

OIL & GAS CONSERVATION COMMISSION
Meeting: March 19, 1971
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
 March 19, 1971
 4515 N. 7th Avenue, Phoenix, Arizona

10:00 a.m.

Call to order

1. ✓ Approval of minutes of meeting of February 19, 1971
2. ✓ Executive Secretary report
3. ✓ Enforcement Section activity report
4. ✓ Geology Section activity report
5. ✓ Old business
6. New business
7. Adjourn

*Ann
 No Minutes
 in file*

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

1. Discuss HB 147-290 ✓
2. " Incentive Program ✓
- No 3. " El Paso Wells ✓
4. Travel Budget ✓

OIL AND GAS CONSERVATION COMMISSION
4515 N. 7th Avenue
Phoenix, Arizona 85013

Minutes of Meeting
February 19, 1971

Present:

Mr. Ralph W. Bilby, Chairman
Mr. Lucien B. Owens, Member
Mr. W. Roger Hafford, Member
Mr. Frank E. Moore, Member
Mr. Robert A. Bledsoe, Member

The regular Commission meeting for the month of February, 1971 was called to order by Chairman Ralph Bilby at 10:00 a.m.

The minutes of the meeting of January 15, 1971 were approved as written.

Reports of Executive Secretary, Enforcement Section and Geology Section were accepted.

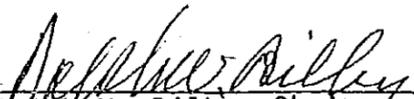
Executive Secretary reported that two legislative bills have been prepared and presented to the House of Representatives. House Bill 147 defines and corrects certain terms and definitions and establishes consistent timing for operator reports to the Commission. House Bill 290 grants the Commission authority to charge for reproduction services, establishes fees the Commission may collect to offset general operation expenses, and further specifies that the applicant for a hearing must bear the cost of the hearing.

Dr. J. J. Wright advised of a geophysical mapping program being prepared by the University of Arizona. Dr. Wright also stated that Senator Fannin has sponsored a bill in the United States Senate relative to thermal investigations. Senator Fannin feels, and Dr. Wright concurs, that Arizona is in a prime position for increased investigations in this field. Control of new wells developed under this program would be the responsibility of the Commission.

Mr. Moore suggested that the Commission seek legislation to offer a tax incentive for the first discovery well of a structure for a certain period of years. After discussion, the Executive Secretary was instructed to contact other states to determine what incentives have been offered elsewhere and to report his findings at the next regular meeting.

Meeting adjourned at 10:45 a.m.

APPROVED


Ralph W. Bilby, Chairman



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

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

March 9, 1971

Memo: Commissioners
From: John Bannister

Re: Report of Activity

I have appeared before several House committees concerning the two bills which the Commission is seeking to pass during the current session of the Legislature. House Bill 147, which concerns itself primarily with changes which will eventually affect regulations has, of this date, passed and been accepted by the Natural Resources Committee. It has yet to go to the Commerce, Judicial and Rules Committees. The bill had some slight amendments, being on Page 5, Line 33, the 15 days was changed to 30 days. On Page 7, Line 4, the 15th day was changed to the 25th day. On Line 21 and Line 22, the 15th day was changed to the 20th day. These changes were made at the request of El Paso Natural Gas Company and Francis Ryley. The Commission can easily live with these amendments.

House Bill 290, our money bill, has now passed Natural Resources and Government Relations Committees and has yet to pass the Rules Committee. The portion of the bill commencing on Page 2, Line 21, which concerns the levy by the Commission of 1¢ per barrel of oil, 1 mil per MCF of natural gas and 5 mils per MCF of helium has been amended by Francis Ryley. The amendment, in effect, changes the portion of the product upon which the levy will be made, i.e., the exemption from the levy of the royalty interest of the Federal, State and Indians. Otherwise, House Bill 290 has not been amended. The Commission can most comfortably live with this bill as it now is, also.

Kerr-McGee has recently shown great interest in House Bill 290 and has proposed an amendment to Representative Stan Turley. Their requested amendment would not differentiate between natural gas and helium, but provide a levy of 2 mils per MCF of gas of any type. This proposed amendment was given to Stan Turley, however at the committee meeting before Government Relations, Mr. Turley chose to ignore Kerr-McGee's request. It is my understanding that Kerr-McGee will present their request to the Rules

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3-9-71

Committee, which will hear the bill at some future date. It is my feeling that both bills will pass the House substantially as they now stand and as amended.

I have received no comments as to the Commission open house, however in appearing before the various committees I have noted a very friendly attitude displayed by those who were our guests.

The first permit for 1971 has been issued. This permit is for the Union Oil Company of California for a well in Section 4, Township 36 North, Range 29 East, and is our Permit 549. This is a test north of the Dineh-Bi-Keyah area.

Mr. Earl Huggins of Sedona is planning a 900 foot test in the Sedona area and this well should be off and running, probably within 30 to 60 days. As usual, he is having problems with the Forest Service in the area.

There have been no indications yet of drilling in the southern part of the state in spite of the seismic activity being done.

We have had inquiries concerning our procedures from various individuals, however as yet nothing concrete has come forth.

The well plan on the Guadalupe structure in southeastern Cochise by Mr. Ed Obele is still "on the books", however at last report Mr. Obele has not raised sufficient funds to commence the endeavor.

To the north of the Obele test Sun Oil Company has renewed its option on the Virginia Gas and Oil Company acreage and we may yet get a well supported by Sun on this acreage.



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ACTIVITY REPORT

March 9, 1971

Memo from W. E. Allen, Director
Enforcement Section

At the Commission meeting held February 19, 1971, Mr. Frank Moore suggested investigating kinds of incentive programs in an effort to encourage exploration activity within the State. At Mr. Bannister's instruction the oil and gas governing bodies in several states have been contacted for information that might be of some benefit to the Commission in determining the feasibility of establishing such a program. The Interstate Oil Compact Commission was also contacted.

At the time of this report we have heard from nine oil producing states and the province of Alberta, Canada regarding our request. The information so far has been generally of a negative nature.

Nebraska and Nevada have offered cash bonuses for the first producing well. Nebraska paid out their bonus of \$15,000 in 1940 for the first producing oil well and a bonus of \$10,000 in 1950 for the first producing gas well. Nevada withdrew their bonus offer before discovery was made.

New Mexico and Texas offer discovery allowables. This, in effect, increases the allowable production from the discovery well or lease for a limited period. Mr. Porter, Secretary-Director of the Oil Conservation Commission of New Mexico, further indicated that in his personal opinion the bonus allowable order had had no appreciable effects in increasing exploratory efforts.

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W. E. Allen
Activity Report
March 9, 1971

Utah in 1965 passed legislation aimed at stimulating a developing process for extracting oil and gas from shale and bituminous sandstone. This bill provided that the first 200,000 barrels of oil commercially produced would be exempt from all payments of royalty to the State of Utah. This plan could be adopted for Arizona insofar as State land is concerned. There would, of course, have to be minor variations made in this plan.

The general opinion from the answers that have been received seems to be that being able to furnish information concerning wells drilled to an interested operator and having up to date statutes dealing with oil and gas exploration and production constitutes a good incentive program. Mr. Govier, Chairman of the Oil and Gas Conservation Board of the province of Alberta, maintains that having the above information together with a good sample library available to interested operators has been of tremendous value in encouraging exploration for oil and gas.

North Dakota has expressed an interest in any incentive program that we may devise.

A four-day tour of the Navajo Springs-Pinta Dome area was made February 20-25. The area was in generally fair condition. The operators will be notified of all violations.

Eastern has still made no efforts to install identifying signs at their well locations except for their markers on plugged and abandoned wells.

Western Helium plant was rerunning a batch of helium to further clean out the gas and render it suitable for marketing. The plant operators report that the compressor that had been causing trouble had been repaired and was operating correctly.

Aritex Corporation has enlarged the storage area for LPG to a 5,100,000 gallon cavity. The operators are waiting on a consulting engineer from Tulsa to witness tests on the reservoir.

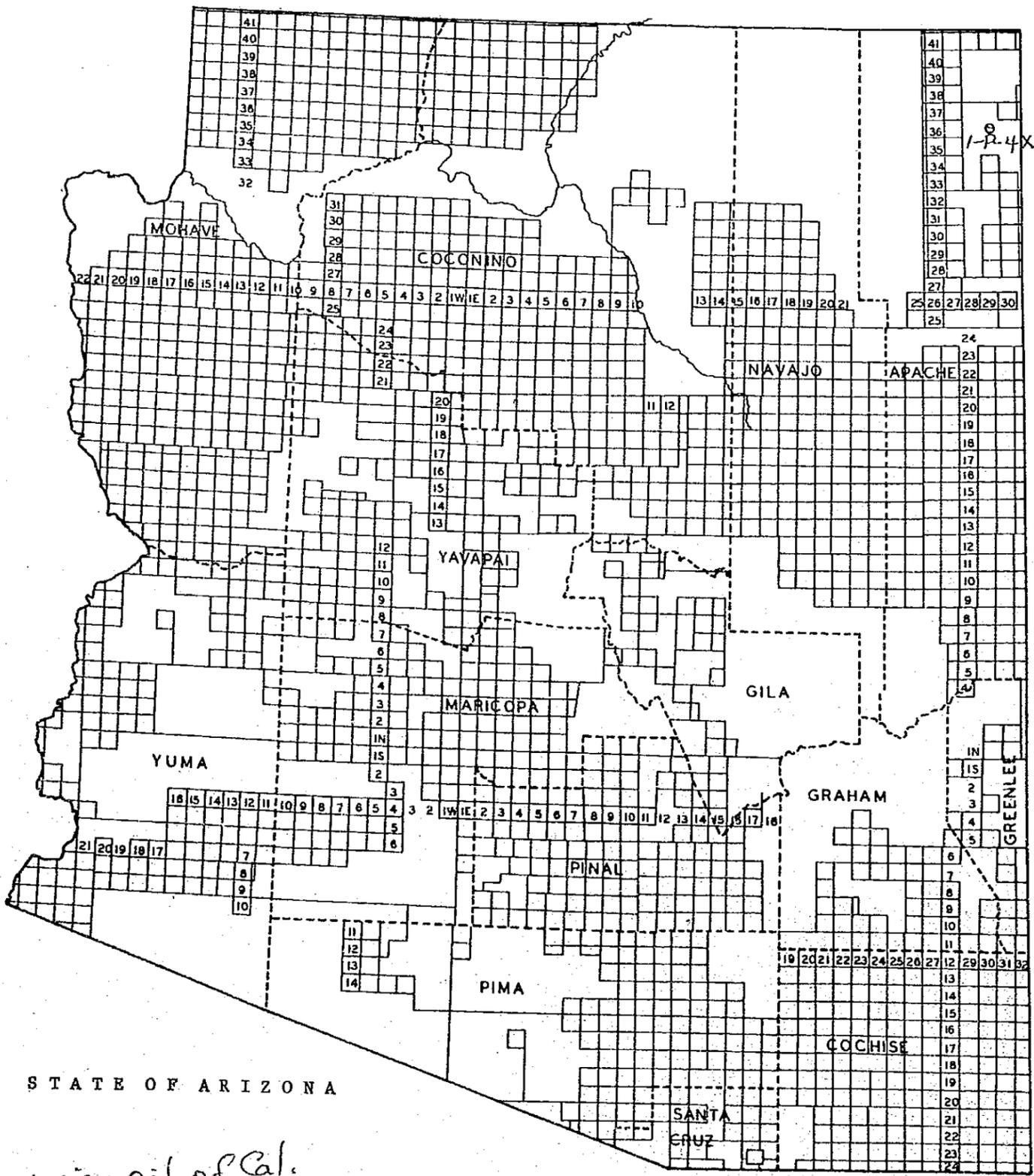
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W. E. Allen
Activity Report
March 9, 1971

This office has had a couple of visitors this month that were making sounds like they were interested in drilling exploratory wells. One well would be in Yavapai County east of Sedona; the other in Pinal County southeast of Casa Grande.

Considerable time was spent in searching the files to gather information requested by the Western Oil Reporter on drilling and production activities within the State for the year of 1970 and also for the four prior years. The information requested was for the number of permits issued, footage drilled, production, and the estimated gross revenue from this production. Comparison was made for the year 1970 with the five year period involved.

Union Oil Company of California has requested a permit to drill a 3000' test well in the SE/4 SE/4 Section 4-Township 36 North-Range 29 East, Apache County, Arizona. Plans were to spud this well March 6, 1971. I will have a progress report on this well at the Commission meeting.

As of this writing the Southwest Salt Company has not started mining salt. They are waiting on pump parts for their circulating pump.



STATE OF ARIZONA

UNION Oil of Cal.
 SE/SE SEC 4-T36N-R-29W
 Permit 549

Courtesy of
 ARIZONA OIL REPORT



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

4515 NORTH 7TH AVE.

PHOENIX, ARIZONA 85013

PHONE: (602) 271-5161

March 9, 1971

ACTIVITY REPORT

TO: COMMISSIONERS

FROM: JAMES R. SCURLOCK

Our compilation is proceeding nicely although we are a bit off schedule. We have found that the well history in some cases is so complicated and so poorly documented in our files that more than an hour may be required on a single file. We are taking a lot of pains with this job and feel that it will be the finest of its kind in the literature.

Jack is in Tucson today collecting detailed core data and logs on 44 wells drilled by Duval in the Holbrook Basin. Arkla also will be sending us an additional 20-25 logs on unpermitted strat tests in this same area. This means that we will have a tremendous amount of new data never before available to the public on the Holbrook Basin.

During the latter part of the month Ed Koester will be attending two out of state meetings; one in Riverside, California, where the Geological Society of America is holding its annual Pacific Coast meeting. Ed will be gathering data on the Imperial Valley and the Salton Sea area, which bears directly on our geologic problems in Yuma County. He also will be attending the national convention of the American Association of Petroleum Geologists in Houston the following week.

We understand that the seis crew which had been working in southern Pima County has now moved into the Harquahala Valley about 30 miles northwest of Buckeye. This is the Teledyne crew working for Santa Cruz Minerals, for which Jim Pickett and E. R. Richardson leased so much acreage across southern Arizona. Rumor has it that they are evaluating their leases now and probably will not begin drilling operations possibly for another year or two.

RECEIPTS MONTH OF	CLASSIFICATION	RECEIPTS	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
Feb 19 71	1	Permits to Drill			125 00
-0-	2				
	3				
	4				
	5				
	6				
	7				
	8				
	9				
	10				
	11				
	12				
	13				
	14				
	15				
	16				
	17				
-0-	TOTAL CURRENT MONTH RECEIPTS			-0-	XXXXXX
	TRANSFERS IN <i>Out</i>			141 86	
XXXXXX	BALANCES BROUGHT FORWARD			1,568 69	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE			1,426 83	125 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
Feb 19 71	1 Personal Services	60,277 50	45,835 00		14,442 50
6,767 00	2 Emp. Related Exp.	5,466 75	4,008 24		1,458 51
775 76	3 Other Operating Exp.	26,722 50	21,813 59	668 67	4,240 24
2,113 32	4 Prof. & Outside Serv.	1,500 00			1,500 00
650 43	5 Travel - State	6,000 00	3,968 74	1,215 09	816 17
167 78	6 Travel - Out of State	2,625 00	1,567 60		1,057 40
	7 Cap. Outlay - Equip.	8,200 00	8,688 12		1 88
	8 Conserv. Fund - Other	1,770 00	918 42		851 58
	9 Operating Exp.				
	10				
	11				
	12				
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	14				
	15				
	16				
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	29				
	30				
10,474 29	TOTALS	113,061 75	86,809 71	1,883 76	24,368 28

AGENCY 011 & Gas Conservation Comm. IDENTIFICATION CODE NO.

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 <u>Feb 1971</u>
1,790.00	7111.0	1 Per diem: board members	1 240.00
44,045.00	7112.0	2 Salaries, wages: employees	2 6,527.00
117.39	7151.0	3 Industrial Insurance	3
1,601.15	7153.0	4 F.I.C.A.	4 339.38
2,179.70	7155.0	5 State Retirement	5 326.38
110.00	7159.0	6 Personnel Commission	6 110.00
	7215.0	7 Professional Services - Engineer	7
	7219.0	8 Professional Services - Court Reporter	8
935.54	7221.0	9 Travel - State: Mileage	9 99.80
1,863.15	7222.0	10 Subsistence	10 220.70
127.10	7223.0	11 Public Transportation	11
75.797	7224.1	12 Gas - Oil	12 323.65
56.87	7225.0	13 Reg. Fees, Tel, Rental, etc.	13 4.28
45.16	7224.3	14 Preventative Mtn.	14
51.32	7224.4	15 Repairs (Usage)	15
100.00	7224.5	16 Repairs (Damage)	16
31.63	7224.6	17 Strg, Parking, Washing, etc.	17
622.10	7232.0	18 Travel - Out of State: Subsistence	18 56.80
803.95	7233.0	19 Public Trans., Taxi, etc.	19 110.73
141.55	7239.0	20 Reg. Fees, Telephone, other	20 25
12,946.22	7251.0	21 Occupancy: Rent	21 1,849.46
805.04	7253.0	22 Maintenance & Repairs	22
	7349.0	23 Other (Misc. Rental)	23
45.45	7272.9	24 Repair Furniture	24
	7272.0	25 Maintenance & Repairs:	25
	7272.1	26 Furniture & Equipment	26
33.60	7272.2	27 Maintenance Typewriters	27 33.60
	7272.2	28 Overhaul Typewriters	28
49.56	7272.4	29 Repair Adding Machines	29
		30	30
28.08	7280.1	31 Printing Stationery	31
19.00	7280.2	32 Printing Forms	32
13.63	7280.3	33 Carbon Paper & Typewriter Ribbons	33
929.77	7280.9	34 Other Misc. Office Supplies	34 153.81
48.05	7296.0	35 Coarse Paper (Towels, etc.)	35
	7294.4	36 Soap	36
	7296.5	37 Brooms, etc.	37
	7296.6	38 Light Bulbs, etc.	38
591.03	7300.0	39 Film, Field Supplies, Tools, under \$10	39 20.75
71.78	7349.0	40 Rental, Misc:	40 5.70
414.25	7333.0	41 Printing, Other	41
495.40	7332.9	42 Court Reporter	42
231.53	7334.1	43 Stamps	43
1,375.25	7335.0	44 Telephone	44
3,289.87	7337.0	45 Drayage	45
342.00	7342.2	46 Rental Equipment	46
52.50	7360.0	47 Dues & Subscriptions	47
780.06	7431.1	48 Capital Outlay: Typewriter	48
2,470.95	7431.4	49 Desks, Tables, Chairs, etc.	49
772.14	7431.5	50 Files, Storage Cabinets, etc.	50
4,514.41	7436.1	51 Passenger Cars	51
160.56	7490.0	52 Misc. (Blackboard)	52
250.00	7913.0	53 Revolving Fund	53
700.00	7912.0	54 Transfer to Other Funds	54
		55	55
86,809.71		TOTAL	10,474.29

OFFICE

(DO NOT WRITE BELOW THIS LINE)

FIELD