

OIL & GAS CONSERVATION COMMISSION
Meeting: September 18, 1970
Mr. John Bannister, Exec. Sec.

MEETING 8-18-70

Name

Affiliation

JIM SCURLOCK

Oil & Gas Com.

Willard D. Page

Geologist Tucson, Ariz.

Al Spranger

Mericle Oil Co

W. H. Green

Western Helium

Robert A. Johnson, Atty

Western Helium & Eastern Petroleum

Robert E. Lamb, Geol.

Western Helium & Eastern Petroleum

J. H. Edwards

Eastern Petroleum



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
September 18, 1970
Room 204, Arizona State Office Bldg.

10:00 a.m.

Call to order

1. Approval of minutes of meeting of August 19, 1970
2. Executive Secretary report
3. Geologist report
4. Old business - *New Meeting date* —
5. New business — *3rd Friday* —
6. Adjourn

Oct 16th

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



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

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1624 WEST ADAMS

Phoenix, Arizona 85007

PHONE: 271-5161

September 15, 1970

Memo to the Commissioners

Memo from John Bannister
Executive Secretary

This Commission has just received a request for an emergency hearing from Western Helium Corporation. This corporation seeks emergency authority to produce the Eastern #21-1A Santa Fe Fee well located in the NW/4 NW/4 Section 31, Township 20 north, Range 28 east. This well is capable of producing from the Coconino formation. There is currently a well in the same section capable of producing from the Shinarump formation being the Eastern Ancon #21 well. This well has been a shut-in helium gas well for some time; however, it did, for a period of time, produce into the Arizona Helium Plant.

The well which will be the subject of the hearing is our Permit No. 537 and was drilled as an oil well on an 80-acre spacing pattern. Of course, our permit was issued with the usual instructions that prior to producing the well, it must be able to comply with the Rule 105, our spacing regulations. Section 31, Township 20 north, Range 28 east was subject to our Order No. 41 recently issued to Eastern Petroleum granting them permission to drill as many as four wells per section to the Shinarump formation. Inasmuch as the Coconino formation is not a part of that Order, we need not consider it. The prime question here is that the well's location is totally unorthodox for a gas well to the Coconino. This well is located in the extreme NW/4 of the section rather than being centered.

I have this date granted permission for Western Helium Corporation to appear before the Commission on Friday, September 18, between 10 and 10:30 a.m. to present its case.



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Phoenix, Arizona 85007

PHONE: 271-5161

September 9, 1970

Memo: Commissioners
From: John Bannister

Re: Report of Activity

Please note that our regular monthly meeting for September will be held on Friday the 18th at ten a.m. At this meeting one of the problems to be discussed is the setting of a new regular meeting date. I would remind you, gentlemen, that at the regular Commission meeting held on August 19, the consensus of opinion seemed to be the third Friday of the month.

On September 1, 1970, a leasing agreement was made between this Commission and Mr. James B. Phillips for use of his building located at 4515 North 7th Avenue. It is anticipated that occupancy by this Commission should occur about October 1 of this year. The terms of the agreement provides the Commission to pay as rent the sum of \$1,849.46 per month commencing on October 1. Further provisions call for the first and last months rental to be paid in advance. In addition to the actual rent, the before quoted sum also includes the rental of the parking area surrounding the building, the furnishing by Mr. Phillips to the Commission of all water, gas, electricity, heating, air-conditioning and other services. In short our rent payment includes all physical office facilities except telephone service. We, of course, will continue to pay this. It has been arranged that our current office telephone number (602-271-5161) will be transferred to the new building and this office will continue to be tied into the capital telephone system thus making the state's long distance telephone arrangements available to us.

Currently, remodeling of the building is proceeding at a fit rate; and, it is anticipated that we will be able to timely occupy these premises. As you know this Commission requested funds to furnish offices for additional personnel and other necessary capital expense items. It is my intention to occupy the building for a short period before these expenditures are made in order

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September 9, 1970
Memo to Commissioners
Memo from John Bannister

that we may familiarize ourselves with actual working needs. Such standard items, however, as desks, working chairs, typewriters, etc., will be ordered as soon as possible.

A notice concerning the new location of this Commission was sent out to our regular mailing list on September 2. Should you desire a copy of our notice sent to any person will you please advise.

BUDGET

Pursuant to instructions, a budget for this Commission was submitted as of the first of September. The total budget requested was \$155,845. In preparing our request as I pointed out to you at our August meeting, several unanswered questions necessitated an initial request for a somewhat larger sum than we will actually need. Among those questions unanswered at the time it was necessary to submit the budget was the amount of rent that this Commission be called upon to pay for its office space. As you are aware it is permissible to submit a corrected budget prior to the actual meeting of the legislature. I intend to do this at the earliest possible moment so that our budget request may more accurately reflect our actual need. The largest single item on the budget is, of course, salaries, over which the Commission exercises no control except as to the salary of the Executive Secretary; and, it is questionable at this time as to what authority the Commission actually exercises as to this item. I apologize for not being able to be more informative as to this Commission's budget request at this time; however, as soon as the unknown portions become firm, a firm budget will be presented to the Commission for adoption and will be submitted as our amended request. The confusion reported by this Commission as to being unable to enter a firm budget was reflected throughout the majority of other commissions and departments of the State. I believe that our next budget presentation will run more smoothly. The general form of the budget was confusing this year inasmuch as the form was changed. However, if the same form is used in the future, this confusion should cease. Much of the confusion lies in requesting salaries and employee related expenditures. Again, I would call your attention to the fact that the salary for the Commissioners has been raised from \$25 per day to \$30 per day for each day actually spent on Commission business.

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Memo to Commissioners
Memo from John Bannister

It is interesting to note that the Navajos have scheduled another lease sale for October 14. This sale contains some scheduled land in Apache County, but generally northwesterly from the Dineh bi Keyah Field and continuing up into the State of Utah. There is also scheduled acreage on the reservation within the Navajo and Coconino Counties being offered. One of the main points of the sale is that for the second time the Indians have placed no minimum as to the bonus which must be offered. A sliding scale of bond has been established based on the amount of acreage taken by any one person. The bonds range from \$1000 for less than an eighty-acre tract up to the maximum of \$15,000 for all Indian acreage within the State. Of course the Indians' nationwide oil and gas bond still remains at \$75,000. These leases will be drawn for a period of ten years with the usual Indian royalty of 16-2/3%. Rental remains \$1.25 per acre per year. These terms represent a general relaxation of Indian regulations; and, of course, reflects the Navajos' concern for declining bonus money as a result of their sales. The Navajos are beginning to realize that the most important income feature from their oil and gas effort is the nature of their royalty rather than their lease bonuses; and, hence are seeking to encourage industry to re-enter on the reservation.

The recent hard rains suffered by this State did not result in significant damage to either the salt project west of Phoenix or to the Aritex storage project in Holbrook. This office made an on-site inspection of the salt project near Phoenix and found that none of the retaining dikes had been breached. There, of course, had been dilution of the brine water caused by rain entrapment. However, no pollution threat has resulted. We contacted Aritex by telephone concerning damage to the storage project at Holbrook. They advised that the diverting dams thrown up by them to protect their operation had held; however, the city apparently had found it necessary to flood the area of their operation in order to prevent damage to homes to the south of their installation. Tom Martin informed us that apparently no damage has occurred to either the wells or the ponding area. However, one electric motor was submerged and will have to be repaired. In brief, apparently both installations escaped with minor damage; but, more importantly with no pollution threat being posed.

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September 9, 1970
Memo to Commissioners
Memo from John Bannister

The Tenney locations in Graham County southeast of Safford have been brought under control. The two dry holes have been permitted and our records now reflect these wells as plugged and abandoned. As you will recall, the Commission agreed to permit these wells without them having to be bonded. The drilling well, the Tenney #3 State located in the SE/4 SW/4 Sec. 36, T9S, R27E, is currently drilling, and, of course, is under bond. This situation is now under control.

New Permits:

- 539 - Tenney #1 State 12053, SW/4 SE/4 Section 36-T9S-R27E,
Graham County
- 540 - Tenney #2 State 12053, SW/4 SE/4 Section 36-T9S-R27E
Graham County



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ACTIVITY REPORT

September 9, 1970

From W. E. Allen
Director, Enforcement Section

A trip was made on August 10, 11, and 12 to the wells that were drilling in the northeastern part of the State. This included the Union Texas Lukachukai #1-14 Navajo in NE/4 SW/4 Section 14, Township 27 north, Range 29 east. This well is approximately seven miles west and north of Red Rock Trading Post. Depco, Incorporated, #1-2 Navajo in the NW/4 SW/4 Section 2, Township 40 north, Range 30 east was also visited. This well is three miles south of Teec Nos Pos. Also included on this visit was the Eastern Petroleum #1-26 Santa Fe Fee in the SE/4 SW/4 Section 26, Township 20 north, Range 27 east. The well is some six miles southeast of Navajo, Arizona. Several producing leases were also visited; and, the installations and operations were observed. While on this trip I also had the opportunity to contact the representatives of several of the operators.

A meeting was arranged with John McGowan to discuss Arizona Fuels, Incorporated. These people have almost completely ignored the requests for information from this office. After discussing the situation with Mr. McGowan, and at his suggestion, I talked with Cleon Feight with the Utah Oil and Gas Commission. Mr. Feight in turn called Eugene Dalton, owner of Arizona Fuels, and then Mr. Dalton called me. We have since received Forms 21, Gasoline Plant or Pressure Maintenance Plant Report. These forms didn't contain all the information that we require; but, they did indicate that Dalton was finally convinced of the necessity to furnish certain information to this Commission. Since receiving these reports, an appointment has been arranged for September 10, 1970, to meet and discuss the entire situation with Dalton. The forms have also been revised to more nearly fit this particular situation.

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September 9, 1970
Activity Report
From W. E. Allen

Lloyd Derry, a scout for Standard Oil Company of California, visited with James Scurlock and myself for approximately three hours on August 28. It is my opinion that his primary interest was to get information concerning Mesa Southwest Corporation. He knew the company and some of the principals and apparently held them in high regard. He thinks this company is fronting for some major or a large group. He had spent considerable time in Yuma checking the various leases, state, federal, and fee, that have been recorded by Mesa Southwest Corporation. According to information from Derry, in the last two or three week period Mesa Southwest has recorded leases on some 22,000 fee acres. Derry has plotted these leases on a geologic map; and, it appears that they follow a definite trend running northeast through Yuma County into Maricopa County and turning southeast north of Phoenix and following a southeastern course towards Nogales. From Mr. Derry's remarks I got the distinct impression that his company was definitely interested in the reasons for all the leasing activity and just who was furnishing the money. Evidently Derry has, over a period of time, made quite a study of a portion of the above mentioned area and is fairly enthusiastic as to its possibilities. Whether Derry is right or wrong, I found his ideas refreshing and would like to see more people that share his opinion on the probabilities of oil or gas being discovered in Arizona. Another interesting item according to Derry was that even though Mesa Southwest leases call for oil, gas, or minerals, they were not firm in requiring the acquisition of other minerals in their leases. Oil and gas were their primary concern.

According to our latest information on Mesa Southwest Corporation, they have close to one-half million fee acres under lease in Arizona. They have recorded 52,935.61 acres in Maricopa County.

Sun Oil Company of Dallas has leased 30,422 acres of state and federal lands in Cochise County. Indications are that Sun also holds several thousand additional acres in other names.

Lazar Purigiliski, an individual from Phoenix, has leased 53,642 acres of federal lands in western Maricopa County, Arizona. These leases are near leases now held by Mesa Southwest Corporation. There are an estimated one million acres of oil and gas leases presently existing in Maricopa County.

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September 9, 1970
Activity Report
From W. E. Allen

In a joint press conference with Senator Hansen, Republican from Wyoming, and Representative George Bush, Democrat from Texas, Senator John Tower, Republican from Texas, announced that he would soon sponsor legislation being drafted by Carl Bragg of the Federal Power Commission which would, in effect, de-control producer gas rates. The FPC has already proposed de-control of 4,600 producers of less than ten billion cubic feet of gas yearly. An organization calling themselves "People Organized to Win Effective Regulations" (POWER), and claiming to represent consumer interest, has surfaced to actively oppose any move by the FPC to increase field prices for natural gas. The spokesman for POWER is Anthony R. Martin-Trigona of Champaign, Illinois. POWER has already filed a brief asking the FPC to disqualify itself from considering general gas price increases. It also requested that FPC permit POWER to fight the legal battles for consumers against price increases with the government funding the expense. It is expected that FPC will recommend an increase in well head prices of natural gas ranging from $3\frac{1}{2}$ to $11\frac{1}{2}$ /MCF and a general overhauling of rate-making procedures. How these recommendations are compared with a bill to be introduced by Senator Tower et al. has yet to be announced.

DRILLING ACTIVITY

Eastern Petroleum Company #24 Santa Fe Fee
Our File #536
Total depth 1340'.
Cleaning out after sandwaterfrac.

Eastern Petroleum Company #21-1A Santa Fe Fee
Our File #537
Coring Shinarump at 1035'.

Eastern Petroleum Company #1-26 Santa Fe Fee
Our File #543
Total depth 1165'.
Testing Coconino.

Union Texas Petroleum Luakchukai #1-14 Navajo
Our File #544
Total depth 3800'.
Tested 24 barrels 30° gravity oil, 48 barrels water.
Well shut in, BHP test.

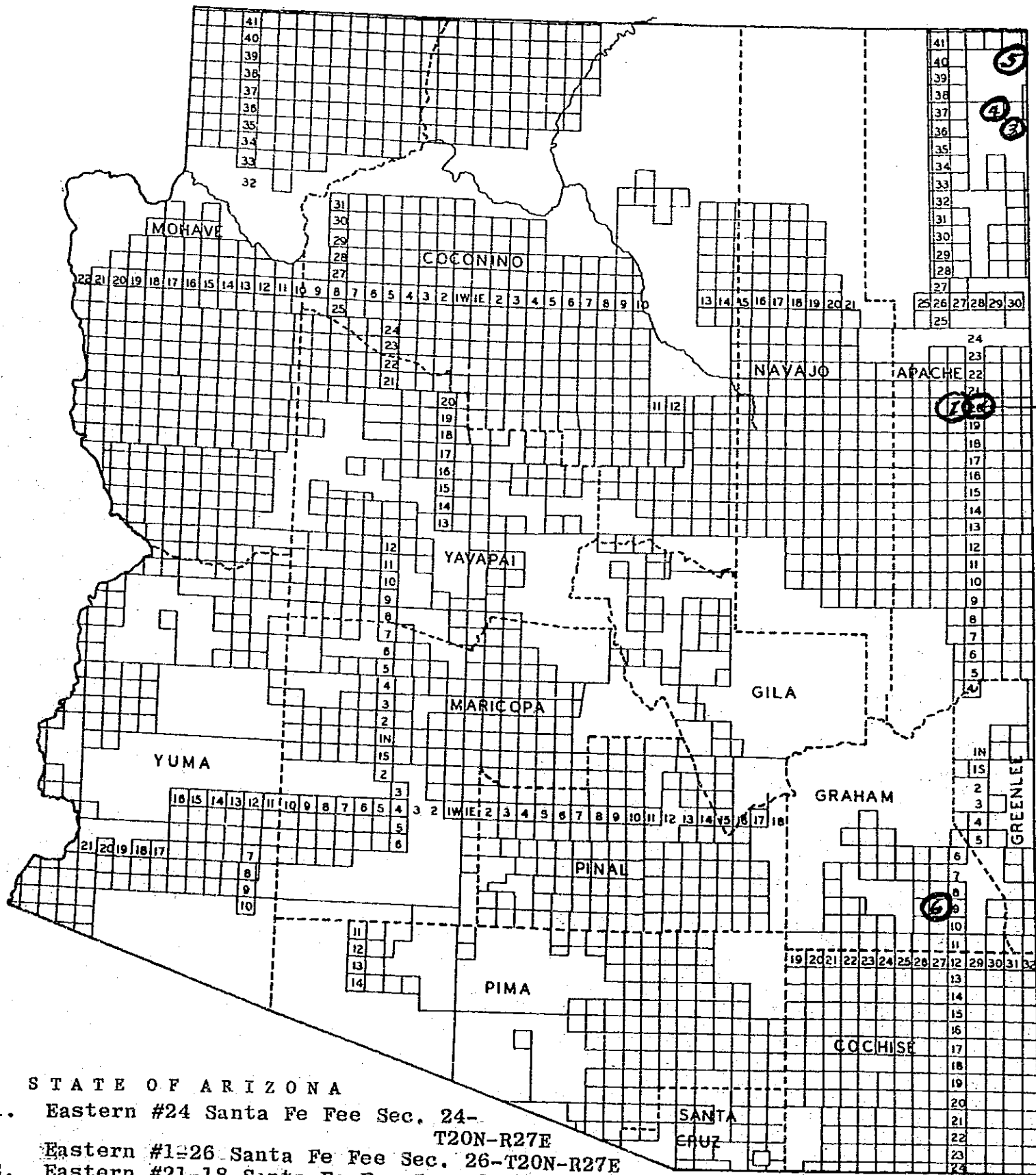
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September 9, 1970
Activity Report
From W. E. Allen

Drilling Activity (Cont.)

Union Texas Petroleum #1-6 Navajo
Our File #545
Total depth 3610'.
Plugged and abandoned.

Depco, Incorporated, #1-2 Navajo
Our File #546
Total depth 7000' and drilling.

Tenney #3 State 12053
Our File #541
Total depth 1825'.
Drilling clay and anhydrite.



STATE OF ARIZONA

1. Eastern #24 Santa Fe Fee Sec. 24-
T20N-R27E
2. Eastern #1-26 Santa Fe Fee Sec. 26-T20N-R27E
3. Eastern #21-18 Santa Fe Fee Sec. 31-T20N-R28E
4. Union Texas #1-6 Navajo Sec. 6-T36N-R30E
5. Union Texas Lukachukai #1-14 Sec. 14-T37N-R29E
6. Depco, Inc. #1-2 Navajo Sec. 2-T40N-R30E
7. Ivan Tenney #3 Sec. 36-T9S-R27E

Courtesy of
ARIZONA OIL REPORT

AGENCY Oil & Gas Conservation Comm.

1970-71

DIVISION _____

IDENTIFICATION CODE NO. _____

1		2		3		4	
CLAIMS PAID YEAR TO DATE		OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION		CLAIMS PAID MONTH OF		
					Aug 1970		
4/10	00	7111.0	1	Per diem: board members	1	210	00
8,636	00	7112.0	2	Salaries, wages: employees	2	4,318	00
		7151.0	3	Industrial Insurance	3		
313	73	7153.0	4	F.I.C.A.	4	106	47
431	81	7155.0	5	State Retirement	5	215	91
		7159.0	6	Personnel Commission	6		
		7215.0	7	Professional Services - Engineer	7		
100	00	7219.0	8	Professional Services - Court Reporter	8		
287	30	7221.0	9	Travel - State: Mileage	9	101	20
426	85	7222.0	10	Subsistence	10	70	00
		7230.0	11	Public Transportation	11		
23	11	7224.1	12	Gas - Oil	12	23	11
		7224.2	13	Tires	13		
45	16	7224.3	14	Preventative Mtn.	14	9	16
		7224.4	15	Repairs (Usage)	15		
1	20	7225.0	16	Reg. Fees, Telephone, etc.	16		
18	00	7224.6	17	Strg, Parking, Washing, etc.	17	8	00
59	80	7232.0	18	Travel - Out of State: Subsistence	18		
89	20	7233.0	19	Public Trans., Taxi, etc.	19		
60	00	7239.0	20	Reg. Fees, Telephone, other	20		
		7251.0	21	Occupancy: Rent	21		
		7253.0	22	Maintenance & Repairs	22		
		7259.0	23	Other	23		
			24		24		
			25	Maintenance & Repairs:	25		
		7272.0	26	Furniture & Equipment	26		
		7272.1	27	Maintenance Typewriters	27		
		7272.2	28	Overhaul Typewriters	28		
		7272.4	29	Repair Adding Machines	29		
			30		30		
		7280.1	31	Printing Stationery	31		
19	00	7280.2	32	Printing Forms	32	19	00
		7280.3	33	Carbon Paper & Typewriter Ribbons	33		
88	87	7280.9	34	Other Misc. Office Supplies	34	88	87
		7296.3	35	Coarse Paper (Towels, etc.)	35		
		7294.4	36	Soap	36		
		7296.5	37	Brooms, etc.	37		
		7296.6	38	Light Bulbs, etc.	38		
89	29	7300.0	39	Film, Field Supplies, Tools, under \$10	39	86	10
		7331.5	40	Printing Maps	40		
131	54	7331.9	41	Printing, Other	41		
		7332.9	42	Legal Advertising	42		
		7334.1	43	Stamps	43		
326	93	7335.0	44	Telephone	44	161	04
		7336.0	45	Telegraph	45		
		7342.2	46	Rental Equipment	46		
22	00	7360.0	47	Dues & Subscriptions	47		
		7431.1	48	Capital Outlay: Typewriter	48		
		7431.4	49	Desks, Tables, Chairs, etc.	49		
		7431.5	50	Files, Storage Cabinets, etc.	50		
4,514	41	7436.1	51	Passenger Cars	51		
			52		52		
250	00	7913.0	53	Revolving Fund	53		
			54		54		
			55		55		
16,344	20		TOTAL			5,416	86

RECEIPTS MONTH OF	CLASSIFICATION	RECEIPTS	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
Aug 1970	1	Permits to Drill		25 00	75 00
25 00	2				
	3				
	4				
	5				
	6				
	7				
	8				
	9				
	10				
	11				
	12				
	13				
	14				
	15				
	16				
	17				
25 00	TOTAL CURRENT MONTH RECEIPTS			25 00	XXXXXX
XXXXXX	TRANSFERS In Out				
	BALANCES BROUGHT FORWARD			2,270 25	XXXXXX
25 00	TOTALS - MONTH AND YEAR TO DATE			2,295 25	75 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
Aug 1970	1 Personal Services	20,092 50	9,046 00		11,046 50
4,528 00	2 Emp. Related Exp.	1,708 25	742 54		963 21
322 38	3 Other Operating Exp.	8,907 50	984 44	382 97	7,540 09
355 61	4 Prof. & Outside Serv.	375 00	100 00		275 00
	5 Travel - State	2,000 00	804 81	1,149 19	46 00
211 47	6 Travel - Out of State	875 00	149 00	511 10	214 90
	7 Cap. Outlay - Equip.	8,000 00	4,514 41		3,485 59
	8 Conserv. Fund - Other				
	9 Operating Exp.				
	10				
	11				
	12				
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	29				
	30				
5,416 86	TOTALS	41,958 75	16,344 20	2,043 26	23,571 29

<u>Approximate Milage</u>	<u>Motel</u>		<u>Rates</u>	
			<u>Single</u>	<u>Double</u>
1 mi.	Del Webb Townehouse 100 West Clarendon 279-9811	June-Sept.	17.85	21.00
		Oct.-May	21.00	25.20
2 mi.	Arizona Ambassador 335 West Maryland 266-2423	May-Nov.	10.00	12.00
			12.00	14.00
		Dec.-Apr.	12.00	14.00
			14.00	16.00
3/4 mi.	Central Plaza Inn 4321 North Central 277-6671	June-Nov.	Downstairs	
			(1 person)	14.80
			(2 persons)	17.20
		Dec.-May	Upstairs	
			(1 person)	13.20
			(2 persons)	15.60
		Downstairs		
		(1 person)	16.00	
		(2 persons)	19.00	
		Upstairs		
		(1 person)	14.20	
		(2 persons)	17.20	
1-1/2 mi.	Park Central 3033 North 7th Avenue 277-2621		15.00	18.00