

OIL & GAS CONSERVATION COMMISSION
Meeting: January 29, 1982
Mr. A. K. Doss, Executive Director



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

1645 WEST JEFFERSON, SUITE 420

PHOENIX, ARIZONA 85007

PHONE: (602) 255-5161

A G E N D A

Meeting
January 29, 1982
1645 West Jefferson, Room 420
Phoenix, Arizona

*Break down
of the kinds of
wells (73)*

10:00 a.m.

Call to Order

1. Approval of Minutes of Meeting of September 25, 1981
2. Report of Executive Director
3. Report of Enforcement Section
4. Old Business *See - Hal Butler*
5. New Business
 - A: Presentation - Decker Land Developers
6. Adjourn

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



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TO THE HONORABLE SECRETARY OF STATE
AND THE CITIZENS OF THE STATE OF ARIZONA

Pursuant to A.R.S. 38-431.03.A2.A3, the Oil and Gas Conservation Commission of the State of Arizona will go into Executive Session at the conclusion of its regularly scheduled 10:00 a.m. meeting of January 29, 1982 for advice from legal council.

Dated this 27th day of January, 1982.

OIL AND GAS CONSERVATION COMMISSION

By _____


A. K. Doss
Executive Director



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January 22, 1982

Memo: Commissioners

From: A. K. Doss, Executive Director *AKD*

Re: Meeting of January 29, 1982

Since the agenda was mailed to you, a new problem has appeared on the scene. Timothy Pierson, our Assistant Attorney General, who has been reviewing our new rules for certification, has informed me that he cannot certify our rules, as written, for a number of small technical reasons. I am to meet with Mr. Pierson on January 26th and 27th in order to try to reconcile the deficiencies. Mr. Pierson would like to meet with the Commission at our regular meeting of January 29th in Executive Session to discuss the problems with the rules.

It is my personal feeling that the Commission can correct these small deficiencies and send them directly back to the Attorney General for certification without going through the whole process again.

In addition to the above, Mr. Ted Decker of Decker Land Developers would like to appear before the Commission to explain his plan for using geothermal resources for heating of buildings in the Tucson area. He plans to bring his geologist with him in support of his desire to be given a permit to drill for geothermal resources. The aquifer from which these resources is to be withdrawn is the same aquifer that Tucson Electric Power is drawing from for water to cool their towers at the generating plant nearby.

ARIZONA OIL AND GAS CONSERVATION COMMISSION

1981 ACTIVITY REPORT

The State of Arizona has just concluded a very successful year for oil and gas and related activities. However, there was one well that had the attention of many people locally and also on an industry-wide basis that ended up being a disappointment to all. That was the Phillips Petroleum #1 State near Tombstone. Unfortunately, it had to be junked and abandoned after reaching a total depth of 10,561 feet. In spite of that misfortune, the following table indicates a startling comparison between the years 1980 and 1981:

	<u>1980</u>	<u>1981</u>
1. Number of drilling permits issued	14	73- <i>breakdown</i>
2. Total number of wells drilled, all kinds	8	51
3. Total footage drilled	32,775'	65,400'
4. Number of oil test dry holes	7	9
5. Number of oil producers	0	6

The total of 51 wells of all kinds drilled almost represented the full range of wells that the Oil and Gas Commission permits and regulates; i.e., oil and gas tests, geothermal resource wells, underground storage cavity wells and reentries. Those missing were underground injection wells and disposal wells.

The six new producers are all on the Navajo Indian Reservation. Five new development wells were drilled by Kerr-McGee Corporation in the Dineh-bi-Keyah field. They all potentialized in

the 200 barrels of oil per day range on pump. The sixth well is a wildcat drilled by Kenai Oil and Gas and located in Section 7, Township 40 North, Range 29 East. This well potentialled for 56 BOPD on pump.

By far the largest number of wells drilled were in the geothermal gradient class, which accounted for approximately 7600' of footage drilled.

This increase in activity and production will also be reflected in an increase in revenues to the state by direct increases in taxes and rentals and indirect increases by dollars into commercial sales to the local merchants, as indicated in the following table estimated for the next few calendar years:

<u>OIL & GAS REVENUES TO ARIZONA</u>		
	1. Advalorem taxes (10¢/dollar on the gross sales of oil and gas production)	\$ 1,312,500.00
<u>DIRECT</u>	2. Sales tax (2½% of the gross sales of oil and gas production)	400,000.00
	3. Rentals to the state (state lands and 1/2 on federal lands)	16,000,000.00
		<hr/>
		\$17,712,500.00
<u>INDIRECT</u>	Commercial sales - rent, food, clothing, fuel, trucking fees, trucking charges, recreation, etc., conservatively estimated	\$ 600,000.00
		<hr/>
	TOTAL	<u>\$18,312,500.00</u>

The prognosis for 1982 indicates an even better year than 1981. Conceivably, footage drilled could exceed well over 100,000 feet. Phillips Petroleum has a 6-well drilling program outlined

and other major companies and large and small independents have also indicated 1982 drilling activity for Arizona, scattered from the northwest corner to the southeast corner of the state. Needless to say, we all wish them the best of luck.

A. K. Doss
Executive Director
Arizona Oil and Gas Conservation Commission

.....

Other items for discussion at the meeting of January 29, 1982:

1. New well drilling.
2. Legislative activity.
3. The budget recommendations for 1982-1983.



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ACTIVITY REPORT

January 13, 1982

R. A. Ybarra
Enforcement Director

During this report period one well was abandoned, J. M. Shields 1-24 Federal, sec. 24-41N-1W, Coconino County.

In addition to the abandoned well, Shields drilled four other wells and reentered one previously abandoned. All the wells were logged by Welox between December 7 and 8, and on December 9 Halliburton moved in and prepared the wells for cementing of the 4½" casing. After cementing operations, the wells were fraced and acidized using 1000 gallons of 15% HCl foamed with N₂. The solution was put away under a pressure of 1000 psi. Wells Travis 1-24 Federal (reentered well) and 4-24 Federal were not stimulated but instead were used as observation wells. The official results of the well treatment have not yet been reported to us.

Phillips Petroleum, Geothermal Division, finished their temperature-gradient well drilling program in the Maricopa/Yuma County area near Agua Caliente. They drilled 26 of the proposed 30-well program. At a later date they hope to drill additional wells in the vicinity of wells H-11, H-15, and H-16. The last well was drilled on January 5, 1982. On January 9 they started drilling in the Ajo area. The Ajo Prospect calls for drilling 7 shallow (300') temperature-gradient wells. A.K. and I witnessed the drilling operations on well A-2 located nearest to town. We also had a chance to visit some of the other proposed well locations.

The Bureau of Geology and Mineral Technology completed their drilling program of temperature-gradient wells in the Safford area. A.K. and I witnessed the drilling of the last well of an eight-well program. A typical well program was to drill to about 200' and cement 1½" PVC pipe with a gel mud and cement mix to 10' below the surface. An overlapping string of 6" steel pipe was then set at 10' and cemented to the surface. About 14" of the 6" pipe was left sticking above ground. The top of the pipe was equipped with a locking cap which helps prevent vandalism and provides quick access to the well. The area around the wells is kept spotless.

Status of planned activity (as reported November 12, 1981)

Commodore Resources Corp. proposed well in Mohave County (Arizona Strip): This office received copies of the following material that was sent to the USGS:
Application to Drill, Drilling Program, Surface Use Plan, and
Cultural Resources Survey

A.K. wrote to the company advising them of Arizona's drilling requirements. The target depth of this well is now 10,000' instead of 8,000' as originally proposed.



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Activity Report
R. A. Ybarra
January 13, 1982
Page 2

Chickasaw Oil Co. proposed well in Mohave County southwest of Kingman: We have received their Application for Permit to Drill and the \$25.00 fee. They will post a cash bond as soon as the contracted rig is available.

Allied Energy Corp. proposed well in the Salt River Canyon area: Allied's local representative, John Karabees, was instrumental in obtaining the services of Jim Williams, drilling contractor from Prescott, to be the driller on the company rig. Jim will go to California to check out the rig and may even drill a well there before taking on the Arizona assignment.

A.G.&H. Enterprizes, Inc. proposed well near Lakeside, south of Show Low: On December 28 Jim Sponseller, Jr. called regarding our well location plat requirement. He also informed me that his father was currently negotiating with three contractors and that in about three weeks they would have all their paperwork ready for us.

Sanchez-O'Brien plans are still to drill this year probably three wells in the Arizona Strip and one in the Roosevelt Lake area. The seismic work in the strip is being reassessed and may be rerun, according to the company's local representative. A blanket bond has been filed.

Other planned activity

Phillips Petroleum Co. will resume their oil and gas drilling program early this year. Their program calls for six wells, ranging in depth from 6,000 to 9,000 feet.

The Southwest Gas Corp. natural gas storage project seems closer to reality. On December 3 Mr. G. Rodeghiero with CER Corp., contractor for Southwest, visited this office. He picked up a copy of the drilling rules and regulations and the forms required to drill. The Hualapai Valley project will cost \$58,000,000 and is scheduled to go on-stream in 1984. A 30-mile pipeline from El Paso's line will have to be constructed.

Getty Oil Co. plans to drill a well in the Pedregosa Basin area (sec. 29-15S-28E). A call came in from Bakersfield, California, asking for a copy of the Rules and Regulations and the necessary forms.

The Salt River Basin Joint Venture group plan to drill a second well in the Wittman area west of Phoenix, if and when the partners can get together on a "location." Another company, Lee Gibson Oil Co., is assessing this area.

MONTHLY FINANCIAL REPORT

RECEIPTS MONTH OF	RECEIPTS		APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
DEC 1981	CLASSIFICATION				
50 00	1 Permits to Drill			50 00	1,400 00
	2				
	3				
	4				
	5				
	6				
	7				
	8				
	9				
	10				
	11				
	12				
	13				
	14				
	15				
	16				
	17				
50 00	TOTAL CURRENT MONTH RECEIPTS			50 00	XXXXXX
	TRANSFERS IN				
XXXXXX	BALANCES BROUGHT FORWARD			1,350 00	XXXXXX
50 00	TOTALS - MONTH AND YEAR TO DATE			1,400 00	1,400 00

CLAIMS PAID MONTH OF	EXPENDITURES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
DEC 1981	FUND TITLES				
11,051 61	1 Personal Services	49,443 00	37,045 45		12,397 55
1,802 30	2 Emp. Related Exp.	10,036 00	6,675 45		3,360 55
	3 Professional Services	1,500 00			1,500 00
600 42	4 Travel - State	6,000 00	2,713 83	2,125 02	1,161 10
416 32	5 Travel - Out of State	2,100 00	694 57		1,405 43
478 26	6 Other Operating Exp.	16,773 45	14,485 98	332 95	1,954 52
	7 Capital Outlay-Equipment				
	8				
	9				
	10				
	11				
	12				
	13				
	14				
	15				
	16				
	17				
	18				
	19				
	20				
	21				
	22				
	23				
	24				
	25				
	26				
	27				
	28				
	29				
	30				
14,348 97	TOTALS	85,852 45	61,615 33	2,457 97	21,779 15

AGENCY Oil & Gas Conservation Commission

DIVISION _____ IDENTIFICATION CODE NO. _____

1		2		3		4	
CLAIMS PAID YEAR TO DATE 1981	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION				CLAIMS PAID MONTH OF DEC. 1981	
16,673.41	71130	1	Salary: Appointed Official	1		3,907.83	
150.00	71140	2	Per Diem: Commission Members	2			
20,222.04	71150	3	Salaries: Staff	3		7,143.78	
240.28	71510	4	Emp. Related: Workmens Comp	4		79.53	
133.71	71520	5	Unemployment Insurance	5		55.26	
2,275.79	71530	6	F.I.C.A.	6		574.31	
2,420.21	71542	7	Retirement	7		773.61	
777.33	71551	8	Health Insurance	8		160.55	
264.00	71552	9	D&L Insurance	9			
444.57	71570	10	Personnel Comm. Pro Rata Charges	10		132.63	
119.56		11	Dental Insurance	11		26.41	
	72122	12	Professional Serv: Court Reporter	12			
	72169	13	Cartographic Symbols	13			
	72199	14	Cartographer	14			
205.20	72511	15	Travel-State: Mileage - Private Vehicles	15			
2,092.93	72512	16	Mileage - State Vehicles	16		500.42	
358.25	72520	17	Subsistence	17		100.00	
54.00	72531	18	Air Fare	18			
3.50	72543	19	Parking	19			
	72549	20	Misc.	20			
311.57	72560	21	Travel-Out of State: Subsistence	21		214.32	
	72571	22	Air Fare	22			
	72574	23	Taxis	23			
50.00	72581	24	Registration Fees	24		50.00	
333.00	72589	25	Other	25		152.00	
8,809.00	72711	26	Occupancy: Office Rent	26			
	72821	27	Mtn & Repairs: Furniture	27			
18.00	72823	28	Adders & Calculators	28			
70.00	72824	29	Typewriters	29			
	72826	30	Copy Machine, Other	30			
330.00	72827	31	Reader-Printer	31			
	73111	32	Office Supplies: Printed Stationery & Envelopes	32			
	73113	33	Carbon & Ribbons	33			
	73117	34	Reproduction Supplies	34			
525.43	73119	35	Misc. & Blue Prints	35		95.62	
	73514	36	Printing: Large Maps, etc.	36			
143.85	73519	37	Misc.	37			
367.09	73524	38	Legal Advertising	38			
	73531	39	Subscriptions: Newspaper	39			
62.00	73533	40	Technical Journals	40		35.00	
311.00	73541	41	Postage Stamps	41		120.00	
105.00	73551	42	Telephone Serv: Central System	42		21.00	
612.01	73552	43	Equipment Rental	43		128.55	
185.08	73553	44	Long Distance	44		20.77	
154.67	73554	45	ATS Service Charge	45		19.27	
88.73	73559	46	Tax & Directory Assistance	46		38.05	
2,000.00	73720	47	Organization Dues	47			
	73730	48	Technical or Reference Books	48			
375.63	73741	49	Insurance	49			
	73770	50	Registration Fees	50			
250.00	79220	51	Revolving Fund	51			
78.49	73259	52	Misc.	52			
		53		53			
		54		54			
		55		55			
61,615.33		TOTAL				14,348.91	

OFFICE

(DO NOT WRITE BELOW THIS LINE)

FIELD