

OIL & GAS CONSERVATION COMMISSION  
Meeting: February 15, 1974  
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  
February 15, 1974  
4515 N. 7th Avenue, Phoenix, Arizona

- 10:00 a.m. Call to order
1. ✓ Approval of minutes of meeting of January 18, 1974
  2. ✓ Report of Executive Secretary
  3. ✓ Report of Enforcement Section
  4. ✓ Report of Geology Section
  5. Old Business
  6. New Business
  7. Adjourn

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

*Ed's last days*

EXXON DDING STRATIGRAPHY IN  
SOUTHERN ARIZONA NOW (PP) Joe SCHREIBER

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

Minutes of Meeting  
January 18, 1974

Present:

Mr. Ralph W. Bilby, Chairman  
Mr. W. Roger Hafford, Vice Chairman  
Mr. Robert A. Bledsoe, Member  
Mr. F. Keith Benton, Member

The regular Commission meeting for the month of January, 1974 was called to order by Chairman Ralph Bilby at 10:00 a.m.

Minutes of meeting of November 30, 1973 were approved as written.

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

Dr. Joseph F. Schreiber, Assistant Department Head of the Department of Geosciences at the University of Arizona, was introduced to the Commission by Dr. J. J. Wright. Dr. Schreiber will replace Dr. Wright as official representative of the University to the Commission.

Chairman Bilby expressed the appreciation of the Commission to the University of Arizona and to Dr. Wright for his contributions to the Commission.

Executive Secretary advised that Governor Jack Williams requested that the Commission submit a proposal aimed to stimulate exploration for energy resources in the State of Arizona. The Governor further directed that the state universities be involved as much as possible. The University of Arizona, Arizona State University and Northern Arizona University were contacted pursuant to these instructions and all three submitted various proposals for geology studies to be conducted. The Commission personnel screened these proposals and submitted those they deemed to have merit to the Governor. Governor Williams approved the proposals, as submitted by the Commission, and instructed the Commission to request supplemental appropriation from the current Legislature so that these proposals could be commenced at the earliest possible date.

Minutes of Meeting  
January 18, 1974  
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In addition to geological studies, proposals were made to the Governor concerning the use of taxes and state royalties as state means of incentives.

The Commission further recommended to the Governor that all funds connected with the incentive program be placed under the control of the Commission.

Chairman Bilby advised that a letter has been received from the State Personnel Division recommending that the salary of the Executive Secretary be set at Grade 21 with a salary range of \$15,833 to \$21,540, effective July 1, 1974 if funds are available and there are no legal barriers. This includes a 6.75% economic adjustment for this year. It was moved, seconded and passed that the recommended salary be adopted.

Approval was given for the Executive Secretary to attend an Executive Committee meeting of the Interstate Oil Compact Commission to be held in Oklahoma City, Oklahoma on February 27, 1974.

Commission expressed its appreciation and authorized Chairman Bilby to write a letter to Dr. J. J. Wright expressing the action of the Commission.

Meeting adjourned at 11:45 a.m.

APPROVED

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Ralph W. Bilby, Chairman

Also present at meeting:

Dr. Joseph F. Schreiber  
Department of Geosciences  
University of Arizona  
Tucson, Arizona

Dr. J. J. Wright  
Tucson, Arizona

Mr. A. K. Doss  
State Land Department

JAMES B. ROLLE, JR.  
BRYANT W. JONES  
F. KEITH BENTON  
RONALD F. JONES  
TOM C. COLE  
WALDO W. ISRAEL  
LARRY W. SUCIU  
BRUCE YANCEY

LAW OFFICES  
ROLLE, JONES, BENTON & COLE  
350 WEST 16<sup>TH</sup> STREET, SUITE 300  
POST OFFICE BOX 5240  
YUMA, ARIZONA 85364

TELEPHONE 783-7895  
AREA CODE 602

February 8, 1974

Oil and Gas Conservation Commission  
4515 North 7th Avenue  
Phoenix, Arizona 85013

Gentlemen:

I will be unable to attend the February 15 meeting  
of the Oil and Gas Conservation Commission.

Very truly yours,

*F. Keith Benton*  
F. Keith Benton

FKB:amw

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FEB 11 1974

O & G CON. COMM.



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

February 6, 1974

Memo: Commissioners  
From: John Bannister

As advised in my last report to you, Mr. Ed Koester is leaving our employment to retire in California. Mr. Koester informed us that he will leave at the end of February. We have taken the necessary steps to hire a replacement and the Personnel Commission has been advised. It is interesting to note we have already received our first inquiry as to this position.

The supplemental appropriation of \$432,000 which the Governor instructed this Commission to make has been introduced as a committee bill by the House Appropriation Committee. We have not been called upon to appear as yet in regard to this bill, but I am sure we will be in the near future.

Again at the Governor's request, Representative Tony Buehl of Tucson is having a bill prepared concerning our recommendation as to a tax incentive for exploration and production. I am working with the Legislative Council drafting this proposed legislation and it should be ready for introduction by February 11th. It is my understanding that this will propose that this Commission be the collection agency for the tax in question. This is in keeping with the tax collecting methods of many producing states wherein their conservation agency, which automatically collects production figures, bills the taxpayer each month for the taxes then owed. In our proposal it would be a simple matter for this Commission to bill the producers of our oil and gas each month. I do not anticipate this would require any additional personnel.

I do anticipate a rather busy time with the Legislature this session.

I would also mention I have been requested to appear before

Memo: Commissioners  
February 6, 1974  
Page Two

the Senate Appropriations Committee on March 1st concerning our regular budget for 1974-75 fiscal year. At this time I do not feel it will be necessary for any of the Commissioners to plan to be here at that time, however I will immediately advise you should the situation change.

For your general information, Phoenix West, a new motel, will be opening around the middle of April at 24th Avenue and Thomas. This will be fairly convenient to the freeway. The sales department contacted the Commission and indicated they will be glad to extend government rates to our board members and indicated that the standing price will be \$15 single and \$18 double and the price to us will be less than these figures. I will investigate this further as soon as possible.

STATE OF ARIZONA  
31st LEGISLATURE  
2nd REGULAR SESSION

HOUSE

H. B. 2104  
INTRODUCED  
January 31, 1974

REFERENCE TITLE: Minerals Define Royalties

Referred on January 31, 1974 to Committees:

Rules \_\_\_\_\_

Ways & Means \_\_\_\_\_

Natural Resources \_\_\_\_\_

Committee of Whole \_\_\_\_\_

3rd Reading Aye \_\_\_\_\_ No \_\_\_\_\_ Absent \_\_\_\_\_

Senate Action \_\_\_\_\_

Sent to Governor \_\_\_\_\_ Action \_\_\_\_\_

MAJORITY OF COMMITTEE ON  
WAYS & MEANS

Introduced by \_\_\_\_\_

AN ACT

RELATING TO MINERALS; DEFINING "MINERALS" AND "COMMON MINERAL PRODUCTS"; PRESCRIBING ROYALTIES ON MINERALS, AND AMENDING SECTIONS 27-231, 27-234 AND 27-272, ARIZONA REVISED STATUTES.

- 1 Be it enacted by the Legislature of the State of Arizona:
- 2 Section 1. Section 27-231, Arizona Revised Statutes, is amended to read:
- 3 27-231. Location of mineral claim on state land; "mineral" defined
- 4 A. Any citizen of the United States, partnership or association of citizens, or
- 5 corporation organized under the laws of the United States or any state or territory
- 6 thereof, who discovers a valuable mineral deposit on any state land may enter upon
- 7 and locate the deposit as a mineral claim.
- 8 ~~B. The term "mineral" includes mineral compound and mineral aggregate.~~
- 9 B. FOR THE PURPOSES OF THIS ARTICLE, "MINERALS" MEANS ALL
- 10 NATURAL INORGANIC SUBSTANCES THAT MAY BE EXTRACTED FROM THE
- 11 EARTH, AND INCLUDES MINERAL COMPOUNDS AND COMMON MINERAL
- 12 PRODUCTS, SALINE DEPOSITS, AND SUCH ORGANIC SUBSTANCES AS COAL,
- 13 BUT DOES NOT INCLUDE PETROLEUM AND RELATED HYDROCARBON GASES
- 14 OR OTHER NATURAL GASES.
- 15 Sec. 2. Section 27-234, Arizona Revised Statutes, is amended to read:
- 16 27-234. Rent; royalty; termination of lease by lessee
- 17 A. The rental for a mineral lease of state lands shall be fifteen dollars per
- 18 annum, payable in advance at the time of application for lease and at the beginning
- 19 of each yearly period thereafter.
- 20 B. Every mineral lease of state land shall provide for payment to the state by
- 21 the lessee of a royalty of NOT LESS THAN five NOR MORE THAN FIFTEEN per
- 22 cent of the net GROSS value of the minerals produced from the claim. ~~The net value~~
- 23 ~~shall be deemed to be the gross value after processing, where processing is necessary~~
- 24 ~~for commercial use, less the actual cost of transportation from the place of production~~



1 to the place of processing, less costs of processing and taxes levied and paid upon the  
2 production thereof. AT THE OPTION OF THE COMMISSIONER, THE STATE  
3 RESERVES THE RIGHT TO ACCEPT PAYMENT FOR ROYALTIES IN KIND, AT  
4 THE MINE OR NEAREST SHIPPING POINT.

5 C. ROYALTY PAYMENTS ON THE FOLLOWING MINERALS SHALL BE:

6 1. ONE PER CENT OF THE GROSS VALUE OF THE ORE FOR EACH  
7 ONE-TENTH OF ONE PER CENT OF THE COPPER CONTENT OF THE ORE, AT  
8 THE MINE OR NEAREST SHIPPING POINT.

9 2. TEN PER CENT OF THE GROSS VALUE OF GOLD AND SILVER, AND  
10 SUCH OTHER MINERALS AS MAY BE SPECIFIED BY THE COMMISSIONER, AT  
11 THE MINE OR NEAREST SHIPPING POINT.

12 D. In case of minerals not processed for commercial use, the net value shall be  
13 the gross proceeds, or gross value, at the place of sale or use, less the actual cost of  
14 transportation from the place of production to the place of sale or use, less taxes, if  
15 any, levied and paid upon the production thereof.

16 E. LESSEES SHALL AGREE TO ALLOW ANY AUTHORIZED REPRESENTA-  
17 TIVE OF THE STATE LAND DEPARTMENT TO ENTER, FROM TIME TO TIME,  
18 UPON AND INTO ALL PARTS OF THE LEASED PREMISES FOR THE PURPOSE  
19 OF INSPECTION, AND SHALL FURTHER AGREE TO KEEP A FULL AND  
20 CORRECT ACCOUNT OF ALL OPERATIONS AND MAKE REPORTS THEREOF, AS  
21 REQUIRED BY THE RULES AND REGULATIONS OF THE DEPARTMENT  
22 GOVERNING OPERATIONS ON STATE LANDS. SUCH BOOKS AND RECORDS,  
23 SHOWING MANNER OF OPERATIONS AND PERSONS INTERESTED, SHALL BE  
24 OPEN AT ALL REASONABLE TIMES FOR EXAMINATION BY AUTHORIZED  
25 REPRESENTATIVES OF THE DEPARTMENT.

26 F. The lessee of any mineral lease may, if not delinquent in the payment of  
27 rent or royalty to the date of termination, terminate the lease at any time during its  
28 term by giving the commissioner thirty days' notice of termination in writing.

29 Sec. 3. Section 27-272, Arizona Revised Statutes, is amended to read:

30 27-272. Common mineral products, materials and property defined; not locatable  
31 or leasable as a claim

32 A. The term, "common mineral products, materials and property", as used in this  
33 article, includes cinders, sand, gravel and associated rock, fill-dirt, common clay,  
34 disintegrated granite, boulders and loose float rock, waste rock and materials of similar  
35 occurrence commonly used as aggregate, road material rip-rap, ballast, borrow, fill and  
36 WHEN USED for similar purposes, INCLUDES THE FOLLOWING:

37 1. FLAGSTONE, CRUSHED AND BROKEN STONE, SLATE AND VOLCANIC  
38 ROCKS USED AS BUILDING STONE.

39 2. LIMESTONE AND MARBLE.

40 3. CLAY, SHALE, KAOLINITE AND CHALK.

41 4. PUMICE AND SCORIA.

42 5. QUARTZ.

43 6. GLASS SAND AND SILICA.

44 7. PRECIOUS AND SEMIPRECIOUS STONES.

45 8. MINE WASTE ROCK AND TAILINGS.

1 9. GUANO.  
2 10. BENTONITE.  
3 11. GYPSUM.  
4 12. DIATOMITE.  
5 13. PERLITE.

6 B. Common mineral products, materials and property shall not be subject to  
7 location as a claim as provided by title 27, chapter 2, article 3 nor to lease of such a  
8 claim as provided by title 27, chapter 2, articles 3 and 4.

MEMO TO COMMISSIONERS: WOULD YOU LIKE TO SEE THIS?

J.B.

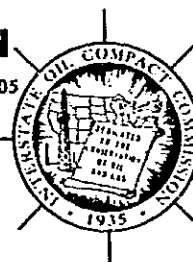
## INTERSTATE OIL COMPACT COMMISSION

HEADQUARTERS OFFICE: 900 N. E. 23RD STREET

P. O. BOX 53127

OKLAHOMA CITY, OKLAHOMA 73105

TELEPHONE: (405) 525-3556



RICHARD L. HESS  
Director of Communications

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FEB 10 1974

O & G CONS. COMM.

FOR IMMEDIATE RELEASE

OKLAHOMA CITY, Okla. --The energy crisis and the need for cooperative planning between production, conservation, and environmental interests is the theme of a new Interstate Oil Compact Commission film entitled "No Short Cuts."

The documentary film provides a layman's approach to understanding oil and gas exploration and production. It is designed for viewing by service clubs and college and high school groups.

"No Short Cuts" points to the spiraling demands for energy and the fact that over two-thirds of this nation's energy requirements are fulfilled by petroleum. It emphasizes the need to explore for "energy where nature put it," and offers some interesting and encouraging facts concerning the hazards of offshore drilling.

Emphasizing the improved technology employed by the petroleum industry, the film indicates that improved primary and secondary recovery methods make available today millions of barrels of oil which would have been unrecoverable only a few years ago. According to "No Short Cuts," this technology also insures our environment, and it provides that the once prevalent "gusher" is now a thing of the past.

Quoting Huxley's statement that "The earth is a spaceship with all its provisions aboard," the film speaks of the inevitable fact that eventually

-- more --

MEMBER STATES: ALABAMA - ALASKA - ARIZONA - ARKANSAS - COLORADO - FLORIDA - ILLINOIS - INDIANA - KANSAS - KENTUCKY - LOUISIANA  
MARYLAND - MICHIGAN - MISSISSIPPI - MONTANA - NEBRASKA - NEVADA - NEW MEXICO - NEW YORK - NORTH DAKOTA - OHIO - OKLAHOMA  
PENNSYLVANIA - SOUTH DAKOTA - TENNESSEE - TEXAS - UTAH - WEST VIRGINIA - WYOMING  
ASSOCIATES: GEORGIA - IDAHO - NORTH CAROLINA - OREGON - SOUTH CAROLINA - WASHINGTON

- 2 -

all petroleum reserves will be depleted. With this in mind it says we must all work together to prolong the life of existing resources and plan for the future.

Since atomic energy currently produces less than one percent of our energy needs, and other forms of energy such as coal face serious environmental challenges, the film states that we must all share the responsibility of providing America with time to develop other energy alternatives. The way to this, it says, is by cutting consumption now so that no serious hardships or inconveniences will be suffered.

Through cooperative planning and wise production and conservation procedures, "No Short Cuts" says we can both protect our environment and provide plentiful energy for the future. There can be, it says, no short cuts in the protection of our ecology or in the provision of energy to meet future needs.

Circulation copies of "No Short Cuts" are available at no cost other than return postage by writing IOCC Headquarters Office, Box 53127, Oklahoma City, Oklahoma 73105. Permanent copies may be purchased at the production cost of \$90.

The IOCC is an organization of 35 states which has been dedicated to the conservation of oil and gas for over 38 years. Member states account for over 80 percent of domestic petroleum production.

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FEB 06 1974

O & G CON. COMM.



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

4515 NORTH 7TH AVE.

PHOENIX, ARIZONA 85013

PHONE: (602) 271-5161

ACTIVITY REPORT

February 6, 1974

Memo from W. E. Allen, Director  
Enforcement Section

Several days were spent in northeastern Arizona during the week of January 27. Road conditions prevented my covering as much of the area as originally planned.

On December 31, 1973 all wells producing into Western Helium's extraction plant at Navajo, Arizona were shut-in. Western Helium is still operating the plant. Feedstock is being obtained from Kansas in the form of crude helium. This crude helium consists of approximately 80% pure helium, the remainder is a mixture of hydrogen and nitrogen.

Western Helium's local representative stated that the helium production from the Navajo Springs area had declined to such an extent that it was no longer economical to operate the plant on the gas available to them. Their plans are rather indefinite concerning continued operation of the plant in Arizona. Some consideration is being given to relocating the plant. The closing in of all helium wells operated by Eastern Petroleum Company may cause some problems. Eastern is the operator of some 35 wells in the area that have never been plugged. Our records indicate approximately 30% of these wells were at one

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February 6, 1974  
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time capable of producing helium. The remainder were either non-producers or made too much water to be economical to produce. There has been no activity in this area since early fall of 1972.

We have requested that Eastern inform us of their future plans for this area.

Kerr-McGee is attempting completion of their Navajo No. 17, NW/SE Section 31-T36N-R30E, Apache County. The total depth of this well is 4008'. At last report they were optimistic regarding a successful completion.

Geothermal Kinetics have moved one of their rigs to Utah. The other rig has the derrick laid down and is ready to move. Both of their geothermal prospect wells are shut-in.

Fenix & Scisson has almost completed leaching operations of the LPG Storage Project for California Liquid Gas Corporation. Upon completion the reservoir will have a storage capacity of 50,000 barrels.



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ACTIVITY REPORT

February 6, 1974

J. N. Conley  
Director, Geology Section

PUBLICATIONS

Two publications are now being printed: "Selected Paleozoic Stratigraphic Sections in Arizona," by Edward A. Koester; and 2) "Arizona Well Information, Supplement 1 - Records of Wells Drilled for Oil, Natural Gas, Helium, and Stratigraphic Well Information, Bulletin 185, 1972, by The Arizona Bureau of Mines," by James R. Scurlock.

INVESTIGATIVE PROJECTS

As reported last month, NASA has approved a grant to The Office of Arid Lands Studies, University of Arizona, for research investigative projects. One of the projects entails a search for and analysis of anomalous features discernible on photos that might be reflecting sub-surface structure favorable for oil entrapment. George H. Davis, Assistant Professor, Department of Geosciences, University of Arizona, will be the principal investigator.

A formal proposal for this project is now being drafted for submission to the board that screens all Arizona projects funded by NASA grants. This board is named "Research for Applications of Remote Sensing to State and Local Governments" (ARSIG). The membership (8 or 10) is made up of representatives from state agencies and universities, and county governments. Approval by the board is anticipated. The investigation can be commenced immediately after approval.

\* \* \* \* \*

I have mentioned in previous reports that Marshall Reiter, Department of Geoscience, New Mexico Institute of Mining and Technology, Socorro, New Mexico, has been making some geothermal investigations in northern Arizona, and is hoping to get a grant for an expanded investigation. He is currently writing a report for the Geological Society of America bulletin on the eleven drill-hole temperature measurements he has taken to date. This Commission and the Arizona Bureau of Mines have furnished him with the samples of the drill bit cuttings of ten of these holes for determination of thermal conductivities of the rocks.

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February 6, 1974  
Page Two

#### EXPLORATION

Mobil Oil Corp. is apparently continuing its subsurface investigations in the Basin and Range province. We have sent the company the samples of the first geothermal test hole drilled by Geothermal Kinetics Energy Systems for lithological and other studies. The company also wishes to examine the drill bit cuttings of the Humble (Exxon) deep "strat" hole south of Yuma when the confidentiality period expires later this month.

\* \* \* \* \*

Warren Carr, geologist, Oklahoma City, has informed me that he has developed several oil prospects in the overall Holbrook area that appear to have a lot of merit. Before attempting to put any drilling deals together he plans to visit us to get our ideas as to the prospects. Carr, incidentally, supervised Arkla Exploration Corp.'s extensive core drill and geophysical exploratory program for potash in this area. He subsequently purchased from Arkla the data obtained.

\* \* \* \* \*

Jim Scurlock reports that Loren Hughes of Natural Resource Services is trying to promote a test well in the Holbrook area.

\* \* \* \* \*

Robert B. Britton, geological consultant, Olney, Illinois, informed us recently in a letter requesting one of our publications that he represents a group interested in drilling an 8,000-foot well near Congress in Yavapai County.

#### GEOHERMAL

The first sale of geothermal leases by the U. S. Bureau of Land Management in three areas in California netted the Government \$6.8 million in high bids on 20 tracts covering 23,447 acres. Average bid per acre almost \$300. Shell Oil Co. paid \$4.5 million on two tracts in the Geysers area.

Reportedly, the B.L.M. is planning similar sales in four other western states (not specified).

#### GENERAL

The University of Arizona Department of Geosciences is presenting next week several special lectures by Hunter Yarborough, Senior Geological Scientist, Exxon Co., U.S.A. All of the lectures pertain to energy resources. A portion of one lecture will be a presentation of the results of seismic exploration and drilling in Arizona during the past few years by Humble/Exxon.

\* \* \* \* \*

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February 6, 1974  
Page Three

At the recent Southwest Section, American Association of Petroleum Geologists and Society of Exploration Paleontologists and Mineralogists joint meeting in El Paso, Texas, there were four papers presented pertaining directly to the Basin and Range province. My paper on the petroleum prospects of southeast Arizona followed one entitled, "Geology of the Pedregosa Basin in Southwesternmost New Mexico," by Eugene Greenwood, consultant, and Frank Kottowski, New Mexico Bureau of Mines and Mineral Resources.

\* \* \* \* \*

John S. Vuich and H. Wesley Peirce, Arizona Bureau of Mines, have an excellent article, "Bedrock Shoulders and Land Use," in the December 1973 Field Notes. The article was prompted by the widely publicized conflict between mineral explorationists and residential property owners near the Tucson Mountains. The authors point out that a missing element in various attempted explanations of the problem is an "overview of the general geologic condition of southern Arizona." They capably present this overview in their article.

At the present time the principal objective of the explorationist's search is copper on these bedrock shoulders. There are, however, some portions of southern Arizona where bedrock shoulders might be of interest at some future date to the explorationist looking for petroleum. This possible potential should certainly be considered by land planners in determining multiple land-use programs.

JNC:os



J.N.C.