



OIL & GAS CONSERVATION COMMISSION
Meeting: May 11, 1974
Mr. John Bamister, 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
May 17, 1974
4515 N. 7th Avenue, Phoenix, Arizona

- 10:00 a.m. Call to order
1. Approval of minutes of meeting of April 19, 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.

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

Minutes of Meeting
April 19, 1974

Present:

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

Absent:

Mr. F. Keith Benton, Member

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

Minutes of meeting of March 15, 1974 were approved as written.

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

Executive Secretary reported that House Bill 2148, providing a supplemental budget to the Commission to conduct geology work within the State of Arizona, failed to pass the House of Representatives committees and is now a dead issue. The proposed projects hold great promise for the State of Arizona and funding may be sought elsewhere, i.e., the United States Geological Survey or the Four Corners Regional Commission.

House Bill 2222, providing for a severance tax on oil, natural gas, helium and geothermal resources, as outlined at the February meeting, failed to pass Senate committees.

It was approved that Chairman Ralph Bilby represent the Commission at the annual meeting of the Rocky Mountain Section, Geological Society of America, to be held in Flagstaff, Arizona on April 29 and 30, 1974. Commissioner Robert Bledsoe will also attend, as will the Executive Secretary and all members of the Geology Section.

Meeting adjourned at 11:15 a.m. to go into Executive Session.

APPROVED

May 17, 1974

Ralph W. Bilby, Chairman



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May 9, 1974

Memo: Commissioners
From: John Bannister

There has been no change in the status of the two bills the Commission was interested in. At this time both bills are dead and I have seen no indications there will be any last minute effort to renew. I might mention that I recently attended the Independent Petroleum Association of America meeting in Denver. During this meeting I had occasion to discuss this proposed legislation and, in particular, the tax incentive bill. Those I discussed this with indicated, without exception, the feeling that the bill would be most worthwhile and a true incentive to both independents and the major oil companies. Many indicated that should we desire to seek such legislation, they would be glad to lend their full support.

Following the last Commission meeting, I had occasion to speak on the problems of the oil and natural gas industry and the reason for our short supplies, etc., to several classes of the Canyon del Oro High School in Tucson. I found the students and faculty most interested and attentive and have been requested to update the talk at some later date.

As you were advised, our Chairman, Mr. Ralph Bilby, Mr. Robert Bledsoe, the Geology Section and I attended all or a portion of the meeting of the Rocky Mountain Section of the Geological Society of America in Flagstaff. While Senator Goldwater had been originally scheduled to speak, he became ill with flu at the last minute and Mr. Harrison Schmitt, the astronaut, spoke in his stead. The meeting was well attended and I feel a benefit to our State.

I attended the Independent Petroleum Association of America meeting in Denver this past week. The big concern for the independents at this particular time is that the anti-petroleum forces in Washington, D.C. may succeed in lowering price incentives and otherwise curtail an industry which seems to be on the verge of large exploration efforts.

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Basically, the independents were not too dissatisfied with the price structure at this time, however they felt there was a definite possibility of a price rollback. This, of course, causes caution in exploration and expanding plans. Apparently once they feel that the current price will not be rolled back, fairly large efforts not only to increase existing production but to increase exploration will commence.

One of the major concerns expressed was the fact that necessary tubular goods are in short supply and in some cases seem to be stockpiled excessively by some drilling interests. Industry spokesmen indicated that the steel industry will do all within its power to meet demands, including expending of some four billion dollars to expand facilities over the next five year period, however it is unable to promise any immediate relief in the short supply situation. In truth, it is not known how much excessive stockpiling of tubular goods is actually in occurrence, however it is known that some major companies are purchasing pipe wherever they can and at whatever price seems necessary. There is no black market in tubular goods, inasmuch as there is no controlled price, but is definitely a seller's market. There seems to be some stockpile topping in the same manner as we witnessed people topping their gas tanks during our recent shortage situation.

The prognosis for supplies of oil and natural gas during the remainder of 1974 seem favorable.

It should be noted that the meeting of the Stripper Well Association, always held in conjunction with the IPAA, attracted the largest attendance in its history. While the price of stripper well oil is high, it is felt any rollback would have disastrous affects. The owners of stripper wells are beginning to spend, with caution, monies for work-over operations which would result in financial disaster should there be a price rollback.

Mr. John Miller, President of the IPAA, in a speech to the general assembly asked, and I am sure he will receive, a "war chest" of somewhere between two hundred and two hundred fifty thousand dollars with which to accomplish additional lobbying efforts in Washington. This seemed to be met with enthusiasm.

Following the last Commission meeting, the State Land Department did announce it was preparing to offer state acreage for geothermal leasing in some seven counties.

For your information I am enclosing some very interesting petroleum statistics for the year 1974.



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ACTIVITY REPORT

May 8, 1974

Memo from W. E. Allen, Director
Enforcement Section

Reed Nix spudded his geothermal resource test located in the NW/SW Section 16-T5S-R24E, Graham County on April 23, 1974. He is having his troubles. As of this date he has not been able to drill enough hole to set 80' of conductor pipe. His equipment is absolutely the sorriest I have ever seen and he is almost totally lacking in experience for this type of operation.

American Fuels have not spudded their well to be drilled in the SW/SW Section 10-T40N-R29E, Apache County. The issuance of this permit was reported last month. It is our understanding that this company is experiencing financial problems.

California Liquified Gas Corp. plan on starting the storage of propane in their storage well the first of July. The reservoir will not have reached the ultimate capacity by this date so they will continue washing operations as well as using the hole for storage. The storage of propane while continuing to enlarge this reservoir will be possible by lowering the two strings of circulating pipe that is in the hole. It has become necessary for the operators of this project

Activity Report - W. E. Allen
May 8, 1974
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to drill an additional water well. The first well drilled for water will produce only 300 gallons per minute. The operators need a minimum of 500 gallons per minute while creating the reservoir.

We continue to receive rumors that several operators have plans to drill some wildcats within the state. These rumors are very persistent, however seeing is believing.

We are attaching an article on geothermal resources exploration taken from a recent issue of The Oil and Gas Journal. You will notice that this article several times quotes Mike O'Donnell, vice-president of Geothermal Kinetics. You will also notice that he appears optimistic for the future of geothermal resources, but he fails to mention the two tests he has drilled near Higley.

This office has been receiving request for information pertaining to Eastern's operations in the Navajo Springs area from two different law firms. Of course, the reason for their requesting is not divulged and inquiries directed to this office have primarily been concerned with the amount of production, the number of producing wells and the number of wells drilled in this area.

Industry gets more active in geothermal arena

THE nation's leading oil companies are becoming active in the field of geothermal energy, which experts predict will meet about 10% of western states' power needs by the year 2000. At the same time, natural-gas and chemical companies also are reported to be developing an interest in this field.

Most recent indication of this expanding oil-company interest in geothermal energy was the high bids entered at the January (1974) sale of federal geothermal area leases in California, by such firms as Shell Oil, Signal, Natomas, Union Oil, and Standard of California.

Some of those companies, and a number of others, also are actively acquiring leases, doing exploration work, or drilling in Oregon, Idaho, Nevada, Utah, New Mexico, Colorado, and Arizona, in addition to California.

Oil and natural-gas companies, however, face a different set of problems in the geothermal area, problems that grow out of the difference in techniques from those of the oil and gas industries. "But they are quickly learning the differences," according to Mike O'Donnell, executive vice-president of Geothermal Kinetics Inc., a leading geothermal drilling and exploration company headquartered in Phoenix, Ariz.

O'Donnell, whose firm is active in California, New Mexico, Utah, Idaho, and Arizona, agrees with a prediction of William H. Lyons, deputy under-secretary of Interior, who told a Congressional subcommittee studying geothermal energy that there will be abundant geothermal power by the end of this century.

"Well before the year 2000," O'Donnell said, "western utilities will be producing as much as 10% of their needs from geothermal wells."

Virtually every electric utility in the West has turned to geothermal studies to some degree or other, O'Donnell said.

Federal spending. Geothermal activity is quite likely to be accelerated if final approval is given proposed increases in government spending for research and development of known geothermal resource areas (KGRA's). Commitments for federal agency spending in this area have been raised for fiscal 1975 to around \$45,000,000 from \$14,232,000 in the current year.

Further, the Atomic Energy Commission, with its fiscal 1975 commitment \$10,700,000 up from \$4,700,000, plans to request and spend \$185,000,000 for geothermal R&D over the next 5 years.

Other federal agencies seeking larger geothermal budgets for fiscal 1975 include National Science Foundation, U. S. Geological Survey, Bureau of Reclamation, Bureau of Land Management, and Bureau of Mines.

This splintered federal effort underscores a proposal several months ago by a leading solar energy expert who suggested a federal NASA-type agency for energy, with total authority over all energy research and development. Dr. Aden B. Meinel, of the University of Arizona, a frequent consultant to government agencies on solar matters, said such a NASA-type agency could concentrate scattered activities with excellent results, and probably quicker than with piece-meal efforts.

Legislation furthering geothermal activities already has passed the Senate by an 82-0 vote, and would set up a Geothermal Resources Development Fund to guarantee loans secured by private and public utilities for exploration, development, construction, and operation of commercial geothermal generating facilities. Guarantees of 75% of loans, up to a maximum of \$25,000,000 would be authorized.

Sen. Paul Fannin (R.-Ariz.) feels that the federal Government has been more of a hindrance than a help thus far in geothermal affairs, but that this bill would stimulate such activity.

While most of today's geothermal activity centers in such areas as California's Imperial Valley, and in Utah, Arizona, and New Mexico, exploration work is being done in the Northern Gulf of Mexico, off the Louisiana and East Texas coasts, where "a tremendous amount of work is going on, and where hot fluid is found with natural gas," according to O'Donnell. Wells in that area are around 17,000 to 20,000 ft in depth.

Another promising area is in Baja California, around Mexicali, where the first Mexican geothermal plant was to go on line late in March, climaxing 20 years' work. This region, just south of the U.S. border is believed to be a southern extension of the 120-mile long Imperial Valley geothermal area.

Although Old Faithful in Yellowstone National Park—America's best-known geyser—was first discovered in 1870, more than 80 years slipped by before Pacific Gas & Electric pioneered U.S. use of this great natural resource for power production. This plant, the world's largest, provides electricity for San Francisco residents.

Italy, meanwhile, had touched off the geothermal age as early as 1904, with a successful commercial natural-steam powered electric plant at Lardello. Five other foreign countries—China, Iceland, Japan, New Zealand, and Russia—now produce geothermal electricity.



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ACTIVITY REPORT

May 8, 1974

J. N. Conley
Director, Geology Section

PUBLICATIONS

Oil and Natural Gas Occurrence in Arizona. This chart has been printed, and is currently being distributed to state agencies and academic institutions.

* * *

Preparation of copy-ready material for the other planned FY 74 publications has not progressed as rapidly as anticipated. A considerable volume is about ready, however, and with no unforeseen delays on the part of the outside professional help involved our schedule will be met satisfactorily.

* * *

Sales of publications were slow last month. Gulf Oil, Minerals Division, Denver, and Exxon Co., U.S.A., Denver, were two of the companies that ordered some material. The Denver office of Exxon is responsible for exploration in the Colorado Plateaus portion of Arizona. This is the first request for material from the Denver office.

Our most "popular" publications for the past few months have been the subsurface temperature map, the sources of information booklet, the energy distribution systems map, and the oil and natural gas occurrence chart.

* * *

Of possible future significance, exploration-wise, we get occasional requests for information and publications from independent oil operators from widely scattered cities in the country.

Activity Report
May 8, 1974
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SAMPLE LIBRARY

In addition to the drill bit cuttings of wells drilled for oil and gas, we have a large collection of samples from wells drilled for water on the Navajo Indian Reservation. Individuals and geological/engineering firms occasionally examine some of the water well cuttings in our office. We have also been contacted by a research company in California relative getting some core chips for geologic age dating purposes.

INVESTIGATIVE PROJECTS

As reported by John Bannister at the last Commission meeting, H.B. 2148 was forgotten when the Arab's oil embargo was lifted, and "gasoline lines" vanished. There is an excellent possibility, however, that one of the proposals submitted by Northern Arizona University will be undertaken by two graduate students, initially at their own expense. The University hopes to be able to find some financial help for them next year.

Their project is a subsurface stratigraphic study of the Paleozoic rocks in northeastern Arizona. They plan on making extensive use of our lithological and geophysical logs, and drill bit cuttings of wells drilled for petroleum.

* * *

K. E. Foster, Office of Arid Lands Studies (OALS), University of Arizona, reports that the investigation of ERTS photography for anomalous structural features in northern Arizona is progressing very satisfactorily. Permission has been obtained from the Navajo Tribe to field check the most anomalous features identified this coming Summer.

Two representatives of NASA, Joe Vitale and Frank D. Hansing, and two representatives of OALS, K. E. Foster and Jack D. Johnson (Director) visited us briefly May 7. The object of the meeting was to give the NASA visitors a brief overview of the investigative project mentioned in the preceding paragraph. This review team also visited other state agencies with investigative projects being carried out under the ARSIG grant from NASA.

GENERAL

The recent meeting of the Rocky Mountain Section of the Geological Society of America in Flagstaff was well attended by members of this Commission: Ralph W. Bilby, John Bannister, Charles Druitt, James Scurlock, and myself.

Most of the papers presented dealt with basic geological and geophysical matters in Arizona. There were many interesting papers, however, pertaining directly or indirectly to energy exploration problems.

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May 8, 1974
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* * *

Warren Carr was the speaker at the May 8 meeting of the Petroleum Development Association of Arizona. He spoke very briefly on the oil and gas potentialities of the Holbrook area. Loren Hughes, a local oil operator, mentioned at the meeting that his company was planning to drill a wildcat test on the Holbrook anticline this coming Summer.

JNC:os



J.N.C.

MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF	2 CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
April 1974	1 Permits to Drill			100 00
50 00	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
50 00	TOTAL CURRENT MONTH RECEIPTS		50 00	XXXXXX
XXXXXX	TRANSFERS IN			
50 00	BALANCES BROUGHT FORWARD		3,176 83	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		3,226 83	100 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
April 1974	1 Personal Services	101,000 00	77,207 47		23,292 53
7,452 90	2 Emp. Related Exp.	12,500 00	9,492 81		3,007 19
983 76	3 Professional Serv	2,393 00	1,273 00		1,120 00
244 00	4 Travel-State	8,400 00	3,927 98	1,719 12	2,702 90
1,557 08	5 Travel-Out of State	3,400 00	2,639 72	301 00	459 28
75 00	6 Other Operating Exp.	34,689 50	29,799 23	983 06	3,907 21
2,884 06	7 Capital Outlay-Equip.	2,800 00	1,955 20	395 30	449 50
0	8				
	9				
	10				
	11				
	12				
	13				
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	30				
12,196 80	TOTALS	165,182 50	126,845 41	3,398 48	34,938 61

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF <i>April</i> 1974
1,440.00	7111	1 Per Diem: Commission Members	
76,267.47	7112	2 Salaries: Employees	7,462.90
232.38	7151	3 Industrial Insurance	
3,484.06	7153	4 F.I.C.A.	435.98
4,413.63	7155	5 Retirement	427.28
1,100.24	7156	6 Health Insurance	120.00
262.50	7159	7 Personnel Commission	
	7215	9 Professional Services: Engineer	
1,273.00	7219	10 Professional Services: Other	244.00
	7221	12 Travel - State: Mileage	46.89
584.89	7222	13 Subsistence	175.00
1,522.00	7223	14 Public Transp.	46.79
100.02	7224	15 Vehicle Expense	286.20
1,625.67	7225	16 Reg. Fees; Parking; etc.	2.50
145.40		17	
839.00	7232	18 Travel - Out of State: Subsistence	
1,515.22	7233	19 Public Transp.	
5.75	7234	20 Airport Parking	
279.75	7235	21 Reg. Fees; Telephone; etc.	75.00
		22	
22,193.52	7251	23 Occupancy: Office Rent	1,849.46
1.00	7261	24 Warehouse Rent	1.00
	7263	25 Warehouse Mtn. & Repair	
521.99	7272	26 Mtn. & Repairs: Furn. & Equip.	
2,660.87	7280	27 Office Supplies	434.16
295.03	7300	28 Field Supplies; Film; Am.Strat; P.I., etc.	52.32
895.58	7331	29 Printing: Reports; Large Maps; etc.	
	7332	30 Legal Advertisement	
	7333	31 Court Reporter, Notary Commission, etc.	
310.97	7334	32 Postage	1.68
2,064.46	7335	33 Telephone	259.34
	7337	34 Drayage; Express; etc.	
65.21	7349	35 Rental, Misc.	
1,241.60	7360	36 Dues & Subscriptions	65.10
		37	
1,955.20	7431	38 Capital Outlay: Office Equip; Tpr; etc.	
	7434	39 Spec. Equip. (Geol.)	
	7436	40 Automobile	
		41	
250.00	7913	42 Revolving Fund	
		43	
		44	
416.00		45	221.00
		46	
		47	
		48	
		49	
		50	
		51	
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		53	
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126,845.41		TOTAL	12,196.80