

OIL & GAS CONSERVATION COMMISSION
Meeting: November 20, 1970
Mr. John Bannister, Exec. Sec.



OFFICE OF
Oil and Gas Conservation Commission

STATE OF ARIZONA
4515 NORTH 7TH AVE.
PHOENIX, ARIZONA 85013
PHONE: (602) 271-5161

A G E N D A

Meeting
November 20, 1970
Room 205 (Regency Room), Alumni Building
University of Arizona
Tucson, Arizona

10:00 a.m.

Hearing, Case No. 44
Hearing, Case No. 45

Immediately
following
hearings

- Call to order 2:30 PM
1. ✓ Approval of minutes of meeting of October 16, 1970
 2. ✓ Executive Secretary report
 3. ✓ Enforcement Section activity report
 4. ✓ Geology Section activity report
 5. ✓ Old business
 6. ✓ New business
 7. Adjourn

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
4515 NORTH 7TH AVE.
PHOENIX, ARIZONA 85013
PHONE: (602) 271-5161

November 12, 1970

Memo: Commissioners
From: John Bannister

Since I last contacted you, Kerr-McGee Corporation has made application for a hearing which has also been set for November 20th in Tucson. This hearing is an outgrowth of our two prior hearings concerning this Commission's permission to Eastern Petroleum and Western Helium to produce their 21-1A Santa Fe Well.

Kerr-McGee has indicated that they will oppose Eastern's request for the Shinarump Well in the NW/4 NW/4 of Section 31, Township 20 North, Range 28 East, and Case 44, which will also be heard at this meeting.

Briefly, you will recall that temporary permission was given by this Commission that Eastern be allowed to produce the 21-1A Well. At our hearing on October 16th, permanent permission was granted. The temporary hearing, pursuant to our rules and regulations, was not generally advertised, though Kerr-McGee had been advised by me by telephone of Eastern seeking the temporary order. Of course, our Case 43, with permanent permission of this Commission to produce the well, was fully advertised and Kerr-McGee furnished pertinent information upon their request. It will be noted that Kerr-McGee did not appear in opposition at that time. They are now asking us, in Case No. 45, to somehow limit production from this well.

Inasmuch as geologic and reservoir evidence similar in nature will be presented in both cases, it could be that if the applicants in Cases 44 and 45 agree, both cases could be heard at the same time, however this is a point on which decision must be delayed until the applicants can be contacted.

As I pointed out in my earlier letter advising of the hearing in Case 44, the matter before the Commission can have serious and long range implications and I again ask the Commissioners to consider a closed executive session meeting prior to 10:00 a.m. on Friday, the 20th, in order that the staff may explain some of the implications involved prior to the hearing. You will recall that in my prior letter I suggested that at the close of the hearing the Commission delay its findings in order

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that we may consider the evidence presented and not be rushed into a hasty decision.

I am contacting each Commissioner by phone in order to secure late room information so that proper reservations, etc., can be made. Mr. and Mrs. Ralph Bilby have indicated that they will hold a cocktail party in their home on Thursday evening, November 19th, prior to our "official" dinner. I will check with the University later this week to make certain that all arrangements have been made. At present, Mr. and Mrs. Bannister, Mr. Scurlock, Mr. and Mrs. Allen, plan to be in Tucson on Wednesday evening, the 18th.

We will be housed at the Flamingo Motel. To reach the motel, it is suggested that you take the Speedway turnoff from the freeway, heading west. As you reach Stone Avenue, turn north. Stone Avenue will be the second stop light from the freeway. The motel will then be approximately two blocks ahead on the right hand side.

It is my feeling that the program being presented for our benefit on the part of the Geology Department will be both interesting and of benefit to us.

Leasing in southern Arizona seems to have run its course. Now somewhat in excess of two million acres, and I have heard reports as high as three million, have been secured by Mesa Southwest Corporation. It is still not known who the major backer of this play is, rumor still exists that it is either Mobil or El Paso Natural Gas.

I recently returned from the I.P.A.A. meeting in Dallas. The tone of the meeting was cautiously optimistic, in view of the fact that political pressure of the oil industry has somewhat lessened in Washington, though many issues are still not dead. However, the import quota situation seems to be under control, that is, limitation will be maintained and apparently there is no longer a threat to force down the price of oil through use of quotas or import arrangements. The key issue of this meeting of the independent segment of our industry was the urgent need of a substantial price increase at wellhead of both oil and natural gas. Some key Government spokesmen indicated that the Government realizes an increase is necessary, but industry was cautioned to not become greedy and to move with deliberated slowness.

Since my last report, Mr. Jack Conley and Mr. Edward Koester have officially come onto the Commission's payroll.

The initial movement of samples to the Commission's library has

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been accomplished and all samples, cores, etc., from Flagstaff are now in the Commission's possession. As soon as we are able to recatalog our library, we will compare with the Bureau of Mines at the University of Arizona and see that the Commission has a full set of available samples. This will be completed in the 1970-71 year, if at all possible.

You will note that your meeting folder will contain a copy of the finalized budget. The budget request for 1971-72 is some \$15,350 below the budget requested for the 1970-71 fiscal year and is some \$9,150 more than the budget allowed to this Commission for our current year. The prime reason for the increase is the change in personnel rates beyond the control of this Commission and in requested increases in travel, etc. Should you have any questions, we can discuss this at the regular Commission meeting.

The Commission offices are still missing a few of the essential items of furniture, which we have ordered, however we feel that this phase of our move will be completed prior to our December meeting.



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

██████████ 4515 NORTH 7th AVE.
██████████ PHOENIX, AZ. 85013
Phoenix, Arizona 85007

PHONE: 271-5161

ACTIVITY REPORT

November 12, 1970

Memo from W. E. Allen
Director, Enforcement Section

On October 13 the writer met with Mr. Harold Farris, Humble Oil and Refining Company, for the purpose of inspecting an area that had been subjected to an oil spill (in the Dineh bi Keyah Field) a short while before. This spill was caused by a broken flow line on their Navajo #88-3. Humble had taken elaborate measures to completely eliminate any sign of waste oil. As of the date of our inspection, Humble had received no complaints of any damage to stock or wildlife from the Indians. There had also been no reports or complaints of damage to the surface area.

On October 14 I attended the sale of oil and gas leases conducted by the Bureau of Indian Affairs on Navajo lands in Arizona, New Mexico, and Utah. You have previously received the general results of this sale insofar as pertains to leases in Arizona. However, attached to this report is a more detailed report indicating the sections, townships, and ranges involved, together with a plat indicating the general location. Letters have been sent to the lessees welcoming them to Arizona. A copy of the Rules and Regulations was also sent to each lessee.

Memos have been sent to all operators reiterating our previous request to have legible identification signs erected on all their lease installations. There are still some installations without proper identification. We have also requested the operators to submit their production reports by the tenth day of the next succeeding month. If this office can receive the various company's reports by this date, we in turn can have the complete production report circulated on a fairly current basis.

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Activity Report
W. E. Allen
November 12, 1970

We have recently requested that all operators furnish this office with a record of their drilling time, bit record, and other pertinent information that will enable us to determine the drilling costs of wells within the State of Arizona. Due to the limited drilling being done, this compilation will take considerable time. However, it is believed that this information can be of value to new operators entering Arizona.

In view of Western Helium Corporation and Eastern Petroleum Company's application for an order granting exception to Rule 105 and the Commission's Order 41, and also Kerr-McGee Corporation's application requesting production restrictions on Eastern's #21-1A; plats have been prepared and will be distributed at the hearing indicating the various wells in the general area and also a table indicating well locations, depths, producing formations, and other pertinent information for use if needed in the forthcoming hearing.

Recently there has been a total of 76,764 acres of State oil and gas leases in Cochise County transferred to Sun Oil Company of Dallas. E. R. Richardson of Albuquerque has acquired by transfer 23,944 acres of State oil and gas leases in Cochise County; and Dowdle Oil Company of Midland has acquired 98,477 acres of State oil and gas leases in Cochise County.

With the assistance of Jamie Deppey and some help from Roberta Smith, we are in the process of updating the older well files. As quickly as this updating is completed, the well plat book will be redone and the necessary corrections made.

Information has been negligible as regards the proposed legislation sponsored by Senators Towers and Hansen and Representative Bush to de-control producer gas rates. Probably the sponsors have been occupied with the recent election. As you know, George Bush was defeated in his bid for United States Senator. Another sponsor will be needed to guide this bill through the House of Representatives.

The Federal Power Commission continues to be active in their efforts to allow increases in well head gas prices on a selective basis. The most recent price increase that has been approved was for the Hugoton-Anadarko region of Kansas, Texas Panhandle, and western Oklahoma. This increase ranges up to 5¢ per MCF. The FPC has also initiated a rate increase of 8½¢ for the New Mexico area of the Permian Basin.

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Activity Report
W. E. Allen
November 12, 1970

FPC Chairman, John Nassikas, and Commissioner Carl Bagge have refused the request of the group known as "People Organized to Win Effective Regulations" (POWER) to disqualify themselves in producer rate cases. FPC also refused POWER's request that the Commission pay it \$10,000 costs and fees to act in the capacity of consumer representative in lieu of FPC. Commissioner Bagge has announced that he intends to immediately ask Congress to free the new gas in the producing sector of the industry from price control.

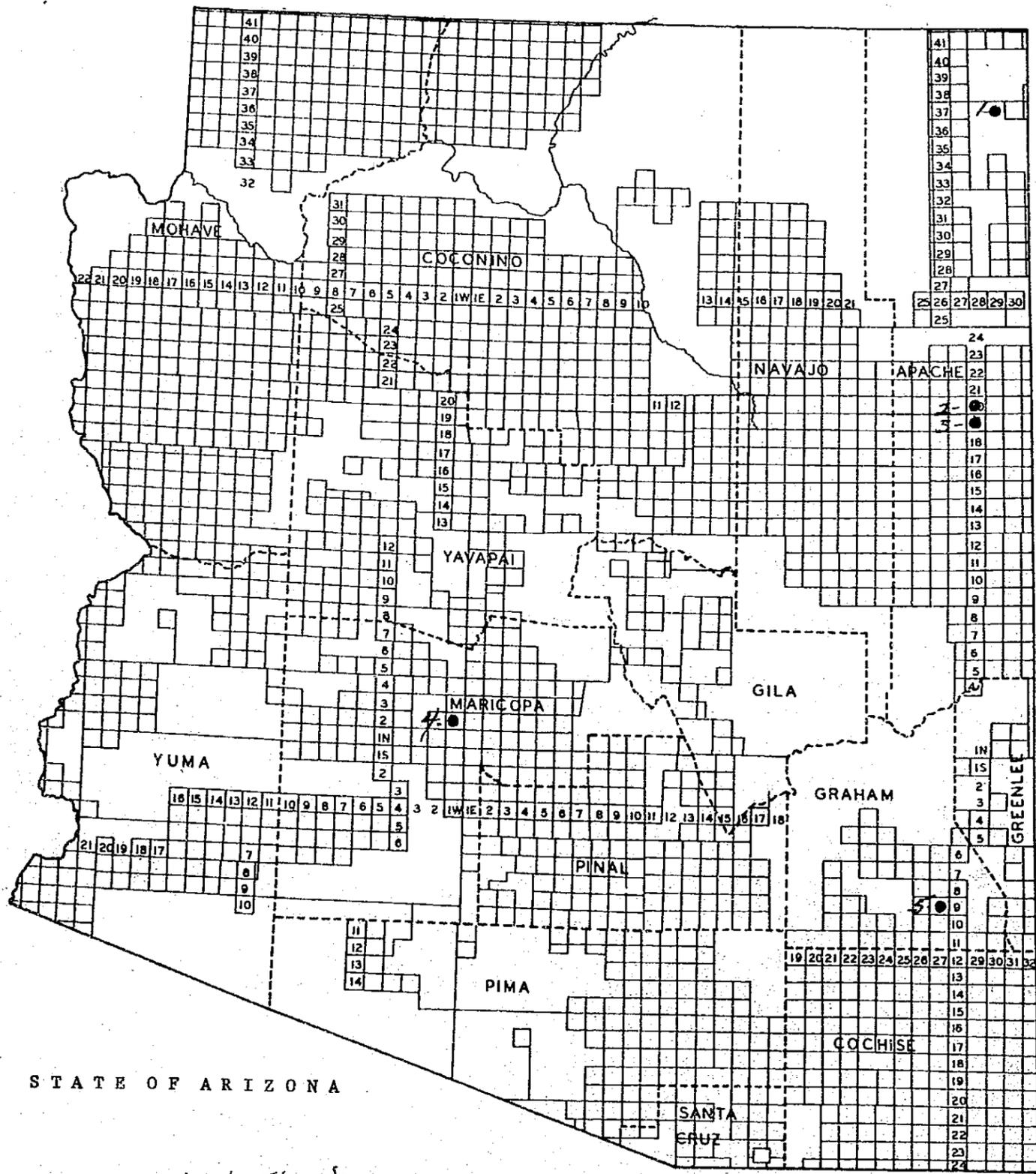
PROGRESS REPORT

Western Helium Corporation processed 10,045,000 CF of raw gas through their plant in October, 1970. This production involved three wells: the Eastern Ancon #21 Santa Fe Fee, the Eastern #21-1A Santa Fe Fee, and the Eastern #14 Santa Fe Fee. The line was down two days due to a freezeup within the plant.

Since the last report two permits have been issued:
Permit #547 Eastern Petroleum Company #2-26 Santa Fe Fee
SE/4 SE/4 Section 26-T20N-R27E, Apache County
Permit #548 Southwest Salt Company #2 Roach-Baker
NW/4 SW/4 Section 2-T2N-R1W, Maricopa County
This well was drilled for use in mining salt. The total depth is 3425'. Ten and three-quarter inch casing was set at 1300' and cemented with 350 sacks. The well is shut-in while the rotary rig is being removed from the hole.

The operator is currently consulting the partners in the Union Texas Petroleum Luakchukai #1-14 Navajo located in the NE/4 SW/4 Section 14-T37N-R29E, Apache County, to obtain permission to plug and abandon. Based on a two-hour swab test, this well tested 24 barrels of oil with 48 barrels of water. A series of bottom hole pressure tests have since been run on this well. These tests were disappointing.

The Tenney #3 State 12053 located in the SE/4 SW/4 Section 26-T9S-R27E, Graham County, is at a total depth of 1825'. At the last report operator was attempting to remove 10" casing from the well. The 10" casing has parted; but, all except 60' has been pulled. The operator was able to run 8" tools through this 60' section of 10" casing and onto the bottom. He has attempted to run 8" casing to bottom but is unable to get the 8" through the 60' section of 10". At present the contractor is waiting on orders.



STATE OF ARIZONA

See Attached Sheet

Courtesy of
ARIZONA OIL REPORT

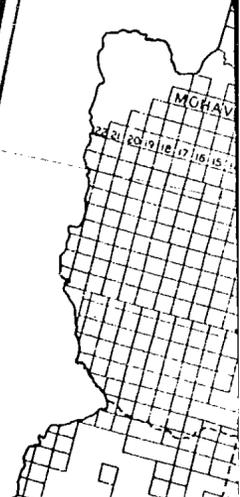
1. UNION-TEXAS - 1-14 butk
2. EASTERN - 31-1A⁺ ANCON 31
3. ✓ 14 SANTA FE.
4. J.W. SALT CO #2 ROAD. BAKER
5. PENNEY #2 STATE.

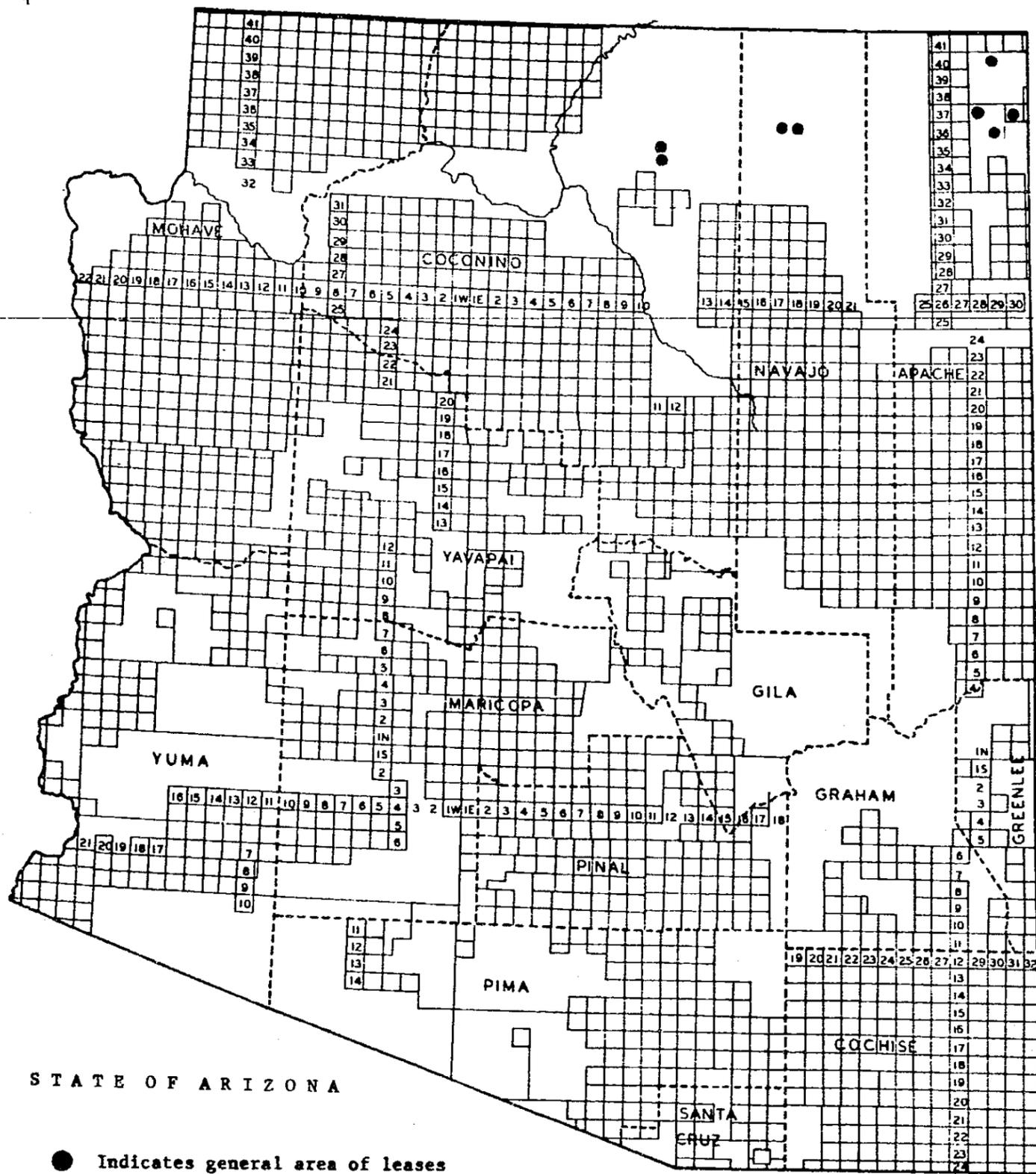
1. Union Texas Petroleum #1-14 Lukachukai-----Sec. 14-T37N-R29E---Apache County
2. Eastern #21-1A Santa Fe Fee -----Sec. 31-T20N-R28E---Apache County
3. Eastern #14 Santa Fe Fee -----Sec. 5-T19N-R27E---Apache County
4. Southwest Salt Company #2 Roach-Baker -----Sec. 2-T 2N-R 1W---Maricopa Co.
5. Tenney #3 State 12053 -----Sec. 36-T 9S-R27E---Graham County

<u>TRACT NO.</u>	<u>BIDDER</u>	<u>ACRES</u>	<u>LOCATION</u>	<u>TOTAL BID</u>	<u>PER ACRE</u>
21	Planet Oil and Minerals	2560	Sec. 2, 3, 10 & 11	Township 34N-Range 11E Coconino County	\$ 13,081.60 \$ 5.11
22	Gerald Tresner	2560	Sec. 4, 5, 8 & 9	Township 34N-Range 11E Coconino County	3,456.00 1.35
24	Planet Oil and Minerals	2560	Sec. 13 & 14	Township 34N-Range 11E Coconino County	6,988.80 2.73
26	Planet Oil and Minerals	2539	Sec. 19, 20, 29 & 30	Township 35N-Range 11E Coconino County	6,931.47 2.73
27	Gerald Tresner	1920	Sec. 21, 27 & 28	Township 35N-Range 11E Coconino County	2,572.72 1.34
29	Planet Oil and Minerals	1280	Sec. 33 & 34	Township 35N-Range 11E Coconino County	4,953.60 3.87
33	Robert Walker, Jr.	1280	Sec. 1 & 12	Township 36N-Range 17E Navajo County	1,920.00 1.50
34	Murvale Richards	1280	Sec. 10 & 11	Township 36N-Range 17E Navajo County	7,708.00 6.10
35	Robert Walker, Jr.	1600	Sec. 13W/2, 14 & 23	Township 36N-Range 17E Navajo County	2,400.00 1.50
36	Murvale Richards	2560	Sec. 15, 16, 21 & 22	Township 36N-Range 17E Navajo County	5,376.00 2.10
37	Robert Walker, Jr.	960	Sec. 13E/2 & 24	Township 36N-Range 17E Navajo County	2,880.00 3.00
38	Robert Walker, Jr.	1570	Sec. 18, 19 & 20W/2	Township 36N-Range 18E Navajo County	4,710.00 3.00
40	Union Oil of California	1546	Sec. 3N/2, 4 & 9	Township 36N-Range 29E Apache County	20,561.80 13.30
52	Allied Chemical (Union Texas)	1920	Sec. 1, 2 & 11	Township 37N-Range 28E Apache County	2,284.00 1.19
56	Allied Chemical (Union Texas)	640	Sec. 8	Township 37N-Range 30E Apache County	697.60 1.09
96	Monsanto Chemical	1905	Sec. 17, 19 & 20	Township 40N-Range 29E Apache County	12,134.85 6.37

Total acreage receiving bids 28,680

Total bonus \$98,656.44





Courtesy of
ARIZONA OIL REPORT



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

4515 NORTH 7th AVE.
PHOENIX, AZ. 85013

Phoenix, Arizona 85007

PHONE: 271-5161

November 11, 1970

MEMO TO: Commissioners

FROM: James Scurlock

SUBJECT: November Status Report

Our long search for two geologists has been rewarded by the addition to our staff of Ed Koester and Jack Conley. As you know, we advertised throughout the industry for men who had had a career in petroleum geology - men near retirement age who "knew the ropes." Our search, I feel, has been most successful. Both of these men, who came on the payroll November 1, are eminent geologists - both oil finders, extremely knowledgeable, and conversant with the literature of petroleum geology. Both, in fact, have made numerous contributions to geologic literature.

Brief biographical sketches:

Jack Conley

Education: Missouri School of Mines & Metallurgy, of the University of Missouri at Rolla, Missouri.
B. S. Degree, June, 1931.

Experience:

pre - 1931 (Summer vacations) Geological clerk, Darby Petroleum Corp. Roustabout, Phillips Petroleum Company.

1931 - 1934 Miscellaneous - primarily engineering work
1934 - 1935 United States Geological Survey (1 year)
1935 - 1942 Amerada Petroleum Corporation (7 years)
1942 - 1943 U. S. Air Force - photo intelligence (11 mos.)
1943 - 1944 Independent Geologist - Kansas (8 mos.)
1944 - 1958 Seaboard Oil Company (14 years)
1958 - 1962 Kilroy Company of Texas, Inc. (4 years)
1962 - 1963 Consulting Geologist, Denver, Colorado (6 mos.)
1963 - Southern Minerals Corporation

November Status Report
November 11, 1970
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Ed Koester

Education: A. B. Friends University, 1927
M. A. University of Missouri, 1929

Experience: Engaged in petroleum exploration and development since 1929 as geologist, executive, and petroleum consultant in the United States and foreign countries. Experience covers all phases of the producing branch of the oil business. Foreign experience includes nine months in Italy, 1956, over eighteen months in Turkey, 1961-63, and 1968, over two years in Israel, 1963-66, and shorter periods in Jamaica, 1960, 1961.

(Former President of the American Association of Petroleum Geologists.)

At the moment we are going through the Arizona literature as an orientation to Arizona geology. We will be making some field reconnaissance trips before the snow flies.

The main purpose of our geologic staff will be to prepare maps, charts, cross-sections and articles for publication. As I see it, our work, at least for two or three years, will mainly consist of the compilation of geologic data (available from our files, from student theses, etc.) backed up by field checks and sample analyses. We should have the results of some of our studies ready for distribution this spring.

Our well sample library has arrived from Flagstaff and is now in storage on our new metal shelving. We are presently at work on the sample filing system. We have approximately 1600 wells represented and we will be bringing in a few more samples from Tucson. We have plenty of space on our shelves and given time to put things in order, we will have a fine sample library here.

AGENCY Oil & Gas Conservation Comm.

DIVISION _____ IDENTIFICATION CODE NO. _____

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF <i>Oct. 1970</i>
830 00	7111.0	1 Per diem: board members	210 00
17,679 00	7112.0	2 Salaries, wages: employees	4,725 00
	7151.0	3 Industrial Insurance	
535 83	7153.0	4 F.I.C.A.	111 48
884 00	7155.0	5 State Retirement	236 27
	7159.0	6 Personnel Commission	
	7215.0	7 Professional Services - Engineer	
	7219.0	8 Professional Services - Court Reporter	
463 70	7221.0	9 Travel - State: Mileage	99 80
755 09	7222.0	10 Subsistence	80 00
36 44	7223.0	11 Public Transportation	
310 83	7224.1	12 Gas - Oil	109 23
	7224.2	13 Tires	
45 16	7224.3	14 Preventative Mtn.	
51 32	7224.4	15 Repairs (Usage)	41 42
5 59	7225.0	16 Reg. Fees, Tel., Rental, etc.	
30 88	7224.6	17 Strg, Parking, Washing, etc.	12 88
180 30	7232.0	18 Travel - Out of State: Subsistence	
352 65	7233.0	19 Public Trans., Taxi, etc.	
111 30	7239.0	20 Reg. Fees, Telephone, other	50 00
5,548 38	7251.0	21 Occupancy: Rent	1,849 46
2 96	7253.0	22 Maintenance & Repairs	2 96
5 70	7349.0	23 Other (Misc. Rental)	5 70
10 00	7272.9	24 Repair Furniture	10 00
		25 Maintenance & Repairs:	
	7272.0	26 Furniture & Equipment	
	7272.1	27 Maintenance Typewriters	
	7272.2	28 Overhaul Typewriters	
49 56	7272.4	29 Repair Adding Machines	49 56
		30	
28 08	7280.1	31 Printing Stationery	28 08
19 00	7280.2	32 Printing Forms	
	7280.3	33 Carbon Paper & Typewriter Ribbons	
255 54	7280.9	34 Other Misc. Office Supplies	166 67
	7296.3	35 Coarse Paper (Towels, etc.)	
	7294.4	36 Soap	
	7296.5	37 Brooms, etc.	
	7296.6	38 Light Bulbs, etc.	
255 50	7300.0	39 Film, Field Supplies, Tools, under \$10	55 66
	7331.5	40 Printing Maps	
186 25	7333.0	41 Court Reporter	40 00
253 53	7332.9	42 Legal Advertising	121 99
1 27	7334.1	43 Stamps	1 27
483 95	7335.0	44 Telephone	
355 19	7337.0	45 Drayage	355 19
342 00	7342.2	46 Rental Equipment	342 00
30 00	7360.0	47 Dues & Subscriptions	
780 06	7431.1	48 Capital Outlay: Typewriter	780 06
442 00	7431.4	49 Desks, Tables, Chairs, etc.	442 00
	7431.5	50 Files, Storage Cabinets, etc.	
4,514 41	7436.1	51 Passenger Cars	
40 56	7490.0	52 Misc. (Blackboard)	40 56
250 00	7913.0	53 Revolving Fund	
700 00	7912.0	54 Transfer to Other Funds	700 00
		55	
36,826 03		TOTAL	10,667 24

OFFICE

DO NOT WRITE BELOW THIS LINE

FIELD

RECEIPTS MONTH OF	CLASSIFICATION	RECEIPTS	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
Oct. 1970	1 Permits to drill			50 00	125 00
50 00	2				
	3				
	4				
	5				
	6				
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	13				
	14				
	15				
	16				
	17				
50 00	TOTAL CURRENT MONTH RECEIPTS			50 00	XXXXXX
	TRANSFERS <i>in</i> <i>Out</i>			(1,035 19)	
XXXXXX	BALANCES BROUGHT FORWARD			2,295 25	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE			1,290 06	125 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
Oct. 1970	1 Personal Services	40,185 00	18,509 00	-	21,676 00
4,935 00	2 Emp. Related Exp.	3,644 50	1,419 83	-	2,224 67
347 75	3 Other Operating Exp.	17,815 00	7,721 72	2,761 51	7,331 27
2,773 35	4 Prof. & Outside Serv.	1,500 00	-	-	1,500 00
(100 00)	5 Travel - State	4,000 00	1,699 01	1,636 87	664 12
343 33	6 Travel - Out of State	1,750 00	644 25	287 60	818 15
50 00	7 Cap. Outlay - Equip.	8,700 00	5,777 03	2,745 28	177 69
1,262 62	8 Conserv. Fund - Other	1,770 00	1,055 19	-	714 81
1,055 19	9 Operating Exp.				
	10				
	11				
	12				
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	29				
	30				
10,667 24	TOTALS	79,364 50	36,826 03	7,431 26	35,107 21

AGENCY Oil & Gas Conservation Comm. IDENTIFICATION CODE NO. _____



OFFICE OF
Oil and Gas Conservation Commission

STATE OF ARIZONA
4515 NORTH 7TH AVE.
PHOENIX, ARIZONA 85013
PHONE: (602) 271-5161

October 27, 1970

Memo: Commissioners
From: John Bannister

Eastern Petroleum Company has requested a hearing wherein permission is sought to drill a Shinarump well in the NW/4 of Section 31, Township 20 North, Range 28 East. The requested location is near the Eastern 21-1A, which was the subject of our two recent hearings.

I have just finished conversation with Kerr-McGee Corporation and have been advised they will shortly file a request for hearing at the same date, wherein they will seek to have the Commission prorate production from the Eastern 21-1A so as to prevent undue drainage of the Coconino under Kerr-McGee's adjoining acreage. They likewise will appear in objection to Eastern's request for the Shinarump well, the subject of the new hearing.

It is my belief that the Commission can and should join these hearings into one, inasmuch as these hearings will concern a potentially new helium area and the orderly development thereof.

I have taken the liberty of requesting Mr. Ewell "Red" Walsh, petroleum engineer from Farmington, whom we have used in similar cases, to appear as expert advisor to the Commission at this hearing.

I further believe this Commission should meet in Executive Session at approximately 9 a.m. on November 20th to discuss the forthcoming cases and familiarize ourselves completely with the potential situation that is now developing. After the hearing has been held on the 20th, the regular Commission meeting should be called. It is my firm belief that prior to any decision in the cases that will be before us and after the regular Commission meeting, an additional Executive Session should be entered into so that the Commission itself may freely discuss with the staff, Dr. Wright and Mr. Walsh what decision should be made. Inasmuch as this will be a most significant hearing, we should not rush into any decision.

Memo: Commissioners
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It is my feeling that if a satisfactory conclusion of the total problem of the East Navajo Springs Area, covering both Shinarump and Coconino Formations, is not then arrived at, the Commission should, on its own motion, call another hearing and make recommendations from which we will not deviate as to both the Shinarump and Coconino Formations of this area.

A R I Z O N A

Oil Companies Names in the Area

Northern Arizona

TENNECO OIL, Box 2410, Denver, Colorado 80201/Land Department
ARKLA EXPLORATION, Box 60549, Oklahoma City, Oklahoma 73100
HELENA CORPORATION, 1426 N. 1st Street/#201, Phoenix, Arizona 85004
CONSOLIDATED OIL & GAS, 4150 E. Mexico, Denver, Colorado
FRANKLIN, ASTON & FAIR INC., Box 1090, Roswell, New Mexico
HORIZON O. & G. CO. OF TEXAS, Box 7, Spearman, Texas
KERR-McGEE CORPORATION, Box 600, Amarillo, Texas 79105
MIAMI OIL PRODUCERS, Drawer 2040, Abilene, Texas 79605
T. C. MORAN, Box 1573, Durango, Colorado 81301
OCCIDENTAL PETROLEUM CORPORATION, 5000 Stockdale Highway,
Bakersfield, California 93309
SINCLAIR OIL CORPORATION, #501-1860 Lincoln Street, Denver,
Colorado 80203
NEW MEXICO-ARIZONA LAND CO., 222-4th S. W., Albuquerque, New Mexico
87121
SUNRAY D-X, Box 831, Tulsa, Oklahoma 74101
AMERADA PETROLEUM CORPORATION, Box 1469, Durango, Colorado 81301
CREST OIL, Box 57, Alton, Illinois 62002
EASTERN PETROLEUM COMPANY, Box 291, Carmi, Illinois 62821
PAN AMERICAN PETROLEUM, Security Life Building, Denver, Colorado 80202
SKYLINE OIL COMPANY, 418 Atlas Building, Salt Lake City, Utah 84101

Southern Arizona

MIKE ROBERTS, Box 808, Midland, Texas 79701
VIRGINIA OIL & GAS, 523 Petroleum Building, Abilene, Texas
FOREST OIL, 1600 Security Life Building, Denver, Colorado
GULF OIL, 600 Oklahoma Mortgage Building, Oklahoma City, Oklahoma
EL PASO NAT. GAS, Box 1492, El Paso, Texas 79948
HUMBLE OIL CORPORATION, Box 3371, Durango, Colorado 81301
TEXACO INC., Box 2100, Denver, Colorado 80201
SUNRAY D-X, Box 831, Tulsa, Oklahoma 74101
ANADARKO PRODUCTION, Box 9317, Fort Worth, Texas 76107
AZTEC OIL & GAS, Drawer 570, Farmington, New Mexico 87401
MAR-WIN DEVELOPMENT, Box 507, Roswell, New Mexico 88201
OCCIDENTAL PETROLEUM, 902 Patterson Building, Denver, Colorado
CHEVRON OIL, 1700 Broadway, Denver, Colorado 80201
CHAMPLIN PETROLEUM CO., Box 9365, Fort Worth, Texas
H. D. HAND, 2030 E. Speedway, Tucson, Arizona 85719

November 11, 1970
P. O. Drawer 1200
Douglas, Arizona

Mr. John Bannister
Executive Secretary
Oil & Gas Commission
4515 North 7th Avenue
Phoenix, Arizona 85013

Dear John:

Enclosed is a copy of the Editorial from the Oil & Gas Journal of 11-2-70. I find it most interesting and this applies even more to our problem in Arizona, in attempting to interest people in drilling in our State.

I think that it would be a good idea to make copies from the Journal with your machine and send them to the members of the Commission, then to bring the matter up before a meeting of the Commission, for discussion.

I would, if possible, like to sit down with some members of the Legislature and place with them the idea of the State of Arizona giving some kind of a tax benefit to each major discovery of oil and/or gas in the State. It surely would not cost any money, out of pocket and I think it would be attractive to the wild catter.

Sincerely yours,

Frank
Frank E. Moore

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D+G Journal 11-2-70

Planners need to rethink policy on drilling incentives

THE PETROLEUM SHORTAGE won't be solved until independent operators again are enlisted in a massive exploration and drilling campaign for new oil and gas reserves.

All the governmental and industrial brainpower currently directed at solving the nation's energy crisis so far has overlooked this basic fact.

This isn't downgrading the ability or criticizing the motives of larger companies. But a handful of majors, despite all their economic clout, can't command the financial and manpower resources necessary to thoroughly test all the prospective domestic petroleum areas on a scale and in the time left to achieve results.

The independents are the key to finding new supplies. And a way must be found to get them back to drilling.

IT'S a tradition in the oil industry that the independent wildcatter finds the most oil and gas. He usually winds up selling his production to a major to finance further wildcatting.

This has more substance than an old wives' tale. A recent set of government statistics tends to bear out this fact. The latest Census of the Mineral Industries shows that in 1967 the 200 largest companies—and these include many independents since less than 30 firms are considered majors—drilled only 38.1% of the oil and gas wells. Some 61.9% of the wells thus were drilled by hundreds of independent operators. This wasn't a statistical freak either, because in 1963 the 200 larger firms drilled only 41.8% of the wells against 58.2% for the army of independents.

But when income from production is considered, these figures take a radical swing. Receipts of the 200 larger companies in 1967 represented 92.3% of the total and 83.7% in 1963. This apparently is evidence that the small operator quickly sells his discoveries to larger operators who produce them.

THESE FIGURES mean that the best way for the nation to enjoy greater oil and gas reserves is to increase direct drilling incentives to the independents.

Current incentive structure—for all its benefits—does not give enough direct incentive to exploration. Percentage depletion gives its greatest benefits to producers. The import quota system favors refiners. The explorationist in these cases, as also in case of price increases, receives only indirect benefit stemming from enhanced sell-out value of his discoveries—if any.

Far more important to drilling is the tax treatment of intangible costs, of equipment depreciation, and of production sales. Policy planners need now to reexamine these incentives and strengthen them.

Other policies also need to be reexamined, even such far-out ones as a possible tax rebate for wildcatting or a discovery bonus. But certainly consideration should be given to the appeal of independents that new discoveries share directly in the import quota system. These or some other plans must be offered to attract a larger number of independents into wildcatting again.