

OIL & GAS CONSERVATION COMMISSION  
Meeting: November 15, 1974



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

4515 NORTH 7TH AVE.

PHOENIX, ARIZONA 85013

PHONE: (602) 271-5161

ANN NO  
MINUTES

11-15-74

Doss  
40,000 acres  
(65 TRACTS) in  
Whitlock valley of  
after first of  
year

A G E N D A

Meeting

November 15, 1974

4515 N. 7th Avenue, Phoenix, Arizona

10:00 a.m.

Hearing, Case No. 48

Immediately  
following  
hearing

Call to order

1. Approval of minutes of meeting of  
October 18, 1974

2. Report of Executive Secretary

3. Report of Enforcement Section

4. Report of Geology Section

5. Old Business

10CC Res

6. New Business

7. Adjourn

NEW  
TAX BILL

Doss

TAX

OLD

BOND FORM

HOW TO APPLY

FOR FED. MONEY

10CC Reservations

BUDGET

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

Dec 8 9 10 11  
S M T W

1:30 PM  
Comm Meeting

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

Minutes of Meeting  
October 18, 1974

Present:

Mr. Ralph W. Bilby, Chairman  
Mr. W. Roger Hafford, Vice Chairman  
Mr. Robert A. Bledsoe, Member  
Mr. F. Keith Benton, Member  
Dr. Geoffrey E. H. Ballard, Member

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

Minutes of the meeting of September 17, 1974 were approved as written.

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

It was moved, seconded and approved that the Commission request that the Attorney General personally review an opinion issued by his office to the State Land Department that geothermal resources are considered ground waters and that their sale on state-owned lands must be to the highest bidder, in the same manner as gravel, trees, etc., rather than as a mineral lease. Commissioner Benton will direct the request to the Attorney General prior to the next meeting.

Executive Secretary was instructed to ask for specifics on a \$23 million federal grant controlled by the National Science Foundation, the United States Geological Survey and the Energy Research and Development Administration. The Commission desires to know if the funds will be released to private individuals or universities, to whom and where application should be made, and the specific mechanism for releasing the funds.

After discussion, the Executive Secretary was instructed to request the Attorney General to institute show-cause proceedings against Eastern Petroleum Company and their bonding company to accomplish plugging of thirteen wells.

Commission was advised that Dr. Augustus Cotera of Northern Arizona University was unable to attend the meeting as representatives of certain oil companies are interviewing June, 1975 geology graduates of the University for future positions.

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Dr. Schreiber of the University of Arizona advised that they anticipate more than forty geology graduates from that University this summer.

Executive Secretary was instructed to draft proposed rule changes concerning the number of wells to be covered by a multiple bond for consideration of the Commission at the next regular meeting. Another possible change to be considered will be the changing of a well location site after a plat has been submitted by a registered engineer.

Dr. Schreiber of the University of Arizona advised that the University is putting on a remote sensing short course December 5 and 6, 1974. Executive Secretary and Directors of the Enforcement and Geology Sections plan to attend.

Approval was given for out of state trip of Executive Secretary to attend midyear meeting of Independent Petroleum Association of America in Dallas, Texas on October 26 through 30, 1974.

Executive Secretary advised that on December 5 and 6, 1974 an energy symposium "Environmental Energy Growth in Arizona" will be held in Carefree, Arizona. Invitations should be forthcoming to members of the Commission, as the symposium should be of widespread interest.

Tentative plans were made for members of the Commission to attend the midyear meeting of the Interstate Oil Compact Commission to be held in Phoenix, Arizona on December 8 to 11, 1974, with the regular Commission meeting for the month of December to be held in conjunction therewith.

Executive Secretary discussed the feasibility of holding a geothermal conference in Phoenix. The conference would be sponsored by the Commission and possibly the Petroleum Development Association of Arizona. The Executive Secretary was instructed to pursue this possibility for further consideration. Tentative dates are February or March, 1975.

Dr. Ballard, newly appointed member of the Commission, introduced the subject as to whether his profession as a geologist and geophysicist might be a conflict of interest with his duties as a member of the Commission. Executive Secretary was instructed to request an opinion of the Attorney General.

Meeting adjourned at 11:30 a.m.

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APPROVED November 15, 1974

  
Ralph W. Bilby, Chairman

Also present at meeting:

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



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

November 6, 1974

Memo: Commissioners  
From: John Bannister

I attended the Independent Petroleum Association of America meeting in Dallas on October 27 through 29, 1974. The Independents were generally optimistic and were proud of the fact that all available rigs in the United States are now working. Many important papers were given to this group. It is interesting to note that John Sawhill was to be a keynote speaker, however his job terminated on the day he was to speak to the Association and consequently his speech was cancelled.

William Simon, Secretary of the Treasury, spoke to the Association on October 28th. He praised the Independents for their boldness in striving to find the nation's oil. He indicated that the President's goal of reducing import levels by a million barrels per day by the end of 1975 will be difficult to achieve but is not an unrealistic goal. He indicated the administration is interested in ending price control by the Federal Power Commission and also said the Federal Energy Administration will, within the next three months, call a meeting with representatives of industry, the state regulatory commissions and key federal agencies to establish a schedule for converting electrical utilities from oil to coal whenever feasible.

Mr. Simon said that the Administration's position was to remove the foreign depletion allowance while maintaining the domestic depletion allowance and that the Administration feels that decontrol of the price of secondary and tertiary production should be begun. The oil leasing on federal land should be accelerated and, hopefully, by the end of 1975 the federal government will be leasing 20 million acres for this purpose and he again stressed the deregulation on the price of natural gas.

Most of the federal speakers generally well echoed this policy. As an example, Mr. Donald Craven, Associate Assistant Administrator for the Federal Energy Administration, on October 27th indicated his department will attempt to maintain the depletion allowance for at least the Independents and that his department will seek to allow prices to reach market level, however he

OF NATURAL GAS

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indicated that the decontrol prices of oil, natural gas, coal, etc., would have to come about in an orderly phase-out to prevent total disruption of market forces.

Mr. V. E. McKelvey, the Director of the U.S. Geological Survey, indicated that the nation's total energy capacity is adequate but that development of other energy sources such as tar sands and oil shale, while having great promise, still need much research done. He indicated that water power of the United States is not fully developed and estimated that only 30% of our existing capacity is currently being used. He did point out that in the short term oil and gas will continue to be the prime energy sources and that all efforts must be made to prevent wasteful use of this valuable energy.

Mr. Harold Finger, who is General Manager for the Center for Energy Systems of General Electric Company, indicated that by 1985 the United States domestic oil production should increase from 22 million barrels per day to 27 million barrels per day. Oil shale at that time should be at approximately half a million barrels per day and approximately 1,250 million tons of coal could be produced per year, however the capital costs of investments to meet these goals would be somewhere between \$500 to \$600 billion, with from \$160 to \$200 billion being needed for oil and gas purposes. The manpower estimated to achieve this also calls for an additional work force of 460,000 people. Mr. Finger feels that these are achievable goals.

Edward Mitchell, Director of the National Energy Project for the American Enterprise Institute, indicated that four steps are necessary to achieve a stable oil and gas picture. First, the price of natural gas must be deregulated. Second, all controls on the price of oil should be removed. Third, the outer continental shelf and the naval petroleum reserves should be opened for competitive leasing. Fourth, the federal government should speed up its process of licensing such things as nuclear power plants, control of pipe lines, etc.

Pursuant to your instructions, a hearing will be held on November 15th for Eastern Petroleum Company. I contacted Mr. John McGowan, the Assistant Attorney General who is counsel for this Commission. Mr. McGowan advised that he was very busy, that we should have a hearing. He will attend as our representative, if possible. The hearing is set and I foresee no difficulties in arriving at our conclusions and establishing our authority to order the thirteen wells in question plugged, if this should be the Commission finding.

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Further, pursuant to your instructions, I contacted Mr. McGowan concerning the potential conflict of interest as to Dr. Ballard. Mr. McGowan indicated he would not write an opinion as to this. I have since received an indication that an opinion has been written, but I have not received a copy of it. I will discuss this with you.

As you are aware, the Interstate Oil Compact Commission will meet in Phoenix on December 8 through 11, 1974. The most important dates of the meeting will be the evening of December 10th and the morning of the 11th. Consequently, Chairman Bilby has suggested that reservations be made for the Commissioners at the Townehouse, the headquarters of the IOCC meeting, for the night of December 10th. He has further instructed that the December Commission meeting be held on Wednesday, December 11, at 1:30 p.m. In this way, the Commissioners will be able to attend the most important social functions and general meeting session of the IOCC and hold the normal Commission meeting, involving only Tuesday and Wednesday. Pursuant to these instructions, I have contacted the IOCC, which is making arrangements to reserve rooms for those Commission members not residing in Phoenix.

The Commission requested that we check into the needs of perhaps changing the rules and regulations concerning (1) well locations and (2) bond requirements. I am setting forth below the staff's position on both of these problems:

1. Well locations

I have reviewed the rules and regulations concerning the well locations. Our rule 102.A provides that "the location must be surveyed and the submitted plat certified by a registered surveyor and bear his certificate number". Rule 103 provides that the location of the well shall not be changed from that authorized by the permit unless prior to the commencement of the drilling the permittee wishes to change and files a new permit or, after the well is drilled and it is found the location was incorrectly described, he must secure a new permit. In either case, a new certified plat is called for.

The problems presented by Mr. Conley were primarily problems of long standing, some of which were in existence prior to our requirement for a certified plat. It is my feeling that the Commission has ample regulations and authority to correct this situation.

I would remind you that pursuant to ARS 27-527-A the person who submits an incorrect location to the Commission can be fined up to \$1,000 per day for each day of this violation. The problem



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primarily is one of lack of personnel to verify each location. However, I am enclosing a memo dated October 23, 1974 from Jack Conley wherein we have made arrangements to verify locations. If the photograph of the area indicates a discrepancy in the location as filed with this Commission, the Commission will simply order the operator to submit a corrected certified plat.

## 2. Bond requirements

ARS 27-516 requires the Commission to make rules and regulations to carry out the enforcement of its duties. Section 3. reads: "Requiring a reasonable bond with good and sufficient surety conditioned on the performance of the duties prescribed in subdivisions 1 and 2 of this subsection including the obligation to plug each dry or abandoned well."

Pursuant to the above, the Commission's bonding requirements (copy of bond form is attached) are now set at \$5,000 for a single well or \$25,000 for a state-wide bond covering any number of wells.

The Commission's first requirements were \$2,500 for an individual well and \$10,000 state-wide. This requirement stayed in effect until September 22, 1965, when our current bond amounts were established.

A review of the bonding requirements of surrounding states is attached.

I discussed our problem with Mikal F. Cronin, who is the President of the Surety Association of Arizona and is an Assistant Manager of the Fidelity and Deposit Company of Maryland. Mr. Cronin felt that undoubtedly the bonding companies would contend that their total liability under our bond, as now existing, would be \$25,000 and any claim made thereon would reduce the amount of their liability. However, I pointed out to him where our bond specifies that all requirements of the Commission shall be met and the bonding company may not terminate until such time as the Commission grants written permission. Mr. Cronin felt that should any sizeable amounts be involved at any given time, the case would probably have to go to court.

He did point out how he felt our bond form could be changed so as to specify the bonding company's liability would be \$25,000 at all times, regardless of any number of claims which might be made against it. He felt that should this change be made, the cost of a bond and the difficulty of securing a bond would be increased. He pointed out that the Surety Association of America, the association which primarily sets the cost of bonds, established the cost of Arizona current bonds as \$10 per thousand, i.e., \$50 per year for a \$5,000 bond covering one well, and \$10 per thousand

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for the blanket bond of \$25,000, i.e., \$250 for five wells, and an additional \$25 for each well over five. The maximum that may be charged for this bond is \$1,250 per year.

The Oil and Gas Commission reserves the right to make any changes it deems necessary in our forms, which would include the bond form, and this can be done without a hearing. Consequently, it is the suggestion that should the Commission decide a change in the bond liability, we change our bond form so as to include some wording to the effect that liability under the bond will remain \$25,000 at all times, even if a claim has been made and paid under the bond at a prior date. Suggested wording is shown on the attached bond form.

The securing of a bond is becoming more difficult and expensive. The staff feels that it would be wrong to increase the bond amount, thus making it even more difficult and expensive to secure.

In discussing the proposal as shown on our bond form with Mr. Cronin, he felt there would be an increase in cost of the bond, due to the fact that the surety company's liability would be increased, however he felt the increase would be less according to the suggested change on the bond form attached than if the face amount of the bond would be increased.

Should the Commission decide to withhold its opinion concerning the increasing the liability under the current bond, Mr. Cronin indicated that he or some other member of the surety association would be glad to discuss the bonding problem with the Commission on an informal basis.

I would reiterate that should the Commission decide to take action as to the bond liability, we can do this administratively by amending our bond form and we need not have a hearing.

...

Please note that following the hearing called for at 10:00 a.m. on November 15th the Commission will hold its regular meeting. It is anticipated that we can adjourn approximately at noon.

...

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Further attached please find a suggested bill which I feel the Commission should consider to be introduced in the forthcoming session of the legislature. This is the same bill we requested last year. It provides for a severance tax of 5% on the gross value of production at the wellhead in lieu of any and all other taxes on production. It further provides an incentive in that it allows the operator to recover 200% of his cost of drilling and completing the first producing well on a lease before the suggested tax is applied.

As you will recall, last year this bill was introduced and was passing easily during the gasoline shortage, however as soon as the legislators were able to go to a pump and fill up without undue lines, they lost interest in energy bills.

# BONDING REQUIREMENTS

<u>STATE</u>	<u>SINGLE WELL</u>	<u>BLANKET</u>	<u>REMARKS</u>
Alabama	\$ 2,000	\$10,000	
Arizona	5,000	25,000	
California	5,000	25,000	Bond may be released after satisfactory completion.
Colorado	5,000	30,000	
Florida	10,000	25,000	
Illinois	1,000	10,000	
Indiana	1,000	ea. well	
Kansas	none	none	
Louisiana			Bond may be required in cases where files indicate operator not responsible.
Maryland	2,500	ea. well	
Michigan	2,500	5,000	
Mississippi	none	none	
Nevada	none	none	
New Mexico	5,000	10,000	
New York	none	none	
Oklahoma	2,500	10,000	
Texas	5,000	10,000	Generally no requirement, state bond may be waived if federal bond in force.
Utah	5,000	25,000	
Wyoming	5,000	?	
Navajo Tribe	35,000 (min.)	75,000 (max.)	\$35,000 for 2560 acre lease.
U.S.G.S.	10,000		U.S.G.S. determines maximum
BLM			\$10,000 to \$150,000 surface bond.

The following states provide funds for plugging: Arkansas, California, Indiana, Kentucky, Louisiana, Michigan, Mississippi, Nebraska, Ohio, Oklahoma, Texas, Utah, West Virginia, and Wyoming.

**PERFORMANCE BOND**

**NOW ALL MEN BY THESE PRESENTS**

Bond Serial No. \_\_\_\_\_

That we: \_\_\_\_\_

of the County of \_\_\_\_\_ in the State of \_\_\_\_\_

as principal, and \_\_\_\_\_

of \_\_\_\_\_

**AUTHORIZED TO DO BUSINESS WITHIN the State of Arizona.**

as surety, are held and firmly bound unto the State of Arizona and the Oil and Gas Conservation Commission, hereinafter referred to as the "Commission", in the penal sum of \_\_\_\_\_ lawful money of the United States, for which payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators or successors, and assigns jointly and severally, firmly by these presents.

The conditions of this obligation are that, whereas the above bounden principal proposes to drill a well or wells for oil, gas or stratigraphic purposes in and upon the following described land situated within the State, to-wit:

(May be used as blanket bond or for single well)

NOW, THEREFORE, if the above bounden principal shall comply with all the provisions of the Laws of this State and the rules, regulations and orders of the Commission, especially with reference to the requirements of A.R.S. § 27-516, providing for the proper drilling, casing and plugging of said well or wells, and filing with the Oil and Gas Conservation Commission all notices and records required by said Commission, then in the event said well or wells do not produce oil or gas in commercial quantities, or cease to produce oil or gas in commercial quantities, this obligation is void; otherwise it shall remain in full force and effect.

Whenever the principal shall be, and declared by the Oil and Gas Conservation Commission in violation of the Laws of this State and the rules, regulations and orders of the Commission, the surety shall promptly:

1. Remedy the violation by its own efforts, or
2. Obtain a bid or bids for submission to the Commission to remedy the violation, and upon determination by the Commission and the Surety of the lowest responsible bidder, arrange for a contract between such bidder and the Commission, and make available as work progresses sufficient funds to pay the cost of remedying the violation; but not exceeding, including other costs and damages for which the surety may be liable hereunder, the amount set forth in the first paragraph hereof.

Liability under this bond may not be terminated without written permission of this Commission.

The principal and surety agree that the penal sum above set forth will not be reduced by any claim made under the terms of this bond by the Commission and that said penal sum will be available at all times to the Commission until the termination of this bond.

WITNESS our hands and seals, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

Principal

WITNESS our hands and seals this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

Surety

Surety, Resident Arizona Agent  
If issued in a state other than Arizona)

(If the principal is a corporation, the bond should be executed by its duly authorized officers, with the seal of the corporation affixed. When principal or surety executes this bond by agent, power of attorney or other evidence of authority must accompany the bond.)

Approved  
Date \_\_\_\_\_

**STATE OF ARIZONA  
OIL & GAS CONSERVATION COMMISSION**

By: \_\_\_\_\_

**STATE OF ARIZONA  
OIL & GAS CONSERVATION COMMISSION**

Bond

File Two Copies

Form No. 2

Permit No. \_\_\_\_\_

INNER-OFFICE MEMORANDUM

October 23, 1974

TO: John Bannister ✓  
W. E. Allen  
FROM: J. N. Conley  
SUBJECT: Well Locations


The Photogrammetry & Mapping Services, Highways Division, Department of Transportation, Arizona, will be able to help us monitor well locations. This branch of the Highways Division operates its own aircraft with cameras. Frequent flights are made to various parts of the State.

The procedure will be as follows:

1. Notify Jim Webster of Photogrammetry of all new permits issued for oil, gas, helium, and geothermal holes.
2. Notify him when the well spuds, with an estimate of how long the rig will be on location.
3. Upon receipt of information in Item 2, he will schedule a flight over the location and photograph it.
4. From the photograph he can furnish us:
  - a) Location within section
  - b) Longitude and latitude location
  - c) X-Y coordinates of State's system

The only charge for this service will be the cost of processing the photograph(s).

JNC:os

  
J.N.C.

HOUSE BILL \_\_\_\_\_  
AN ACT

RELATING TO TAXATION: REPEALING AND AMENDING LAWS THAT IMPOSE AD VALOREM TAX AND TRANSACTION PRIVILEGE TAX ON OIL, GAS AND HELIUM: IMPOSING A SEVERANCE TAX ON OIL, GAS, HELIUM AND GEOTHERMAL RESOURCES IN LIEU OF AD VALOREM AND CERTAIN OTHER TAXES: PRESCRIBING A LIMITED EXEMPTION: PROVIDING FOR ADMINISTRATION OF TAX BY THE OIL AND GAS CONSERVATION COMMISSION: PROVIDING FOR DISTRIBUTION OF PROCEEDS RECEIVED FROM SUCH TAX: AMENDING TITLE 42, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 4.1, ARTICLE 1; AMENDING SECTION 42-124, ARIZONA REVISED STATUTES: AMENDING SECTION 42-227, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS OF 1974, FIRST SPECIAL SESSION, CHAPTER 2; AMENDING SECTION 42-1310, ARIZONA REVISED STATUTES; AMENDING SECTION 42-1371, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 1973, CHAPTER 123, SECTION 119, AND REPEALING SECTIONS 42-227.01 THROUGH 42-227.04, ARIZONA REVISED STATUTES.

Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 42, Arizona Revised Statutes, is amended by adding chapter 4.1, article 1, sections 42-801 through 42-806, to read:

CHAPTER 4.1

SEVERANCE TAXES

ARTICLE 1. OIL, GAS, HELIUM AND GEOTHERMAL RESOURCES

42-801. Definitions

IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

1. "COMMISSION" MEANS THE OIL AND GAS CONSERVATION COMMISSION.

2. "GAS" MEANS ALL NATURAL GAS, INCLUDING CASINGHEAD GAS, AND ALL OTHER HYDROCARBONS IN LIQUID FORM IN THEIR NATURAL STATE AS PRODUCED AND NOT DEFINED AS OIL IN PARAGRAPH 4 OF THIS SECTION, AND HELIUM AND OTHER NON-HYDROCARBON SUBSTANCES OF A GASEOUS NATURE AND NOT DEFINED AS GEOTHERMAL RESOURCES IN PARAGRAPH 3 OF THIS SECTION.

3. "GEOTHERMAL RESOURCES" MEANS:

(a) ALL PRODUCTS OF GEOTHERMAL PROCESSES EMBRACING INDIGENOUS STEAM, HOT WATER AND HOT BRINES.

(b) STEAM AND OTHER GASES, HOT WATER AND HOT BRINES RESULTING FROM WATER, OTHER FLUIDS OR GAS ARTIFICIALLY INTRODUCED INTO GEOTHERMAL FORMATIONS.

(c) HEAT OR OTHER ASSOCIATED ENERGY FOUND IN GEOTHERMAL FORMATIONS, INCLUDING ANY ARTIFICIAL STIMULATION OR INDUCTION THEREOF.

(d) ANY MINERAL OR MINERALS, EXCLUSIVE OF FOSSIL FUELS AND HELIUM GAS, WHICH MAY BE PRESENT IN SOLUTION OR IN ASSOCIATION WITH GEOTHERMAL STEAM, WATER OR BRINES.

4. "OIL" MEANS CRUDE PETROLEUM OIL AND OTHER HYDROCARBONS, REGARDLESS OF GRAVITY, WHICH ARE PRODUCED AT THE WELL IN LIQUID FORM BY ORDINARY PRODUCTION METHODS AND WHICH ARE NOT THE RESULTS OF CONDENSATION OF GAS AFTER IT LEAVES THE RESERVOIR.

5. "OPERATOR" MEANS A PERSON WHO, AS LANDOWNER, LESSEE, OPERATOR UNDER AN OPERATING AGREEMENT, OR OTHERWISE, CONDUCTS THE ACTUAL FUNCTION OF TAKING OIL, GAS OR GEOTHERMAL RESOURCES OUT OF THE GROUND.



6. "PERSON" OR "PERSONS" MEANS ANY INDIVIDUAL, CORPORATION, ASSOCIATION, COMBINATION OR ANY GROUP ACTING AS A UNIT WHICH IS ENTITLED TO RECEIVE A SHARE OF THE PRODUCTION OR A SHARE OF THE PROCEEDS OF THE PRODUCTION.

7. "PRODUCING PROPERTY" MEANS ANY AND ALL LANDS OR PROPERTY WITHIN THE STATE UPON WHICH IS LOCATED A WELL CAPABLE OF PRODUCING GAS, OIL OR GEOTHERMAL RESOURCES.

8. "QUALIFYING WELL" MEANS THE FIRST WELL ON A PRODUCING PROPERTY WHICH FOR NINETY CONSECUTIVE DAYS IS CAPABLE OF PRODUCING NO LESS THAN FIFTY BARRELS OF OIL PER DAY, OR NO LESS THAN ONE MILLION CUBIC FEET OF NATURAL GAS PER DAY, OR NO LESS THAN ONE HUNDRED THOUSAND CUBIC FEET OF RAW HELIUM GAS PER DAY, OR A WELL PRODUCING GEOTHERMAL RESOURCES IN COMMERCIAL QUANTITIES AS DETERMINED BY THE COMMISSION.

42-802. Tax rate; levy and collection

THERE IS LEVIED UPON THE PRIVILEGE OF EXTRACTING ANY PETROLEUM OR OTHER CRUDE MINERAL OIL OR NATURAL GAS OR HELIUM GAS OR GEOTHERMAL RESOURCE ON ANY LANDS WITHIN THIS STATE A SEVERANCE TAX, WHICH SHALL BE PAYABLE TO THE COMMISSION, IN AN AMOUNT EQUAL TO FIVE PER CENT OF ONE HUNDRED PER CENT OF THE GROSS VALUE OF THE PRODUCT AT THE WELLHEAD OR AT THE POINT OF PAYMENT FOR THE PRODUCT IN THE CASE OF GEOTHERMAL RESOURCES. SUCH SEVERANCE TAX SHALL BE IN LIEU OF AD VALOREM TAX AND OF ANY AND ALL OTHER TAXES UPON THE SEVERANCE AND PRODUCTION OF THE PRODUCT BY ANY AND ALL OTHER TAXING AUTHORITIES OF THIS STATE AND POLITICAL SUBDIVISIONS OF THE STATE.

42-803. Duty of operator to file monthly return and  
pay tax

A. EVERY OPERATOR SHALL PREPARE A RETURN SHOWING THE TOTAL GROSS PRODUCTION AND GROSS YIELD THEREOF FROM EACH OF HIS PRODUCING PROPERTIES FOR THE PRECEDING MONTH TOGETHER WITH THE AMOUNT OF TAX ON SUCH TOTAL GROSS PRODUCTION, AND SHALL, ON OR BEFORE THE TWENTY-FIFTH DAY OF THE MONTH, MAIL THE RETURN TO THE OFFICE OF THE COMMISSION TOGETHER WITH A REMITTANCE FOR THE AMOUNT OF THE TAX FOR WHICH HE AND ALL OTHER PERSONS WHO ARE ENTITLED TO A SHARE OF THE REPORTED PRODUCTION OR OF THE VALUE THEREOF ARE LIABLE. THE RETURN SHALL BE ON A FORM PRESCRIBED BY THE COMMISSION AND SHALL BE VERIFIED BY THE OPERATOR OR BY SOME AUTHORIZED REPRESENTATIVE OF THE OPERATOR. FAILURE TO REMIT THE TAX DUE SHALL CONSTITUTE A LIEN UPON THE LEASE OR PROPERTY RIGHT TO TAKE PRODUCTION FROM THE LAND AND THE COMMISSION MAY ORDER ALL PRODUCTION OF OIL, GAS, HELIUM OR GEOTHERMAL RESOURCES TO BE SHUT-IN UNTIL SUCH TAX IS PAID.

B. WHEN THE OPERATOR FAILS TO MAKE THE RETURN REQUIRED BY SUBSECTION A OF THIS SECTION, IT SHALL BE THE DUTY OF EVERY OTHER PERSON WHO HAS AN INTEREST IN SUCH PRODUCTION OR THE VALUE THEREOF TO MAKE SUCH RETURN AS TO HIS OWN INTEREST THEREIN. WHERE THE OPERATOR FAILS TO PAY THE TAX ON SUCH INTEREST, IT SHALL BE SUCH OTHER PERSON'S DUTY TO PAY SUCH TAX.

C. ANY OPERATOR WHO PAYS ANY TAX LAWFULLY DUE ON AN INTEREST WHICH BELONGS TO ANOTHER PERSON IN THE PRODUCTION REPORTED BY SUCH OPERATOR ON IN THE VALUE THEREOF SHALL BE ENTITLED TO REIMBURSEMENT FROM SUCH PERSON FOR THE TAX SO PAID, AND MAY TAKE CREDIT FOR SUCH AMOUNT FROM ANY MONETARY PAYMENT OR DELIVERY IN KIND TO SUCH PERSON.

D. ANY OPERATOR WHO FAILS TO PAY SUCH TAX WITHIN FIVE DAYS FROM THE DATE UPON WHICH THE PAYMENT BECOMES DUE SHALL BE SUBJECT TO AND SHALL PAY A PENALTY OF TEN PER CENT OF THE AMOUNT OF THE TAX, PLUS INTEREST AT THE RATE OF ONE HALF OF ONE PER CENT PER MONTH OR FRACTION OF A MONTH FROM THE TIME THE TAX WAS DUE AND PAYABLE UNTIL PAID, PROVIDED THAT A PERSON WHO IS NOT AN OPERATOR SHALL NOT BE SUBJECT TO ANY PENALTY UNLESS HE FAILS TO PAY THE TAX DUE ON HIS INTEREST WITHIN FIVE DAYS AFTER RECEIPT OF DEMAND THEREFOR FROM THE COMMISSION.

E. ALL MONIES RECEIVED BY THE COMMISSION PURSUANT TO THIS ARTICLE SHALL BE TRANSMITTED TO THE STATE TREASURER WITHIN TEN DAYS AFTER RECEIPT OF SUCH MONIES.

42-804. Disposition of tax monies transmitted to  
state treasurer

THE STATE TREASURER, WITHIN FIVE WORKING DAYS AFTER RECEIPT OF ANY MONIES FROM THE COMMISSION PURSUANT TO THIS ARTICLE, SHALL PAY TO THE COUNTY TREASURER OF THE COUNTY IN WHICH THE PRODUCING PROPERTY IS LOCATED FIFTY PER CENT OF THE TAX COLLECTED. THE AMOUNT TRANSMITTED TO THE COUNTY SHALL BE CONSIDERED AS BEING A PORTION OF SUCH COUNTY'S TAX BASE FOR THE PURPOSES OF SALES TAX DISTRIBUTION. THE REMAINING FIFTY PER CENT OF SUCH TAX SHALL BE DEPOSITED IN THE STATE GENERAL FUND.

42-805. Severance tax waived upon certain conditions

A. THE SEVERANCE TAX SHALL BE SUSPENDED AND NOT COLLECTED OR DUE DURING THAT PERIOD OF TIME NECESSARY FOR THE TOTAL VALUE OF THE TOTAL PRODUCTION OF THE QUALIFIED WELL TO EQUAL TWO HUNDRED PER CENT OF THE REASONABLE COST OF DRILLING AND

COMPLETING THE QUALIFIED WELL, BUT IN NO EVENT MAY THIS PERIOD EXCEED THREE YEARS FROM THE DATE OF FIRST PRODUCTION, EXCEPT THAT:

1. IF THE QUALIFIED WELL IS A GAS WELL SHUT-IN DUE TO THE LACK OF A MARKET OR DUE TO THE LACK OF A PIPELINE CONNECTION, SUCH THREE-YEAR PERIOD SHALL RUN FROM THE DATE OF INITIAL PRODUCTION INTO A PIPELINE.

2. IF THE QUALIFIED WELL IS A GEOTHERMAL RESOURCES WELL, THE THREE-YEAR PERIOD SHALL RUN FROM THE DATE OF FIRST PRODUCTION OF ELECTRICITY FOR COMMERCIAL USE.

B. THE COMMISSION SHALL DETERMINE THE REASONABLE COST OF DRILLING AND COMPLETING THE QUALIFIED WELL AFTER CONSULTATION WITH THE OPERATOR. THE DETERMINATION OF THE COMMISSION SHALL BE FINAL AS TO THE REASONABLE COST OF THE QUALIFIED WELL AND AS TO ANY ITEM OF COST INCLUDED OR EXCLUDED.

42-806. Rules and regulations

THE COMMISSION MAY ADOPT AND PROMULGATE RULES AND REGULATIONS TO BE USED IN ADMINISTERING THE PROVISIONS OF THIS ARTICLE.

Sec. 2. Section 42-124, Arizona Revised Statutes, is amended to read:

42-124. Full cash value of producing mines, personal property used thereon, improvements thereto and mills and smelters operated in conjunction therewith

On or before the first Monday in June the department shall find the full cash value of all patented and unpatented producing mines, the personal property used thereon, the

improvements thereto and the mills and smelters operated in conjunction therewith within the state and on or before the third Monday of June transmit to the several boards of supervisors the valuation thereof.

Sec. 3. Section 42-227, Arizona Revised Statutes, as amended by Laws 1974, first special session, chapter 2, is amended to read:

42-227. Valuation of property at market value, separate valuation of land and improvements; basis for determination of assessed valuation

A. For property tax purposes the valuation of all taxable property shall be determined at its market value. The valuation of land and improvements thereon shall be determined separately. The combined valuation of all land and improvements shall not exceed the market value of the total property.

B. As a basis for determining the assessed valuation for the different classes of property specified in section 42-136, the following percentages shall apply:

1. Class one: sixty per cent of its full cash value.
2. Class two: fifty per cent of its full cash value.
3. Class three: twenty-seven per cent of its full cash value.
4. Class four: eighteen per cent of its full cash value.
5. Class five: fifteen per cent of its full cash value.

C. Upon preparation of the rolls, the assessor shall apply the appropriate percentage to the full cash value of all property so that the assessed valuation will be shown thereon.

Sec. 4. Section 42-1310, Arizona Revised Statutes, is

amended to read:

42-1310. Mining; timber; public utilities and carriers;  
contractors; newspapers and printing

The tax imposed by subsection A of section 42-1309 shall be levied and collected at the following rates:

1. At an amount equal to one per cent of the gross proceeds of sale or gross income from the business upon every person engaging or continuing within this state in the business of transporting for hire persons or property by motor vehicle from one point to another point in this state.
2. At an amount equal to one per cent of the gross proceeds of sales or gross income from the business upon every person engaging or continuing within this state in the following businesses:
  - (a) Mining, quarrying, smelting, or producing for sale, profit or commercial use, limestone, sand, gravel, copper, gold, silver or other mineral product, compound or combination of mineral products, or felling, producing or preparing timber or any product of the forest for sale, profit or commercial use.
  - (b) Producing and furnishing, or furnishing to consumers, electricity, electric lights, current, power or gas, natural or artificial, and water. Sales of electricity, current, power or gas, natural or artificial, and water to a distributor who has a transaction privilege tax license issued in this state to resell such property, shall be exempt from the tax under this paragraph.

(c) Transmitting local or long distance messages or conversations by telephone, or messages by telegraph, from one point to another point in the state, including gross income derived from tolls, subscriptions and services on behalf of subscribers, or by the publication of a directory of the names of subscribers.

(d) Transporting for hire freight or passengers by railroads or aircraft from one point to another point in the state.

(e) Operating pipe lines for transporting oil, or natural or artificial gas, through pipes or conduits from one point to another point in the state.

(f) Operating private car lines, as they are defined in chapter 4, article 3, of this title, from one point to another point in the state.

(g) Publication of newspapers, magazines or other periodicals and publications, when published within the state, including the gross income derived from subscriptions, advertising and notices.

(h) Job printing, engraving, embossing and copying, sold to purchasers in this state. The sale of job printing, engraving, embossing and copying to a person in this state who has a transaction privilege tax license issued in this state to resell such property shall be exempt from the tax under this subdivision.

(i) Contracting, but payments paid by the contractor for labor employed in construction, improvements or repairs shall not be subject to such tax.

(j) Advertising by billboards, direct mail, radio, television or by any means calculated to appeal to prospective purchasers.

Sec. 5. Section 42-1371, Arizona Revised Statutes, as amended by Laws 1973, chapter 123, section 119, is amended to read:

42-1371. Levy of tax

A. There is levied and shall be collected by the department of revenue a tax on the privilege of doing business in this state at a rate of one and one-half per cent of the gross proceeds of sales or gross income from the business upon every person engaging or continuing within this state in the following businesses:

1. Transporting for hire persons or property by motor vehicle from one point to another point in this state.

2. Producing and furnishing, or furnishing to consumers, electricity, electric lights, current, power or gas, natural or artificial, and water. Sales of electricity, current, power or gas, natural or artificial, and water to a distributor who has a transaction privilege tax license issued in this state to resell such property, shall be exempt from the tax under this paragraph.

3. Transmitting local or long distance messages or conversations by telephone, or messages by telegraph, from one point to another point in the state, including gross income derived from tolls, subscriptions and services on behalf of subscribers, or by the publication of a directory of the names of subscribers.



4. Transporting for hire freight or passengers by railroads or aircraft from one point to another point in the state.

5. Publication of newspapers, magazines or other periodicals and publications, when published within the state, including the gross income derived from subscriptions, advertising and notices.

6. Contracting, but payments paid by the contractor for labor employed in construction, improvements or repairs shall not be subject to such tax.

7. Job printing, engraving, embossing and copying, sold to purchasers in this state. The sale of job printing, engraving, embossing and copying to a person in this state who has a transaction privilege tax license issued in this state to resell such property shall be exempt from the tax under this paragraph.

8. Operating pipelines for transporting oil, natural gas, or artificial gas, through pipes or conduits from one point to another point in the state.

9. Operating private car lines, as they are defined in chapter 4, article 3, of this title, from one point to another point in the state.

10. Advertising by billboards, direct mail, radio, television or by any means calculated to appeal to prospective purchasers.

B. There is levied and shall be collected by the department of revenue a tax on the privilege of doing business in this state at a rate of one-half of one per cent of the gross

proceeds of sales or gross income from the business upon every person engaging or continuing within this state in the business of mining, quarrying, smelting, or producing for sale, profit or commercial use, limestone, sand, gravel, copper, gold, silver or other mineral product, compound or combination of mineral products.

C. The tax levied and collected under the terms of this article is designated as the "special excise tax for education".

Sec. 6. Repeal

Sections 42-227.01 through 42-227.04, Arizona Revised Statutes, are repealed.

Sec. 7. Effective date

The provisions of this act shall become effective from and after December 31, 1974.



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

4515 NORTH 7TH AVE.

PHOENIX, ARIZONA 85013

PHONE: (602) 271-5161

**ACTIVITY REPORT**

November 6, 1974

Memo from W. E. Allen, Director  
Enforcement Section

As you know, I recently attended a Geothermal Short Course sponsored by the Geothermal Resource Council in Boise, Idaho. There were approximately 85 attendees plus 14 participants.

Exploration methods and costs were the principle subjects of discussion. There was absolutely no agreement on the best exploratory tool. Some of the "experts" favored geochemistry, while others favored gravity, magnetics, infrared, micro-earthquakes, etc.; and still others favored various combination of exploratory methods. Magma Power Company's representative expressed disappointment with all the known scientific methods presently in use. It was his expressed opinion that hot springs, fumaroles, and the like were the only reliable indications of geothermal reservoirs. Magma Power is the pioneer in the field of geothermal exploration and so far the only explorationist to find commercial geothermal reservoirs in the United States.

Because of the time and expense involved in exploring for and developing a geothermal field, it was the general opinion that the major oil companies were the only ones that could afford to make a real effort to develop this resource.

The Marysville, Montana, test that was to drill into a hot dry rock area and inject water to create steam cost \$120 per foot to drill. This test failed to encounter hot dry rocks, in fact very little temperature. The maximum heat encountered was approximately 200° F and water flows were partially responsible for the test failing to reach the projected total depth.

Activity Report - W. E. Allen  
November 6, 1974  
Page 2

This test was a joint venture of the Bureau of Land Management and the National Science Foundation.

Without exception all participants at this meeting shared the opinion that the establishing of Known Geothermal Resource Areas, KGRA, created the greatest barrier to the development of geothermal resources.

Home Oil Company, Ltd. of Calgary, Alberta, Canada, contacted this office recently. They stated that they planned an aggressive exploration program in many areas of the West. They requested leasing information and our rules and regulations. Last week Ed Minnahan with Home Oil in Houston called for information about the Strip Country. After discussing our requirements on drilling, I referred him to Jack Conley to discuss the geology of that area.

Hal Susie, Bureau of Land Management, tells me the BLM has been issuing oil and gas leases like mad in the Strip Country, the Mormon Lake area and Navajo and Apache counties. A Salt Lake City lease broker has recently assigned some half-million acres of oil and gas leases in the Strip Country to an oil company. Susie could not recall the name of the company.

Ari-Mex Exploration Company has filed application to plug their three wells in the East Boundary Butte Field.

Consolidated Oil and Gas, Inc. has sold their wells in the East Boundary Butte Field to Merrion and Bayless. Merrion and Bayless have other wells in this Field. Consolidated has filed application to plug their well in the North Toh Atin Field.

Amax Exploration has been conducting pumping tests on the Geothermal Kinetics-Amax Exploration well located in the SE/SW Section 8-T7S-R8E, Pinal County. The well pumped at a rate of 320 GPM with a temperature of just over 200°F. The water from this well is relatively sweet, having a total dissolved solids of under 1300 PPM.

Reed Nix is still attempting to raise funds to continue the drilling of his geothermal test located in the NW/SW Section 16-T5S-R24E, Graham County.

The only permits that have been issued recently have been issued to Duval Corp. for the drilling of their potash test in the Navajo Springs area.



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

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

**ACTIVITY REPORT**

November 6, 1974

J. N. Conley  
Director, Geology Section

**PUBLICATIONS**

Our new and expanded Directory - Sources of Information on Exploration for Petroleum and Geothermal Resources in the State of Arizona, Pinta Dome-Navajo Springs-East Navajo Springs, and Dineh-bi-Keyah pool maps have been printed.

Since the October 9 report, we have sold 30 publications; cash receipts \$119.40. With one exception, all of the orders were from companies or individuals in the oil industry. Several publications were distributed at no charge to State of Arizona agencies during the 30-day period.

**ELEVATION AND LOCATION PROBLEMS**

As mentioned in my October report, we have encountered numerous elevation and some location problems in the Pinta Dome-Navajo Springs-East Navajo Springs area. These same problems exist for the balance of Apache County south of the helium gas pools. These problems are the result of: 1) cadastral mistakes in some of the early surveys, 2) some erroneous vertical control upon which the first topographic mapping was based, and 3) incorrect elevations and/or location data furnished by operators.

We now have good base maps with respect to correct longitude and latitude, the State Coordinate System, and township corners in surveyed areas. And for portions of Apache County we now have accurate 7½-minute U. S. Geological Survey topographic maps.

\*\*\*\*\*

Post-Spud Location Data. At the last Commission meeting the question arose as to how we could get accurate information as to the location of a well, particularly in the case of an operator not drilling at the permitted drill site. In addition to requiring the operator to furnish a post-spud location if appreciably different from that permitted (already in our rule book), we can check it from aerial photos. The Photogrammetry Section of the State Highways Division maintains its own aircraft equipped with cameras. Arrangements can be made to obtain aerial photographs of each active drilling operation. From permitted location data

Activity Report  
November 6, 1974  
Page 2

furnished the Photogrammetry Section, and the photographs, this Section can determine the longitude, latitude, and township grid system location of the drill site and the actual drilling operation site. The only charge for this service will be the film used and processing costs.

#### INVESTIGATIVE PROJECTS

U. S. Geological Survey Programs. Last month I reported that the Extramural Geothermal Research Section of the Survey was considering two of the several proposals I submitted earlier this year. Based on a recent letter from Donald W. Klick, Program Manager of this Section, the Survey is particularly interested in three proposals, and steps taken to obtain their formal submission. If final approval is obtained, the funding will be by the Survey's Branch of Contracts directly to the universities involved.

We have not received any notification from the Oil & Gas Resource Branch of the Geologic Division of the Survey as to any interest in proposals submitted earlier this year. One of the proposals, however, was for some stratigraphic and facies studies of Paleozoic units in northeastern and east-central Arizona. At the September Commission meeting, Dr. Cotera indicated that he hoped to get some financial assistance from the Survey for the two graduate students currently studying the Mississippian and Devonian Systems in the same area.

\*\*\*\*\*

Structure Mapping, Northern Arizona. Dr. George Davis, principal investigator of this NASA-funded ERTS imagery and surface structure mapping project, reports excellent progress. I had planned for Dr. Davis to personally present the results of this project at the forthcoming Commission meeting. The scheduled hearing, however, will preclude doing so because of the time element.

General. Dr. Edgar McCullough, Department of Geosciences, University of Arizona, has given us a publication by the National Academy of Sciences, entitled "U. S. Program for the Geodynamics Project, Scope and Objective." This is an international program of research on the dynamics and dynamic history of the earth with emphasis on phenomena that affect surface or near-surface processes and structures.

The section in this publication pertaining to the Basin and Range-Colorado Plateau-Rocky Mountain Region is based on input by the University of Arizona. Nine outstanding problems related to the geodynamics of the region are listed. Solution of some of the problems would certainly be of value in semi-isolating areas favorable for the occurrence of ore, hydrocarbon, and geothermal resources. Unfortunately, as pointed out in this section, we lack the accurate knowledge of the present structural relationships and past tectonic history of the Basin and Range-Colorado Plateau-Rocky Mountain Region to obtain a complete understanding of the geodynamic evolution of western North America. In our State, for example, many large areas have yet to be subjected to detailed geologic mapping or to geophysical surveys, and present topographic map coverage is inadequate to provide the base maps necessary for many such investigations. However, some of the current investigations by the U. S. Geological Survey, our State universities, the State Land Department, the Arizona Resources Information System, and this Commission are directed toward furnishing some of the required basic data.

Activity Report  
November 6, 1974  
Page 3

The Department of Geosciences, University of Arizona, currently has three significant research projects under way, funded principally by the National Science Foundation. They are: 1) dating of volcanic rocks in Arizona and adjacent provinces in Mexico, by Dr. Damon; 2) thermal studies in Arizona, by Dr. Morton; and 3) gravity and magnetic studies in Arizona, by Dr. Sumner.

\*\*\*\*\*

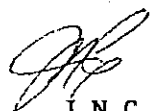
There is a possibility that some grant monies may be available for energy research in Arizona at some future date from the Energy Research & Development Administration (ERDA). This agency is to set into motion the nation's \$20-billion, 10-year search for new energy sources, aimed primarily on nuclear energy and coal gasification and liquefaction. There will be specialized areas, however, including fossil, solar, and geothermal.

Secretary of the Interior, Rogers C. B. Morton, has been named head of the Energy Resources Council, which is to serve as coordinator of the various policies among the federal agencies. This council replaces the National Energy Board. In my opinion, President Ford selected the right man for the new council. Some of the most important agencies that will be involved in ERDA's activities, such as the Geological Survey and Bureau of Mines, are under his direction as Secretary of the Interior.

#### GEO THERMAL

Sperry Research Center has released information on an advanced geothermal pump. According to the news release in GEOTHERMAL REPORT, Vol. III, No. 21, the pump solves one of the "major technical hurdles holding back massive beneficial exploitation of geothermal energy." Further, "Significance of the Matthews-Sperry development is it indeed holds promise of getting down deep and bringing geothermal brines back alive, that is, without flashing into steam along the way before reaching surface, efficiently, economically, and environmentally satisfactory." We do not yet know if Arizona has any exploitable geothermal areas. If hot brines or water are discovered, however, this pump might make exploitation economically feasible. The two deep geothermal test holes drilled by Geothermal Kinetics Systems near Higley suggest that in this area hot waters rather than steam might be anticipated. In this connection, for fiscal years 1974 and 1975 the National Science Foundation has a total budget of \$500,000 for research and technology pertaining to low temperature heat conversion. These studies may produce techniques that will further enhance the possibility of recovering geothermal fluids for conversion to electrical power plus other applications in Arizona.

JNC:os

  
J.N.C.

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>Oct 1974</u>
420 00	7111	1 Per Diem: Commission Members	1 210 00
32,058 59	7112	2 Salaries: Employees	2 8,634 84
		3	3
	7151	4 Industrial Insurance	4
59 08	7152	5 Unemployment Insurance	5 59 08
1,750 37	7153	6 F.I.C.A.	6 423 67
1,839 99	7155	7 Retirement	7 495 37
420 00	7156	8 Health Insurance	8 120 00
96 25	7159	9 Personnel Comm.	9 96 25
		10	10
	7215	11 Professional Services: Engineer	11
857 65	7219	12 Professional Services: Other	12 449 65
		13	13
557 40	7221	14 Travel-State: Mileage	14 155 10
938 50	7222	15 Subsistence	15 248 00
60 00	7223	16 Public Transportation	16 60 00
947 69	7224	17 Vehicle Expense	17 391 00
68 00	7225	18 Reg. Fees; Parking; etc.	18 35 20
		19	19
623 00	7232	20 Travel-Out of State: Subsistence	20 280 00
990 83	7233	21 Public Transportation	21 301 18
1 02	7234	22 Airport Parking	22
248 85	7235	23 Reg. Fees; Telephone; etc.	23 20
		24	24
11,096 76	7251	25 Occupancy: Office Rent	25 1,849 46
	7261	26 Warehouse Rent	26
	7263	27 Maintenance & Repairs	27
250 00	7272	28 Mtn. & Repairs: Furniture & Equipment	28
707 49	7280	29 Office Supplies	29 208 03
399 50	7280.1	30 Orthophoto Quads.	30 399 50
157 21	7300	31 Field Supplies: Film; Am.Strat; P.I.; etc.	31 20 00
62 00	7331	32 Printing: Reports; Large Maps; etc.	32 30 00
	7332	33 Legal Advertisement	33
	7333	34 Court Reporter	34
183 68	7334	35 Postage	35 183 68
815 27	7335	36 Telephone	36 334 74
	7337	37 Drayage; Express; etc.	37
61 80	7339	38 Rental, Misc.	38
36 50	7360	39 Dues & Subscriptions	39 7 50
		40	40
189 32	7431	41 Capital Outlay: Office Equip.	41
	7434	42 Spec. Equip. (Geol.)	42
3,533 57	7436	43 Automobile	43
		44	44
250 00	7913	45 Revolving Fund	45
		46	46
		47	47
		48	48
		49	49
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58700 26		TOTAL	14,992 45



# MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF	2 CLASSIFICATION	3 APPROPRIATED RECEIPTS	4 UNAPPROPRIATED RECEIPTS	5 TOTAL ALL RECEIPTS YEAR TO DATE
Oct 1974				
50 00	1 Permits to Drill		50 00	200 00
	2			
	3			
	4			
	5			
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	16			
	17			
50 00	TOTAL CURRENT MONTH RECEIPTS		50 00	XXXXXX
XXXXXX	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		3,426 83	XXXXXX
50 00	TOTALS - MONTH AND YEAR TO DATE		3,476 83	3,476 83

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
19					
8,844 84	1 Personal Services	58,350 00	32,478 59		25,871 41
1,194 37	2 Emp. Related Exp.	7,600 00	4,165 69		3,434 31
3,032 91	3 Other Operating Exp.	28,922 25	14,020 21	11,717 21	3,183 81
449 65	4 Prof. & Outside Serv.	2,435 85	857 65		1,578 20
889 30	5 Travel - State	4,950 00	2,591 59	1,939 40	419 01
581 38	6 Travel - Out of St.	3,200 00	1,863 70	332 73	1,004 59
- 0 -	7 Cap. Outlay - Equip.	4,100 00	3,722 83		377 17
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	28				
	29				
	30				
14,992 45	TOTALS	109,558 10	59,700 26	13,989 34	35,868 50

TELEPHONE 254-9251

PRES.  
SURETY ASSN. OF  
ARIZ.

MIKAL F. CRONIN

ASSISTANT MANAGER  
FIDELITY AND DEPOSIT COMPANY  
OF MARYLAND

528 SECURITY BLDG.  
PHOENIX, ARIZONA 85004

Revised March 29, 1972

Number following ▲ indicates Class Code.

Arizona  
LP-2

License and Permit Bonds

	Per M per Annum
General and Specialty Contractors: \$50.00 per M per annum on penalty of bond. Premium fully earned. No refund or adjustment. ▲ 435	
★ Mortgage Brokers ▲ 458	\$15.00
Motor Vehicle Dealers	20.00
▲ Apply codes p. LP-9	
Motor Vehicles—Defective Title Bond ▲ 468—\$10.00 per M on bond penalty for the term.	
Motor Vehicles—Gross Receipt Tax Bond ▲ 467: Apply rate and minimums for Mileage Tax Bonds given at General p. LP-10.	
Oil and Gas Well Drilling ▲ 429:	
Bond of \$5,000 covering one (1) Well	10.00
Blanket Bond of \$25,000 covering five (5) Wells	10.00
For each additional Well over five (5) add \$25.00.	
Maximum annual premium \$1,250.	
Produce Dealers and Citrus Fruit Commission Merchants	
▲ 470	10.00
Real Estate Brokers and Salesmen: ▲ 455	
Apply General Rates p. LP-13.	
Users of Motor Vehicle Fuels:	
Apply Rates and Codes as given at Manual p. LP-6.	
Wholesale Peddlers ▲ 473	20.00

Cancel Copy Letter dated October 12, 1971

RATE MANUAL - SURETY ASSN OF  
AMERICA

Reserve Rooms #24  
at Town Hsg or  
12-10-74 for #29  
Comms - Dec meeting  
12-11-74 1:30 PM

Fel -

Daniel did you notify any other person of order to plug USFNB?

appil to plug

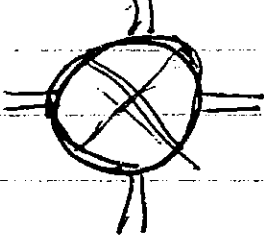
60 drop - 30 drop



Bond -  
Site of Elevations  
Belford



CHEVRON  
MOBIL Gulf



10

1

TO COVER  
IDCC

Dec 11 1130

FAX BILL

Ballard SHNDAT  
Billy  
Bledsoe

Project List  
How to  
Promote

NO CONSIDERATION  
of money  
or  
man power

JB  
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 16TH STREET, SUITE 300  
POST OFFICE BOX 5240  
YUMA, ARIZONA 85364

November 7, 1974

RECEIVED

NOV 8 1974

O & G CONS. COMM.

TELEPHONE 783-7895  
AREA CODE 602

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

Gentlemen:

I will be unable to attend the November 15, 1974,  
meeting.

Very truly yours,

ROLLE, JONES, BENTON & COLE

*F. Keith Benton*  
F. Keith Benton

FKB:amw

DEPARTMENT OF LAW  
OFFICE OF THE  
**Attorney General**  
STATE CAPITOL  
Phoenix, Arizona 85007

N. WARNER LEE  
THE ATTORNEY GENERAL  
RODERICK S. McDOUGALL  
CHIEF ASSISTANT ATTORNEY GENERAL

November 4, 1974

Mr. F. Keith Benton  
Attorney at Law  
P. O. Box 5240  
Yuma, Arizona 85364

Dear Keith:

Enclosed herewith is a copy of the opinion about which  
we spoke on the 'phone last week.

If we can be of any further assistance to you, please  
do not hesitate to contact us.

Sincerely,

N. WARNER LEE  
The Attorney General

ROD G. McDOUGALL  
Chief Assistant Attorney General

fs  
Encl.

cc. Mr. John Bannister, Exec. Secy.  
Oil and Gas Conservation Comm.

COPY



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

October 18, 1974

The Attorney General  
State Capitol  
Phoenix, Arizona 85007

Attention: Mr. John McGowan  
Special Assistant Attorney General

Dear Sir:

Geoffrey E. H. Ballard, PhD, was recently appointed as a Commissioner to serve on this Commission. Dr. Ballard is, by profession, a geologist and geophysicist and does consulting work in the State of Arizona.

Will you please advise what work Dr. Ballard may do within his profession that will not be a conflict of interest with his duties to this Commission. We might remind you that, by law, this Commission regulates exploration, drilling and production of oil, natural gas, helium and geothermal resources.

Respectfully,

*John Bannister*  
John Bannister  
Executive Secretary

JB/vb

*Must use own judgement.  
No one can tell him if serving  
on the Comm.*

October 18, 1974

The Attorney General  
State Capitol  
Phoenix, Arizona 85007

Attention: Mr. John McGowan  
Special Assistant Attorney General

Dear Sir:

Geoffrey E. H. Ballard, PhD, was recently appointed as a Commissioner to serve on this Commission. Dr. Ballard is, by profession, a geologist and geophysicist and does consulting work in the State of Arizona.

Will you please advise what work Dr. Ballard may do within his profession that will not be a conflict of interest with his duties to this Commission. We might remind you that, by law, this Commission regulates exploration, drilling and production of oil, natural gas, helium and geothermal resources.

Respectfully,

John Bannister  
Executive Secretary

JB/vb