

OIL & GAS CONSERVATION COMMISSION
Meeting: November 16, 1979
Mr. W. E. Allen, Executive Secy.



OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA
1645 WEST JEFFERSON, SUITE 420
PHOENIX, ARIZONA 85007
PHONE: (602) 271-5161

A G E N D A

Meeting
November 16, 1979
1645 West Jefferson, Room 420
Phoenix, Arizona

10:00 a.m.

Call to Order

1. Approval of minutes of meeting of September 21, 1979
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
1645 West Jefferson Street
Suite 420
Phoenix, Arizona 85007

Minutes of Meeting
September 21, 1979

Present:

Mr. Ralph W. Bilby, Chairman
Mr. Hal Butler, Vice Chairman
Dr. J. Dale Nations, Member
Mr. L. A. Palmer, Member

Absent:

Mr. Johnny Gregovich, Member

The regular Commission meeting of September 20, 1979 was called to order by Chairman Ralph Bilby at 10:00 a.m.

Chairman Bilby introduced Mr. Don Whittaker, who has been employed by the Commission as the Director of the Enforcement Section.

Minutes of the meeting of May 18, 1979 were approved as written.

Reports of the Executive Secretary and the Geology Section were accepted.

Mr. A. K. Doss of the State Land Department outlined the stand taken by the Land Department for an increase in lease rental fees on state lands. After discussion, it was moved and passed that the following resolution be adopted and forwarded to the Governor, stating the Commission's objection to any increase in lease rental fees:

RESOLUTION

WHEREAS, the State of Arizona has had very limited exploration for hydrocarbons, as a result the state has no oil or gas production on any state or private lands, and

WHEREAS, the Oil and Gas Conservation Commission, State of Arizona, is charged by Arizona Revised Statutes 27-502.4 to "encourage development of natural resources of oil and gas and their products", and

WHEREAS, any increase in lease rental fees will tend to discourage exploration for hydrocarbons:

THEREFORE, BE IT RESOLVED that the Oil and Gas Conservation Commission, State of Arizona, in regular session on

Minutes of Meeting
September 21, 1979
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September 21, 1979, endorses the principal and intent of Arizona Revised Statutes 27-555 regarding the leasing of state lands for oil and gas exploration and urges the retention of this statute as it is now written until such time as oil and/or gas production is discovered on state or private lands.

The Executive Secretary introduced Mr. Robert Gustafson, analyst with the State Budget Office of the Department of Administration. Mr. Gustafson stated that he was not present to advise the Commission on the proposed budget for the 1980-81 fiscal year, but to familiarize himself with the functions of the Commission.

After review of the proposed Commission budget for the 1980-81 fiscal year, it was moved and passed that the budget be adopted.

The meeting adjourned at 11:05 a.m.

APPROVED

Ralph W. Bilby, Chairman



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

1645 WEST JEFFERSON, SUITE 420

PHOENIX, ARIZONA 85007

PHONE: (602) 271-3700

ACTIVITY REPORT

November 7, 1979

W. E. Allen
Executive Secretary

At a meeting with Pete Doty and Jim Bundy from Anschutz Corporation last Friday it was disclosed that their target date for spudding their first well is January 1, 1980. It seems that each time the actual drilling is discussed the starting date is set back another month or so. Anschutz has requested bids from several well known drilling contractors. Two of the contractors have contacted this office. The company has selected the engineering firm to stake the location, so maybe we are getting closer to some actual drilling. I feel sure that the exact drilling location will not be announced until we receive the application to drill.

Anschutz estimates the cost of the first well, drilled to 20,000 feet, to be between four and six million dollars.

Southland Royalty Company, Fort Worth, Texas, has submitted application for 110,000 acres of geothermal leases in Cochise County - all this on state lands. Atlantic Richfield has applied to the Bureau of Land Management for 10,000+ acres of geothermal leases in Mohave County.

The Interstate Oil Compact Commission had a special meeting in Denver on October 29th to discuss changes in the Federal Energy Regulatory Commission's rules on gas pricing determination. Of course, we couldn't attend, no travel money. However, Don was going to Denver on personal business the weekend of October 27th, so he stayed over and attended the meeting.

We have had conversation with the new Registrar of Contractors, Mr. Aaron Sizer, regarding the time element involved

Executive Secretary
November 7, 1979
Page 2

in issuing a license to an oil well drilling contractor. This licensing procedure takes some 40 to 45 days. With the current shortage of available rigs, this time period can be extremely costly to an operator desiring to drill in Arizona. All major holders of Arizona leases have been advised of this lengthy delay in securing a license and also some of the requirements to be met before a license will be issued.

I have been nominated to serve on the statewide Bureau of Land Management's Advisory Committee. As I understand it, this committee will study the BLM's leasing procedures and requirements.

Southwest Gas Corporation, Las Vegas, Nevada, has purchased 40,000 acres of fee land in the Red Lake area north of Kingman. Their plans are to create underground storage reservoirs for natural gas. It is good that you approved Rule No. 706 which set up some guidelines for the construction of this type of storage reservoir.

Attached you will find a copy of the resolution concerning the rental fees for oil and gas leases which you instructed me to prepare and submit to the Governor.

Remember the next scheduled meeting will be November 16, 1979 at 10 o'clock. Dr. Nations has advised that he will be unable to attend. I hope the rest of you will be in attendance.



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

1645 WEST JEFFERSON, SUITE 420

PHOENIX, ARIZONA 85007

PHONE: (602) 255-5161

October 15, 1979

Honorable Bruce Babbitt
Governor of Arizona
State Capitol
Phoenix, Arizona 85001.

Dear Governor Babbitt:

Attached is a resolution adopted by the Oil and Gas Conservation Commission, State of Arizona, at its regular meeting on September 21, 1979.

The Commission is aware of past attempts to increase the rental fees on oil and gas leases and is apprehensive that legislation will be proposed in the coming session of the legislature to increase these rental fees prior to discovery of oil and/or gas on state, private or federal lands.

With the discovery of oil and/or gas in commercial quantities on state or private lands within the State of Arizona, the Commission would endorse a lease rental increase.

Your consideration of the Commission's position will be greatly appreciated.

Respectfully yours,

W. E. Allen
Executive Secretary

WEA/vb

Enc.

RESOLUTION

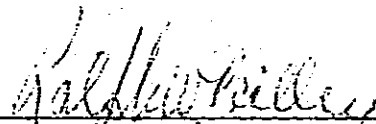
WHEREAS, the state of Arizona has had very limited exploration for hydrocarbons, as a result the state has no oil or gas production on any state or private lands, and

WHEREAS, the Oil and Gas Conservation Commission, State of Arizona, is charged by ARS 27-502.4 to "encourage development of natural resources of oil and gas and their products", and

WHEREAS, any increase in lease rental fees will tend to discourage exploration for hydrocarbons:

THEREFORE, BE IT RESOLVED that the Oil and Gas Conservation Commission, State of Arizona, in regular session on September 21, 1979, endorses the principal and intent of ARS 27-555 regarding the leasing of state lands for oil and gas exploration and urges the retention of this statute as it is now written until such time as oil and/or gas production is discovered on state or private lands.

I, Ralph W. Bilby, Chairman of the Oil and Gas Conservation Commission, State of Arizona, do hereby certify that the above is a true and correct copy of a resolution adopted by the Oil and Gas Conservation Commission, State of Arizona, in meeting at Phoenix, Arizona on the 21st day of September, 1979.



Ralph W. Bilby
Chairman



OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA
1645 WEST JEFFERSON, SUITE 420
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ACTIVITY REPORT

November 5, 1979

Don Whittaker
Director of Enforcement

REGULATORY REQUESTS AND ACTIVITIES

Merrion & Bayless requested permission to convert the Navajo 3-11 well, which had been temporarily abandoned, into a salt water disposal well. Permission granted contingent to approval from U.S. Geological Survey and Navajo Nation.

We were notified by a representative of the Navajo Nation that it would be necessary for Merrion & Bayless to secure a business permit to convert this well. Merrion & Bayless advised of this.

Mr. C. Feight, Secretary of the Utah Oil & Gas Commission was contacted with reference to the required business permit on Indian lands. He advised this was customary since the original permit was for the exploration and production of oil and gas and that the disposal of salt water was a different type of operation. Mr. Feight inquired if any one from our Commission had attended the Rocky Mountain Oil & Gas Association annual meeting in Denver. He stated the Anschutz Corp. gave a slide presentation on the overthrust belt extension and hydrocarbon potential in Arizona. He stated this was an excellent presentation and would have been very informative and beneficial to our Commission.

Merrion & Bayless requested permission to burn off a small amount of oil from a reserve pit on their Navajo No. 1 lease. They have received permission from the U.S. Geological Survey. Permission granted.

Kerr-McGee Corp. filed a recompletion notice on their Navajo No. 13, Dineh-bi-Keyah Field. The well was potentialed for 9 bbl of oil, 4 mcf of gas, and 56 bbl of water per day.

Southwest Gas Corp. project engineer, Mr. William E. Adams, Las Vegas, Nevada, visited our office Thursday, November 1, requesting information on the development of underground caverns and storage of natural gas. They have just completed the purchase of the 40,000-acre Neal Ranch, approximately 25 miles north of Kingman. This property overlies the Red Lake salt mass. They propose to develop storage capacity of 10 billion cubic feet of gas. The initial drilling and cavern developing is scheduled for commencing early in 1980 and should be in operation 18 months later. He has offered to address the Commission and present a slide program if we are interested.

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November 5, 1979
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FIELD TRIPS AND INSPECTIONS

Cal-Gas. Flare system working. All systems in compliance with our safety and operating regulations.

Buckeye Gas, Adamana. Flare system installed. Waiting on APS for electricity to service the system.

Nix geothermal location, Graham County. Rig has been removed from location, pits filled, and overall appearance of well site satisfactory. Mr. Nix has been advised to request his bond be cancelled.

MEETINGS ATTENDED

Ad Hoc State Committee for U.S.D.A. Forest Service Regional Planning Process. Voiced our objection to the Forest Service's delays in granting permission to drill on government forest lands.

Federal Energy Regulatory Commission. Interim rules, amendment and final rules on high cost of natural gas well classification and pricing. Sections covered:

- 102 - Behind-the-pipe exclusions
 - 103 - Second well on an existing proration unit
 - 108 - Production days necessary to qualify a stripper well for the higher gas price
- Wells producing from Devonian shale
- Wells producing from geopressured brines

DW:os



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

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ACTIVITY REPORT

November 5, 1979

Sal Giardina
Geology Section

Sales of publications since previous report totaled 698.50.

Overthrust Belt Play. New information regarding Arizona's overthrust belt has not been disclosed since our last meeting. However, several geologists from Anschutz Corp. will be giving a formal presentation of their activities on Friday, November 9. Any significant data will be relayed to you at our meeting on the 16th.

Geothermal Resources. Geologic mapping and assessment at Castle Hot Springs continues. It is becoming apparent that the hot springs issue from steeply inclined faults at the mountain fronts. No other specific site studies are in progress within the state, although regional studies are in progress.

Library of Well Samples. Our sample library has been relocated in the basement of our office building.

SG:os

MONTHLY FINANCIAL REPORT

RECEIPTS MONTH OF SEPT 1979	CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
-0-	1 Permits to Drill		-0-	25 00
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
-0-	TOTAL CURRENT MONTH RECEIPTS		-0-	XXXXXX
	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		25 00	XXXXXX
-0-	TOTALS - MONTH AND YEAR TO DATE		25 00	25 00

CLAIMS PAID MONTH OF SEPT 1979	FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
7,654 52	1 Personal Services	24,019 00	19,086 12		4,932 88
1,426 29	2 Emp. Related Exp.	4,594 00	3,475 81		1,118 19
-0-	3 Professional Services	975 00	510 00		465 00
992 63	4 Travel - State	2,100 00	292 63	1,407 37	400 00
-0-	5 Travel - Out of State	1,500 00	294 09	370 00	835 91
252 23	6 Other Operating Exp.	8,570 20	7,139 35	286 04	1,144 81
	7				
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	29				
	30				
9,625 67	TOTALS	41,758 20	30,798 60	2,063 41	8,896 79

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. _____

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF SEPT 19 79
6,578 88	71130	1 Salary: Appointed Official	1 2,192 96
210 00	71140	2 Per Diem: Commission Members	2 210 00
12,297 24	71150	3 Salaries: Staff	3 5,257 56
138 52	71510	4 Emp. Related: Workmens Comp	4 57 83
56 63	71520	5 Unemployment Insurance	5 22 33
1,157 06	71530	6 F.I.C.A.	6 456 33
1,321 29	71542	7 Retirement	7 521 11
417 24	71551	8 Health Insurance	8 168 82
156 00	71552	9 D & L Insurance	9 108 00
229 07	71570	10 Personnel Comm. Pro Rata Charges	10 91 87
111 25	72169	11 Professional Serv: Cartographic Symbols	11
398 75	72199	12 Cartographer	12
	72511	13 Travel-State: Mileage - Private Vehicles	13
262 13	72512	14 Mileage - State Vehicles	14 242 13
30 50	72520	15 Subsistence	15 30 50
	72531	16 Air Fare	16
	72543	17 Parking	17
	72549	18 Misc.	18
56 07	72560	19 Travel-Out of State: Subsistence	19
212 00	72571	20 Air Fare	20
26 00	72574	21 Taxis	21
	72581	22 Registration Fees	22
	72589	23 Other-Telephone, etc.	23
4,300 00	72711	24 Occupancy: Office Rent	24
	72713	25 Warehouse Rent	25
	72821	26 Mtn. & Repairs: Furniture	26
	72823	27 Adders & Calculators	27
70 00	72824	28 Typewriters	28
333 68	72826	29 Copy Machine, Other	29 33 68
	72827	30 Mimeo, Reader-Printer, etc.	30
	73111	31 Office Supplies: Printed Stationery & Envelopes	31
	73113	32 Carbon & Ribbons	32
	73117	33 Reproduction Supplies	33
235 05	73119	34 Misc. & Blue Prints	34 35 70
	73259	35 Field Supplies: Logs, etc.	35
	73514	36 Printing - Large Maps, etc.	36
136 66	73519	37 Misc.	37
	73524	38 Legal Advertising	38
	73531	39 Subscriptions: Newspaper	39
	73533	40 Technical Journals	40
	73541	41 Postage Stamps	41
44 36	73551	42 Telephone Serv: Central System	42 30 35
171 00	73552	43 Equipment Rental	43 85 50
43 35	73553	44 Long Distance	44 40 99
55 25	73554	45 ATS Service Charge	45 26 01
1,500 00	73720	46 Organization Dues	46
	73730	47 Technical or Reference Books	47
	73741	48 Insurance	48
950 00	79220	49 Revolving Fund	49
	72167	50 Notary Appointment	50
	72572	51 Travel-Out of State: Railroad Fare	51
	73770	52 Registration Fees	52
		53	53
		54	54
		55	55
30,798 00		TOTAL	9,625 67

MONTHLY FINANCIAL REPORT

RECEIPTS MONTH OF <i>OCT 1977</i>	CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
-0-	1 Permits to Drill		-0-	200 00
	2			
	3			
	4			
	5			
	6			
	7			
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	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
-0-	TOTAL CURRENT MONTH RECEIPTS		-0-	XXXXXX
	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		200 00	XXXXXX
-0-	TOTALS - MONTH AND YEAR TO DATE		200 00	200 00

CLAIMS PAID MONTH OF <i>OCT 1977</i>	FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
2,535 50	1 Personal Services	48,038 00	26,621 62		21,416 38
1,420 55	2 Emp. Related Exp.	9,188 00	4,896 36		4,291 64
-	3 Professional Services	975 00	510 00		465 00
901 04	4 Travel - State	4,200 00	1,193 67	1,362 46	1,643 87
328 40	5 Travel - Out of State	1,500 00	622 49	494 00	383 51
643 65	6 Other Operating Exp.	10,382 35	7,783 00	600 00	1,999 35
	7 Capital Outlay-Equipment				
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10,829 14	TOTALS	74,283 35	41,627 14	2,456 46	30,199 75

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. _____

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF OCT 1979
8,771.84	71130	1 Salary: Appointed Official	1 2,192.96
210.00	71140	2 Per Diem: Commission Members	2
17,639.78	71150	3 Salaries: Staff	3 5,342.54
196.62	71510	4 Emp. Related: Workmens Comp	4 58.10
79.23	71520	5 Unemployment Insurance	5 22.60
1,618.96	71530	6 F.I.C.A.	6 461.90
1,848.77	71542	7 Retirement	7 527.48
617.27	71551	8 Health Insurance	8 200.03
216.00	71552	9 D & L Insurance	9 60.00
319.51	71570	10 Personnel Comm. Pro Rata Charges	10 90.44
111.25	72169	11 Professional Serv: Cartographic Symbols	11
398.75	72199	12 Cartographer	12
189.72	72511	13 Travel-State: Mileage - Private Vehicles	13 189.72
818.10	72512	14 Mileage - State Vehicles	14 555.97
103.03	72520	15 Subsistence	15 72.53
78.82	72531	16 Air Fare	16 78.82
1.50	72543	17 Parking	17 1.50
2.50	72549	18 Misc.	18 2.50
116.89	72560	19 Travel-Out of State: Subsistence	19 60.80
469.00	72571	20 Air Fare	20 257.60
36.60	72574	21 Taxis	21 10.60
	72581	22 Registration Fees	22
	72589	23 Other-Telephone, etc.	23
4,300.00	72711	24 Occupancy: Office Rent	24
	72713	25 Warehouse Rent	25
	72821	26 Mtn. & Repairs: Furniture	26
20.60	72823	27 Adders & Calculators	27 20.60
70.00	72824	28 Typewriters	28
367.89	72826	29 Copy Machine, Other	29 34.21
	72827	30 Mimeo, Reader-Printer, etc.	30
16.80	73111	31 Office Supplies: Printed Stationery & Envelopes	31 16.80
	73113	32 Carbon & Ribbons	32
	73117	33 Reproduction Supplies	33
268.65	73119	34 Misc. & Blue Prints	34 33.60
	73259	35 Field Supplies: Logs, etc.	35
	73514	36 Printing - Large Maps, etc.	36
136.66	73519	37 Misc.	37
	73524	38 Legal Advertising	38
	73531	39 Subscriptions: Newspaper	39
	73533	40 Technical Journals	40
80.00	73541	41 Postage Stamps	41 80.00
63.47	73551	42 Telephone Serv: Central System	42 19.11
256.50	73552	43 Equipment Rental	43 85.50
49.42	73553	44 Long Distance	44 6.07
22.75	73554	45 ATS Service Charge	45 22.50
1,503.00	73720	46 Organization Dues	46 3.00
	73730	47 Technical or Reference Books	47
	73741	48 Insurance	48
250.00	79220	49 Revolving Fund	49
	72167	50 Notary Appointment	50
	72572	51 Travel-Out of State: Railroad Fare	51
	73770	52 Registration Fees	52
726	73559	53 Telephone Serv: Directory Ass.	53 726
315.00	63790	54 Move Contents of Warehouse	54 315.00
	55	55	55
41,627.14		TOTAL	10,829.14