

OIL & GAS CONSERVATION COMMISSION
Meeting: December 17, 1971
Mr. John Bannister, Exec. Sec.



THE UNIVERSITY OF ARIZONA
TUCSON, ARIZONA 85721

DEPARTMENT OF GEOSCIENCES
LABORATORY OF GEOPHYSICS
TEL. (602) 884-2417

JSS

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O & G CONS. COMM.

*See U of A
File*

4 November 1971

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

Dear John:

I'm very sorry that we couldn't get together on an analysis of geophysical data last summer. I was deeply involved in a regional aeromagnetic survey for the states of Utah and Wisconsin; also for the Mexican geothermal project near Mexicali.

This letter is to inquire if your commission would be interested in supporting our statewide regional gravity survey. This should be culminated in the production of a state gravity map similar to the aeromagnetic map during the academic year 1972-1973.

Our year's budget for a finished production of the gravity map would be as follows:

Two half-time research fellowships	\$8,000
Map preparation costs (drafting, etc.)	1,500
Secretarial help, computer time, and incidental costs	1,500
TOTAL	\$11,000

The map would be produced in color by the University of Arizona Press, copyrighted by the Board of Regents, with credit to the Arizona Oil and Gas Commission.

I would be interested to hear your thoughts on this arrangement to produce a gravity map of Arizona.

Sincerely,

John S. Sumner
John S. Sumner

JSS:aro

cc: E. J. McCullough, Jr.
T. L. Smiley

December 9, 1971
P. O. Drawer 1200
Douglas, Arizona

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

Dear John:

Enclosed article by Mr. John M. Hazelett, State Tax Commissioner, appears to me to be a good idea. I am sure no one is able to properly assess all mining properties in the State in a fair and proper manner.

I think that this would tie in with a production tax for the Oil & Gas Industry. Suggest that you put this matter before the Commission at our meeting the 17th. In my opinion it would be a good idea to meet with Mr. Hazelett on the matter.

At the present time the mining companies of the State are just about assessing them selves on valuation, of ore reserves. On the other hand these reserves are not actually worth money until they are produced.

Sincerely yours,

Frank
Frank E. Moore

Arizona Republic
12-6-71
**Hazelett urges
net-proceeds
tax for mines**

A net-proceeds approach to taxing mines and giving the Arizona Tax Commission responsibility for assessing them are advocated by State Tax Commissioner John M. Hazelett.

Hazelett takes these positions in a talk he has prepared for delivery to an oil and mineral assessment symposium beginning here Wednesday. The three-day event, sponsored by the International Association of Assessing Officers, will be at the Ramada Inn, 3801 E. Van Buren.

In his talk, Hazelett also asserts the state could suffer a million-dollar tax loss on minerals extracted from the public domain if Congress passes the Public Domain Lands Organic Act of 1971.

Hazelett's talk cites the 1970 winter issue of the Arizona Law Review, which published mining engineer Desmond P. Kearns' opinion that Arizona's present mine tax system is "grossly inadequate."

In the review, Kearns called for a "new approach" to taxing Arizona mines, since they produce more than half the country's copper and paid \$21 million in 1969 property tax. Kearns suggested that the assessed valuation of each mine be set at a fraction or a multiple of its average net proceeds for five years.

Kearns said the net-proceeds approach, used in Utah, is a simple one requiring no appraisal engineers. It makes mines pay the highest taxes when they most easily can afford them, and the tax comes down during high-cost periods, Kearns added.

Hazelett says he agrees the net-proceeds approach would be superior to the State Property Valuation Department's mine valuation formula, which estimates the present worth of future mine production by capitalization.

Hazelett alleges that formula contains "too many variables," so it is subject to the same "garbage in-garbage out" weakness that can afflict computers if part of their input is inaccurate.

If the simplified net proceeds formula were adopted, the tax commission would be the place to put it to use, because the commission receives mine income tax returns reflecting their net proceeds, Hazelett states.

The tax commissioner adds that "the present method of property taxing the mines is too arbitrary. It leaves too much up to the director of property valuation.

"Frankly, I feel he is in a considerable quandary on this too, but can't say anything because he is only trying to carry out the orders of our state legislature the best he can with the tools given him, and I have nothing against this procedure."

Hazelett contends that both the Property Valuation Department and Tax Commission are hampered some by the fact that the former has custody of property tax records while the latter gets income and sales tax returns.

A better job of revenue collection from a given taxpayer could be done if the taxpayer's property, income and sales tax records all were readily available for comparison within one agency, the commissioner says.

December 2, 1971

Mr. Adrian Ware, Secretary
Camp 10
Woodmen of the World
4308 W. Tuckey Lane
Glendale, Arizona 85301

Dear Mr. Ware:

On behalf of this Commission I would like to express our deep appreciation for the American flag presented to us on December 1st. Your field representative, Mr. Lawrence Yocum, did a most commendable job in the presentation and we feel that Woodmen is to be commended to the utmost for its civic spirit.

Sincerely,

John Bannister
Executive Secretary

JB/vb

cc - Mr. Lawrence Yocum

December 13, 1971

Mr. William Breed
Curator of Geology
Museum of Northern Arizona
P.O. Box 1389
Flagstaff, Arizona 86001

Dear Bill:

Thank you for your letter of December 10th. I am sorry my time was so rushed that I was unable to spend the time with you I would have liked.

Bill, I do not know if the Commission will be able to donate any monies, i.e., the \$1000 grant you speak of, from the Commission to the Museum of Northern Arizona. The Legislature seems most reluctant to allow commissions such as ours to do this type of support. However, I will discuss this with the Commissioners at the forthcoming meeting.

As I previously advised you, the Legislature this current year refused to allow this Commission monies to repay the Museum of Northern Arizona for the time, work, etc., done prior to the time that the State began to support the Museum, consequently we do not have available this year any monies with which we could reimburse the Museum. Again, I will discuss this situation with the Commissioners and will advise you.

I would like to take this opportunity to wish you and your wife a Very Merry Christmas and Happy New Year.

Sincerely,

John Bannister
Executive Secretary

JB/vb



Museum OF NORTHERN ARIZONA

December 10, 1971

Mr. John Bannister
Oil and Gas Conservation Commission
4515 N. 7th Ave.
Phoenix, Arizona 85013

Dear John:

It was a pleasure to stop by and see you and see the excellent facilities that are now available for the well samples in Arizona. I am most pleased with the way that things are being handled down there.

Jim Scurlock has informed me that you would like to keep the nine cases that we sent down with you. If you do wish to keep these, the price reimbursable to the Museum is \$100 per case. There is no hurry about paying this but perhaps you could pay part of it out of your funds within the next year or two.

Also thought I would remind you of the possibility of getting a \$1000 grant from the legislature to be offered by the Museum of Northern Arizona and the Oil and Gas Conservation Commission to some student in Arizona to do some sort of stratigraphic problem for a masters or a Ph.D. in the state. I feel that this would be a very worthwhile expenditure of funds and hope the legislature will agree. Best wishes and stop up and see me sometime.

Sincerely,

WJ

William J. Breed
Curator of Geology

WJB/dd

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DEC 13 1971

O & G CONS. COMM.



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
December 17, 1971
4515 N. 7th Avenue, Phoenix, Arizona

10:00 a.m.

Call to order

- ✓ 1. Approval of minutes of meeting of November 19, 1971
- ✓ 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.

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

Minutes of Meeting
November 19, 1971

Present:

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

Absent:

Mr. Lucien B. Owens, Member

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

Minutes of the meeting of September 17, 1971 were approved as written.

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

Executive Secretary advised that Mr. Jack Conley, staff geologist, has prepared a bulletin containing the sources of geological information of Arizona which is being distributed and has been well accepted.

Supplemental budget for the fiscal year 1971-72 was discussed and Executive Secretary was instructed to present the Commission with more detailed information at the December meeting.

Meeting adjourned at 11:15 a.m. to be followed by a program presented by Mr. Mike O'Donnell, Mr. Ward Austin and Mr. Gresham Clacey of Geothermal-Kinetics Systems, Corporation, on geothermal sources and on the Geysers area of California.

APPROVED December 17, 1971

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

December 3, 1971

Memo: Commissioners
From: John Bannister

Re: Report of Activity

The Quadalupe Exploration Corporation well in the southeast corner of Cochise County has finished as a dry hole. The formations came at approximately 1,000 feet higher than anticipated. The well will be turned over to the owner of the grazing rights as a water well. Mr. Obele has indicated that he will conduct further exploration in the area. I feel that interest will continue in Cochise in spite of this failure. Undoubtedly information developed by this test will be much in demand. The well, of course, is of now being held confidential and information will be disbursed as soon as possible under our laws.

I am leaving to attend the December 5th meeting of the Interstate Oil Compact Commission in Biloxi, Mississippi and will give you a report concerning this upon my return.

Mr. Koester has completed his report entitled "Salt Domes in Arizona" and initial mailing is being made at this time. It is my feeling that this report will be well received, however I feel that a better job could have been done with the physical report itself, i.e., in the printing of the report, but due to financial limitations we are not able to be fancy. It is my feeling that the Commission has every reason to take pride in quality of this report.



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

4515 NORTH 7TH AVE.

PHOENIX, ARIZONA 85013

PHONE: (602) 271-5161

ACTIVITY REPORT

December 8, 1971

Memo from W. E. Allen, Director
Enforcement Section

Since the last report there have been three wells completed as dry holes. These wells were Cities Service Oil Company, Monsanto Navajo B-1, SW/NE, Section 27-T40N-R29E. This well was bottomed at 7150' in Mississippian Lime. The well ran over 1000' low to their Monsanto-Navajo A-1 in the SE/NE, Section 21-T40N-R29E. The Monsanto-Navajo A-1, you will recall, was completed as a fair gas well.

Republic Mineral has plugged and abandoned their E-2X, SE/SW, Section 19-T36N-R30E, Apache County, and of course, Guadalupe Exploration Corporation was unsuccessful in their attempt to find oil or gas.

We feel sure that Cities Service will drill other tests in the near future.

The V. R. Smith-Smith State No. 1, NE/SW, Section 23-T9S-R19W, Yuma County, is drilling below 2300'. They have had considerable mechanical difficulty with the rig that is on the hole--a new logging unit had been set up on this hole.

P & H Development has moved a cable tool rig to their location in the NW/SW, Section 30-T2S-R9W. Drilling operators are experiencing some difficulty in securing a permit from the U.S.G.S.

Cecil Cope, Bradshaw Fee No. 1, NW/NE, Section 34-T18N-R4E, at the last report was drilling at 2135'. Electric logs were run on this hole at 2078'. After studying the logs the operators decided to continue drilling.

Eastern Petroleum Company is attempting to complete three wells in the Chambers-Sanders area as helium producers. These wells are: Santa Fe 6X-1, SE/NW, Section 25-T20N-R28E, Kiva No. 1 Santa Fe, NE/SW, Section 13-T20N-R28E, and Chambers No. 1, NE/SW, Section 21-T21N-R28E.

Page 2
Activity Report - December 8, 1971
Mr. W. E. Allen

During a recent trip to these wells I was informed that at long last Eastern was having well signs made to be installed on all their locations. I have been working on this project for some time now.

Western Helium Corporation, Helium Extraction Plant at Navajo is still inoperative. I was told recently that they were waiting till more gas was available before putting the plant in operation.

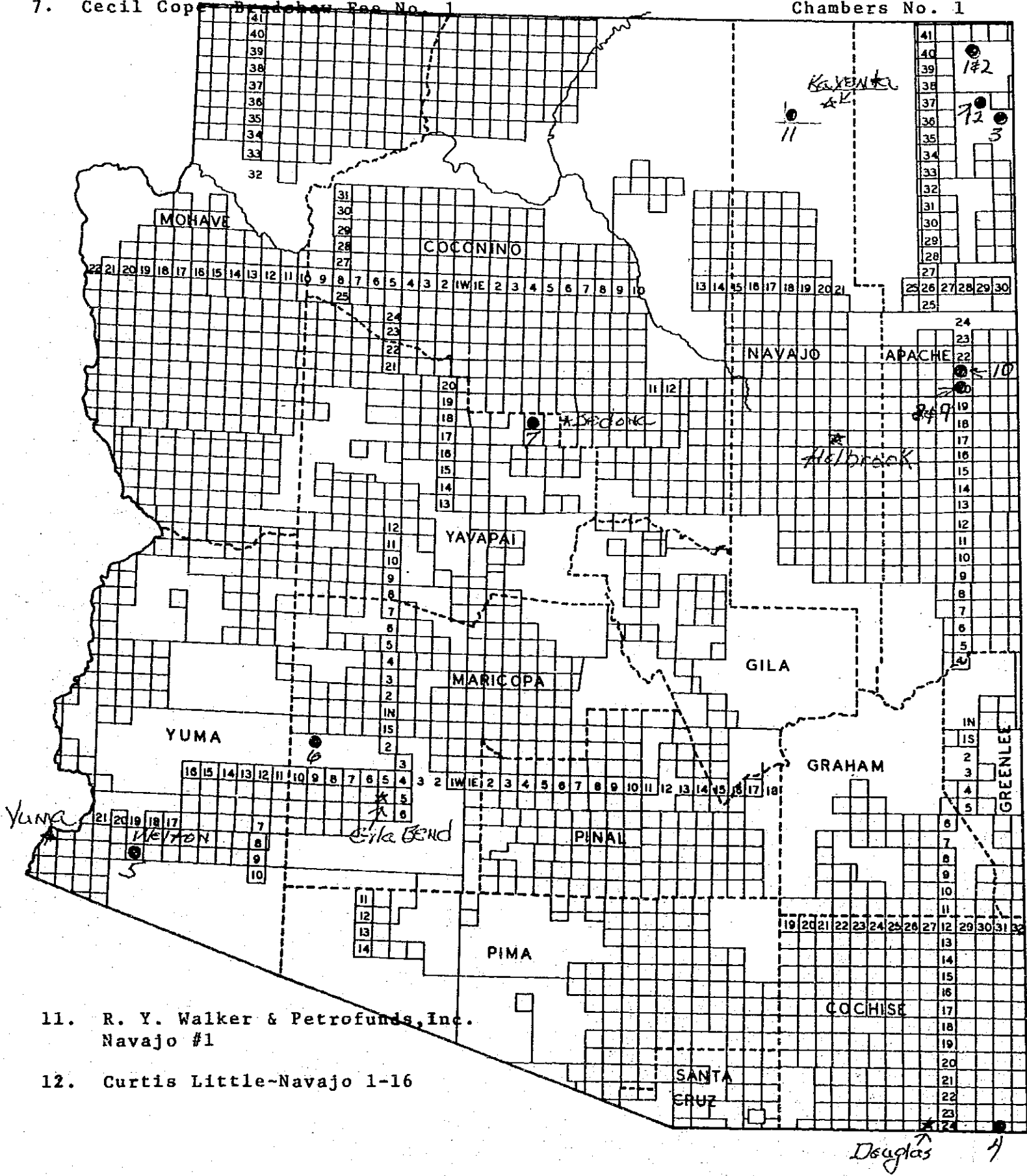
Two applications to drill have been received. One is from R. V. Walker and Petrofunds Inc. to drill a 1500' test in Section 20-T36N-R18E, Navajo County. The permit for drilling is being withheld pending receiving the certified plat and bond. The other well is Curtis Little, Navajo #1-16, NE/NE, Section 16-T37N-R29E. We are also waiting on the bond prior to issuing the permit for this well.

The writer recently met with the principals of AAA Fishing Tool Company and Merrion and Bayless in order to reconcile differences in the reporting of injected water. These operators share the same injection well in the Boundary Butte Field.

I will attend a meeting sponsored by Earth Satellite Corporation and International Engineering Company on Thursday, December 9th. Representatives from the above mentioned companies will discuss the future potential of Geothermal Resource Development in Arizona. I will report on this at the Commission meeting on the 17th.

If my secretary, Rhema Batarseh, acts a little strange or overly nervous while you are in the office next Friday, think not too much about it, she is getting married the following day.

- 1&2. Cities Service Oil Co., Monsanto Navajo A-1 & B-1
- 3. Republic Mineral Corporation, Navajo E-2X
- 4. Guadalupe Exploration State #1
- 5. V. R. Smith - Smith State #1
- 6. P & H Development No. 1 Federal
- 7. Cecil Cope - Bradshaw Exp. No. 1
- 8&9. Eastern Petroleum Kiva No. Santa Fee & Santa Fe 6X-1
- 10. Eastern Petroleum Chambers No. 1



- 11. R. Y. Walker & Petrofunds, Inc. Navajo #1
- 12. Curtis Little-Navajo 1-16



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

4515 NORTH 7TH AVE.

PHOENIX, ARIZONA 85013

PHONE: (602) 271-5161

ACTIVITY REPORT

December 8, 1971

James R. Scurlock

P.K. Hurlbut and Bill Armstrong, geologists for the Navajo Tribe, paid us a visit today leaving with us some interesting figures about their operations. The Tribe has presently under lease about 860,000 acres on which the yearly rental is \$1.25 per acre. This amounts to about a million dollars per year from rentals. In addition, they are receiving about 5500 barrels of royalty oil per day, which amounts to six million dollars per year in royalties. The bonuses derived from lease sales in past years has amounted to several million dollars per year, but this income has dwindled severely to about \$300,000.00 last year. Thus, the Tribe derives a yearly income from oil and gas of approximately \$7,300,000.00 to apply toward the Tribal budget of eighteen million dollars.

SCUTTLEBUTT

Chuck Scheffing, the Shell scout, has come through town gathering material. Jack, Ed and I spent a few hours with him -- supplying him with geological material for his Denver office. It would certainly be a fine feather in our caps if we could manage to get Shell Oil Company to get into the play in southern Arizona.

We hear that Humble has a Teledyne vibroseis crew working about eight miles south of Casa Grande, and will be working their way to the west from this position. Another Teledyne vibroseis crew is presently working for Humble along the highway, midway between Wickenburg and Phoenix. Apparently these are the only two seis crews at work within the State.

The National Aeronautic Space Administration is planning to photograph the entire State of Arizona, with high-altitude photos. These will be color photos in stereo and will be made available to State agencies through the U.S.G.S. These photographs will be useful in studying the geology of the State. The timing on this project is not set, but it should be accomplished sometime next year.

JRS:lb

cc; file



OFFICE OF
Oil and Gas Conservation Commission

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

ACTIVITY REPORT

December 8, 1971

Edward A. Koester

Accumulation of additional data and the editing and completion of the report, "Salt Domes in Arizona," has occupied most of my time this past month. Considerable interest in this report has been aroused and we have received a number of requests for copies of it. At this time about 175 copies of the report have been mailed out.

The abandonment of the test well of Guadalupe Exploration Company in southeastern Cochise County of course is a disappointment. However, I do not feel that this failure will have an adverse effect on the exploratory activity generated by Humble Oil and Refining Company, since the Humble play is in areas where geological conditions will be much different. Apparently detailed information on the Guadalupe well will be held confidential for some time.

EAK:lb

cc: file



OFFICE OF
Oil and Gas Conservation Commission

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

ACTIVITY REPORT

December 8, 1971

Jack N. Conley

SAMPLE CATALOG - ARIZONA

To date we have distributed 424 indexes and mailed 474 announcements of the availability of the catalog.

OUT-OF-STATE SAMPLE CATALOG

This well sample index has been typed. It will be mimeographed soon.

BUREAU OF MINES BULLETIN 182

Dr. H. Wesley Peirce reports that ten copies of this bulletin pertaining to coal, natural gas, helium, and uranium in Arizona were sold during the month of November. This is about the normal volume.

SOURCES OF INFORMATION - OIL & GAS - ARIZONA

A pamphlet consisting of 13 pages listing various sources of information as to maps, logs, well records, well samples, libraries, geological reports, guidebooks, and other items pertaining to the oil and gas potentialities of this State was prepared November 18th. Fifty mimeographed copies were assembled. All but five have been distributed to interested persons.

JNC:lb

cc: file

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF	2 RECEIPTS CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
Nov. 1971				
50 00	1 Permits to Drill			350 00
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XXXXXX	BALANCES BROUGHT FORWARD		2,001 83	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		2,051 83	350 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
Nov. 1971					
7,296 00	1 Personal Services	45,185 00	36,303 92		8,881 08
518 35	2 Emp. Related Exp.	4,380 00	2,787 10		1,592 90
2,975 21	3 Other Operating Exp.	17,450 00	16,262 46	756 50	431 04
	4 Prof. & Outside Serv.	850 00			850 00
447 10	5 Travel - State	4,200 00	1,918 35	1,639 49	642 16
644 89	6 Travel - Out of State	3,500 00	785 36	331 10	2,323 54
	7 Cap. Outlay - Equip.	2,100 00	1,342 56		757 44
	8 Salt Monitoring	2,000 00			2,000 00
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11,881 55	TOTALS	79,665 00	59,396 75	2,727 09	17,541 16

DIVISION		IDENTIFICATION CODE NO.	
1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF Nov. 1971
600.00	7111	1 Per Diem: Board Members	1 210.00
35,491.76	7112	2 Salaries: Employees	2 7,086.00
212.16	7113	3 Wages: Summer Aides	3
82.64	7151	4 Industrial Insurance	4 82.64
851.48	7153	5 F.I.C.A.	5 81.38
1,774.73	7155	6 Retirement	6 354.33
75.25	7159	7 Personnel Commission	7
	7215	8 Professional Services: Engineer	8
	7219	9 Other	9
306.20	7221	10 Travel-State: Mileage	10 98.20
806.00	7222	11 Subsistence	11 156.00
38.18	7223	12 Public Transp.	12
747.57	7224	13 Vehicle Exp.	13 192.50
20.40	7225	14 Reg. Fees, Parking, etc.	14 4.00
250.00	7232	15 Travel-Out of State: Subsistence	15 190.00
511.36	7233	16 Public Transp., Taxi	16 430.89
	7234	17 Airport Parking	17
24.00	7235	18 Reg. Fees, Tel., etc.	18 24.00
12,946.22	7251	19 Occupancy: Office Rent	19 1,249.46
	7261	20 Warehouse Rent	20
	7263	21 Warehouse Mtn. & Repair	21
169.00	7272	22 Mtn. & Repairs: Furn. & Equip.	22 49.00
397.12	7280	23 Office Supplies	23 126.80
183.39	7300	24 Field Supplies, Film, Am. Strat, P.I., etc.	24 32.67
917.28	7331	25 Printing: Reports, Large Maps, etc.	25 917.28
93.35	7332	26 Legal Advertisement	26
63.00	7333	27 Court Reporter	27
276.21	7334	28 Postage	28
831.87	7335	29 Telephone	29
8.75	7337	30 Drayage, express, etc.	30
67.27	7349	31 Rental, Misc.	31
59.00	7360	32 Dues and Subscriptions	32
	7431:	33 Capital Outlay: Office Equipment, Tpr, etc.	33
907.92	7433	34 Reproduction Equip.	34
434.64	7434	35 Spec. Equip.	35
250.00	7913	36 Revolving Fund	36
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59,396.75		TOTAL	11,881.55