

OIL & GAS CONSERVATION COMMISSION
Meeting: December 11, 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
December 11, 1974
4515 N. 7th Avenue, Phoenix, Arizona

1:30 p.m.

Call to order

1. ✓ Approval of minutes of meeting of November 15, 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.

*Empliment - Ballard's letter immediately
Sec Comdy for Geo Dept. ———*

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

Minutes of Meeting
November 15, 1974

Present:

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

Absent:

Mr. F. Keith Benton, Member

The regular Commission meeting for the month of November, 1974 was called to order by Chairman Ralph Bilby at 10:40 a.m. at the conclusion of the hearing of Case No. 48.

Minutes of the meeting of October 18, 1974 were approved as written.

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

Executive Secretary advised that in accordance with instructions of the Commission to draft proposed rule changes concerning the number of wells to be covered by a multiple bond, consultation was had with Mr. 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 feels that should the Commission bond form be changed to specify that the bonding company's liability would be \$25,000 at all times, regardless of the number of claims which might be made against it, the cost of the bond and the difficulty in securing a bond would be increased.

After discussion, it was agreed that no action would be taken at this time to change the bond form.

As previously instructed by the Commission, the Executive Secretary reported on the problem of a well site not being located at the specific place indicated on the plat submitted by a registered engineer. The Photogrammetry and Mapping Services of the Highways Division, Department of Transportation, Arizona, will photograph well sites at the request of the Commission. The only charge will be the cost of processing the photographs. In most cases, there is no deliberate attempt to deceive the Commission by furnishing incorrect information and the photographs will be sufficient evidence to require the filing of a new plat.

Executive Secretary advised that he has appeared before a member

Minutes of Meeting
November 15, 1974
Page Two

of the Joint Legislative Budget Committee to discuss the Commission requested budget for the 1975-76 fiscal year. The Committee will recommend approval of the budget by the Legislature with the exception of the out-of-state travel request, which they will recommend remain at the 1974-75 level.

Executive Secretary advised that, on instructions of the Commission, a letter was sent on October 18, 1974 to Mr. John McGowan of the Attorney General's office, requesting an opinion as to whether the profession of Dr. Ballard, newly appointed member of the Commission, as a geologist and geophysicist might be a conflict of interest with his duties as a member of the Commission. Mr. McGowan declined to issue a written opinion but stated that Dr. Ballard would have to use his own judgment as to whether any particular consulting job would be a conflict of interest.

Dr. Schreiber advised that the University of Arizona has noted a large increase in procuring services of graduating geology students. Dr. Cotera advised that Northern Arizona University, also, has experienced much increase in securing the services of graduating students, as well as securing the summer services of undergraduates.

After discussion, Executive Secretary was instructed to proceed with plans to reintroduce a house bill to provide for a severance tax on oil, natural gas, helium and geothermal resources. The bill was introduced in the last session of the Legislature, but did not pass all committees.

As the 1974 Annual Meeting of the Interstate Oil Compact Commission will be held in Phoenix on December 8 to 11, 1974, it was agreed that as many members of the Commission and staff as possible should plan to attend all sessions. The regular Commission meeting will be held at 1:30 p.m. on December 11, 1974, to coincide with the conclusion of the Compact Commission meeting.

Meeting adjourned at 11:50 a.m.

APPROVED December 11, 1974

Ralph W. Bilby, Chairman

Minutes of Meeting
November 15, 1974
Page Three

Also present at meeting:

Dr. Augustus Cotera
Department of Geology
Northern Arizona University
Flagstaff, Arizona

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



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December 3, 1974

Memo: Commissioners
From: John Bannister

The Order of the Commission in Case No. 48 has been prepared and approved by the Attorney General's Office, i.e. Craig Musel, and distributed. The only response to the initial order was a reply from the Prentice-Hall Corporation, statutory agent for Eastern Petroleum Company. They advised that they had no standing in the case other than statutory agent and consequently should not be looked to for performance. After discussion with the Attorney General's Office (Musel), I advised Prentice-Hall that the Commission realizes their position and in no way looks to them for performance and pointed out that the terms of the Order did not call on Prentice-Hall for performance of any duties whatsoever. Mr. Allen's report will bring you up to date on the arrangements being made with Eastern for compliance with the Commission Order.

Arrangements for the IOCC meeting have been pretty well completed and I think we can all look forward to a pleasant and profitable meeting.

Since the last Commission meeting on November 15, 1974, all personnel have completed the State's defensive driving course. This is the course designed to make the participant's driving more safe and all personnel were requested by the Personnel Department to take this course.

We are taking the initial steps through Senator Stan Turley and Representative Bill Lewis to introduce our proposed bill relating to taxation as a means of encouraging the development of oil, gas and geothermal resources in the State. I will keep you advised of the progress of this bill.

I would remind you that the Commission meeting for the month of December will be at 1:30 p.m. on Wednesday, December 11th. This will follow the end of the IOCC meeting. Mr. Keith Benton has advised he will be unable to attend either the IOCC meetings or the Commission meeting.

The Planning Division of the Finance Department has advised us of the possibility that the Commission will be moved from its

Memo: Commissioners
December 3, 1974
Page 2

present quarters to the Capitol area. I contacted Mr. George Leiphart on December 2nd concerning this potential and found that there is absolutely nothing concrete as to this proposed move at this time. As you are aware, the Commission's lease on the present premises expires on June 30, 1975. In our budget we have been allowed approximately an 8% increase for rental purposes. Pursuant to this, I made an offer to our landlord to lease for another five years at an additional cost of 5%. I have not had a response from him as yet. All State lease contracts have a thirty day cancellation provision. In my talk with Mr. Leiphart, I indicated we would not rush into a lease until we had more definite information concerning a potential move.



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ACTIVITY REPORT

December 3, 1974

Memo from W. E. Allen, Director
Enforcement Section

For the thirteenth time, I believe, the Congress is again messing around with the depletion allowance. The House Ways and Means Committee has cleared a bill that, if passed as cleared, would cut the depletion allowance to 15% retroactive January 1, 1974, and completely eliminate the depletion allowance in 1975. In addition this bill would impose heavy excise tax on domestic crude oil prices through its so-called "windfall profits" measure. Knowledgeable oil people have pointed out that this bill, if passed, would increase dependency on foreign oil, drying up needed capital and legislate hundreds of independent explorationists out of business. On top of all this, the consumer who is suppose to benefit from this tax revision would ultimately have to bear the major cost of the move and foreign oil producers would reap the profits.

American Petroleum Institute has released a recent study showing that during the period of 1966-73 inclusive, the United States oil industry has spent a total of \$5.5 billion on conservation programs relating to the environment. In 1973 expenditures for environmental controls was \$1.2 billion.

We have been informed by one of the principals of Gresham Geophysical, a local company, that they have leases for geothermal exploration on acreage located in Townships 4 and 5 South and Ranges 2, 3, and 4 East on the Gila Indian Reservation. These leases are in the geographical area of the community of Maricopa.

W. E. Allen - Activity Report
December 3, 1974
Page 2

We have also heard that Geothermal Energy Company, another local group, has leased some fee acreage in Yavapai County for geothermal exploration.

El Paso Natural Gas is doing some seismic work in the Casa Grande area. An El Paso representative told us that they are looking for salt deposits that will be suitable for storage reservoirs.

Fee Oil has spudded its well located in the SE/NW Section 16-T40N-R28E, Apache County. This is a projected 6200' Mississippian test.

Four permits for stratigraphic tests have been issued to St. Joe American Exploration Company. St. Joe is apparently searching for potash. These tests are located in NW/NW Section 24-T18N-R25E, NW/NW Section 26-T18N-R25E, NW/NW Section 34-T18N-R25E and NW/NW Section 4-T17N-R25E, Apache County. These are all being drilled in the same general area that Duval is drilling its potash tests.

Northwest Pipeline Company indicated that they plan to drill a well in Section 30-T41N-R30E, Apache County. We have not received an application yet; however, I have discussed our requirements with them.

California Liquified Gas started drilling on their second hole to be used for LPG storage in the Lukefield area. This is 500' west of their first well in the SW/NW Section 2-T2N-R1W, Maricopa County.

Encouraging reports are still coming in regarding Home Oil Company's plans for exploration in the state. Reports that have recently been received indicate the area of interest is Mohave County on both sides of the Grand Canyon. It was first learned that they were only interested in the Strip Country that lies north of the Canyon.



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ACTIVITY REPORT

December 2, 1974

J. N. Conley
Director, Geology Section

PUBLICATIONS

Since November 6, 1974, cash sales of publications total \$236.50.
The companies purchasing publications were:

Shell Oil Information & Library Service, Houston
Bond & Associates, Denver
Equity Oil Company, Denver
Myers Exploration Company, Rosenberg, Texas
Pacific Gas & Electric Company, San Francisco
Texaco, Denver
Exxon, Midland
Home Petroleum Corp., Houston

Requests for publications were received from the following non-industry
libraries and governmental agencies:

Mesa Community College
Maricopa Technical College
Eastern Arizona College
University of Arizona, Department of Geosciences, Antev's Reading Room
Stanford University Libraries
University of North Carolina, Department of Geology Library
Scottsdale Public Library
Library of Congress
Texas Petroleum Resources Commission
Pinal County Board of Supervisors
Santa Cruz County Planning & Zoning Department
Arizona Bureau of Water Quality Control, Department of Health
U. S. Geological Survey, Flagstaff

In-Preparation

1. Special Publication 2 - Pinta Dome-Navajo Springs-East Navajo Springs helium
gas pools, Apache County
2. Special Publication 3 - Dineh-bi-Keyah, oil field, Apache County

Data for these two publications have been assembled and some of the map
drafting completed.

Activity Report
December 2, 1974
Page 2

3. Well Location Map No. 9

This map covers Apache, Coconino, and Navajo Counties, and portions of Gila, Yavapai, and Mohave Counties. It will be printed in two colors, at a scale of 1:500,000 (1" = 8 miles). This is the scale of the State of Arizona Geologic Map. Dr. George Davis will present the results of his investigation, Photographic Analysis of Macroscopic Folds in the Colorado Plateau Province, on a map of this same scale.

A tabulation listing all of the wells (oil, gas, helium, mineral, stratigraphic, and selected water wells) will accompany the map. This tabulation will present additional location, elevation, and geologic data.

The "research" phase of this project has been completed. The base map has been drafted and posting of the wells commenced. The final assembly of the data to be tabulated is well underway.

4. Coconino Structure Map, Holbrook Area.

This subsurface structure contour map will be printed on the same base as our Holbrook Well Location Map, A-1, scale 1:250,000 (1" = 4 miles). The data for the holes drilled for oil, natural gas, helium, and potash have been assembled. We are presently assembling and processing the data furnished by the numerous water wells. The Permian Coconino Sandstone is the principal aquifer in the gross Holbrook area. The water wells will furnish needed structural control in the large areas lacking any holes drilled for oil, gas, and helium.

5. Basement Map

This will be the first of several planned subsurface maps of northern Arizona. Most of the data have been assembled and processed. This series of subsurface maps (structural and isopachous) will be printed at a scale of 1:1,000,000 (1" = 16 miles).

GENERAL

Among our visitors last month were two oil and gas lease brokers, Joan Sullivan of Las Vegas, Nevada, and Dean F. Smith of Scottsdale, Arizona. Both of them mentioned that there is an awareness now among their clients that Arizona's petroleum potentialities remain untested. Smith is the broker who acquired approximately 135,000 acres of State and Federal oil and gas leases in the Holbrook area for Webb Resources. He expressed some interest in the petroleum potential of the Cochise County portion of the Basin and Range province.

Dean Smith reported that Sun Oil Company was acquiring oil and gas leases in Cochise County. This report cannot be confirmed presently.

Activity Report
December 2, 1974
Page 3

Four Corner Power Plant. At a recent Geological Society of America meeting in Miami Beach, Florida, a U. S. Geological Survey geologist reported that Arizona Public Service Company's plant has largely solved the pollution problem. This plant reportedly was one of the dirtiest in the United States a few years ago. An unanticipated side benefit has been the enrichment of the soil in the area by the fly ash. Previously, the soil was completely deficient in soil nutrients. The fly ash has provided an increase in all major nutrients needed by plant life ... potassium, calcium, and phosphorus.

JNC:os



J.N.C.

MONTHLY FINANCIAL REPORT

RECEIPTS MONTH OF	CLASSIFICATION	RECEIPTS	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
Nov. 19 74	1 Permits to Drill			125 00	325 80
125 00	2				
	3				
	4				
	5				
	6				
	7				
	8				
	9				
	10				
	11				
	12				
	13				
	14				
	15				
	16				
	17				
125 00	TOTAL CURRENT MONTH RECEIPTS			125 00	XXXXXXXX
	TRANSFERS IN				
XXXXXXXX	BALANCES BROUGHT FORWARD			3,476 83	XXXXXXXX
125 00	TOTALS - MONTH AND YEAR TO DATE			3,601 83	3,601 83

CLAIMS PAID MONTH OF	FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
Nov. 19 74	1 Personal Services	58,350 00	45,954 09		12,395 91
1,451 90	2 Emp. Related Exp.	7,600 00	5,617 59		1,982 41
3,341 35	3 Other Operating Exp.	29,228 62	17,361 56	10,238 45	1,628 61
149 10	4 Prof. & Outside Serv.	2,435 85	1,006 75		1,429 10
493 23	5 Travel - State	4,950 00	3,084 82	1,658 52	206 66
446 63	6 Travel - Out of St.	3,200 00	2,310 33		889 67
-	7 Cap. Outlay - Equip.	4,100 00	3,722 83		377 17
	8				
	9				
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	30				
19,362 95	TOTALS	109,864 47	79,057 97	11,896 97	18,909 53

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 <i>Nov. 1974</i>			
870 00	7111	1	Per Diem: Commission Members	1	450 00		
45,084 09	7112	2	Salaries: Employees	2	13,030 74		
		3		3			
109 54	7151	4	Industrial Insurance	4	109 54		
59 08	7152	5	Unemployment Insurance	5			
2,224 71	7153	6	F.I.C.A.	6	774 34		
2,588 01	7155	7	Retirement	7	748 02		
540 00	7156	8	Health Insurance	8	120 00		
96 25	7159	9	Personnel Comm.	9			
		10		10			
	7215	11	Professional Services: Engineer	11			
1,006 75	7219	12	Professional Services: Other	12	149 10		
		13		13			
693 00	7221	14	Travel-State: Mileage	14			
1,071 80	7222	15	Subsistence	15	135 60		
60 00	7223	16	Public Transportation	16	132 50		
1,162 82	7224	17	Vehicle Expense	17	195 13		
98 00	7225	18	Reg. Fees; Parking; etc.	18	30 00		
		19		19			
787 00	7232	20	Travel-Out of State: Subsistence	20	164 00		
1,197 86	7233	21	Public Transportation	21	207 03		
1 02	7234	22	Airport Parking	22			
324 45	7235	23	Reg. Fees; Telephone; etc.	23	75 60		
		24		24			
12,946 22	7251	25	Occupancy: Office Rent	25	1,349 46		
	7261	26	Warehouse Rent	26			
	7263	27	Maintenance & Repairs	27			
250 00	7272	28	Mtn. & Repairs: Furniture & Equipment	28			
1,315 64	7280	29	Office Supplies	29			
399 50	7280.1	30	Orthophoto Quads.	30	608 15		
177 21	7300	31	Field Supplies: Film; Am.Strat; P.I.; etc.	31	20 00		
62 00	7331	32	Printing: Reports; Large Maps; etc.	32			
379 47	7332	33	Legal Advertisement	33	379 47		
	7333	34	Court Reporter	34			
305 60	7334	35	Postage	35	195 60		
1,147 62	7335	36	Telephone	36	258 67		
	7337	37	Drayage; Express; etc.	37			
61 80	7339	38	Rental, Misc.	38			
66 50	7360	39	Dues & Subscriptions	39	30 00		
		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			
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		51		51			
		52		52			
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		54		54			
		55		55			
79,057 97		TOTAL			19,362 95		

OFFICE

DO NOT WRITE BELOW THIS LINE

FIELD



THE UNIVERSITY OF ARIZONA
TUCSON, ARIZONA 85721

DEPARTMENT OF GEOSCIENCES
TEL. (602) 884-1819

December 5, 1974

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

Dear John:

I will be unable to attend the December 11th meeting. Classes end the 10th and Wednesday noon I have a talk to present here in Tucson. Exams then begin on December 12th.

Good luck with the IOCC meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe".

Joseph F. Schreiber, Jr.
Professor & Assistant Head

JFS:jw

RECEIVED

DEC 09 1974

O & G CONS. COMM.