the plant sold 90,267 cubic feet of helium (partial truck load) to Jack Kelly of Amarillo. Plant has been averaging about 6,000 cubic feet of grade A helium per day which is going into storage. Thus, the outlook continues to look poor indeed unless the company can establish additional helium reserves.

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 19
39,713 76	110	1 Salaries, wages: employees	1 3,725.00
1,375 00	150	2 Per diem:/ board members	2 200.00
		3	3
437 48	211	4 Postage	4 150.36
1,502 33	212	5 Telephone, telegraph	5 118.47
1,655 53	221	6 Travel -State meals and lodging	6 118.54
719 43	222	7 mileage reimbursed private car	7 1.03
117 48	223	8 fares for planes, trains, etc.	8 -
1,452 14	224	9 State-owned auto expense	9 134.99
29 15	225	10 telephone, taxi, etc.	10 -
60 00	226	11 registration fees at meetings	11 -
		12	12
		13	13
348 94	231	14 Travel-out of State meals and lodging	14 56.92
1,137 50	233	15 fares for plane, train	15 84.60
7 50	234	16 State-owned auto expense	16 -
106 80	235	17 telephone, taxi, etc.	17 25.45
40 00	236	18 registration - meetings	18 -
		19	19
870 62	240	20 Professional services	20 350.00
		21	21
47 88	262	22 Mntns/repairs to office equip., furniture	22 -
440 91	294	23 Legal advt., notary, court, recording fees	23 -
	295	24 Transportation of things (well samples)	24 -
4,471 40	299	25 Miscellaneous (blueprint service, Ariz Bu	25 4.21
		26 Mines, Museum N. Arizona)	26
		27	27
		28	28
1,092 87	310	29 Office supplies	29 109.16
575 53	360	30 Scientific supplies	30 20.50
3 06	370	31 Mntns supplies (duplicate keys)	31 -
85 36	390	32 Other supplies (film)	32 24.97
3 10	322	33 Janitor Supplies	33 3.10
		34	34
-	411	35 Rent, office equip: copy machine	35 -
		36	36
14 50	421	37 Bond (notary public)	37 -
108 65	430	38 Subscription/organization dues	38 4.00
		39	39
		40	40
517 92	611	41 Office equipment/furniture	41 -
		42	42
		43	43
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		45	45
250 00	995	46 To create revolv fund	46 -
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57,184 98		TOTAL	5,130.70



# MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF	2 RECEIPTS CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
May 1969	1 Permits to drill		50 00	875 00
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	17			
50 00	TOTAL CURRENT MONTH RECEIPTS		50 00	XXXXXX
	TRANSFERS <del>In</del> Out		(200 00)	
XXXXXX	BALANCES BROUGHT FORWARD		5,582 75	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		5,432 75	875 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
May 1969	1 Personal Services:				
3,725 00	2 General Fund	36,350 00	34,201 26	-	2,148 74
200 00	3 Conservation Fund	9,000 00	6,887 50	-	2,112 50
430 77	4 Current Expenditures	6,015 00	4,534 86	384 87	1,095 27
254 56	5 Travel - State	5,545 00	4,033 93	1,198 05	313 02
166 37	6 Travel - Out of State	3,248 00	1,640 74	178 00	1,429 26
4 00	7 Current Fixed Charges	525 00	123 15	280 00	121 85
350 00	8 Professional Services	2,000 00	870 62	-	1,129 38
-	9 Capital Outlay	582 00	517 92	-	64 08
-	10 Museum N. Arizona	2,500 00	1,875 00	625 00	-
-	11 Arizona Bureau Mines	2,500 00	2,500 00	-	-
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5,130 70	TOTALS	68,265 00	57,184 98	2,665 92	8,414 10

FORM 12-A POST AUDITOR

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