

OIL AND GAS CONSERVATION COMMISSION

Minutes of Meeting

April 27, 1960

The regular monthly meeting of the Oil and Gas Conservation Commission was called to order at 9:15 A.M. at Suite 312, 3500 North Central Avenue, by the Chairman, M. F. Wharton.

Commission Members Present: Mr. M. F. Wharton
Dr. Charles Kalil
Mr. Ernest W. Chilson
Mr. Anthony T. Deddens
Mr. R. Keith Walden

Commission Members Absent: Mr. Obed M. Lassen,
Ex-Officio Member

Others Present: Mr. Laurence Davis,
Atty., Navajo Tribal Council
Mr. James Shreeve, St. Johns, Ariz.
Mr. Bill King, Reporter, Arizona
Republic
Mr. Dick Thomas, Reporter,
Phoenix Gazette
Mr. D. A. Jerome, Executive
Secretary, OGCC
Mr. W. F. Maule, Petroleum
Engineer, OGCC
Mrs. Marylee M. Roush, Secretary
OGCC.

Prior to the meeting being called to order, Mr. M. F. Wharton, Chairman, made the following remarks:

"In the first place, I don't know where the information came from, however the Phoenix Gazette, morning newspaper, carried an article, regarding our Meeting Agenda for today, and I have carefully questioned each member of the Oil and Gas Conservation Commission office staff, and each Commissioner, as they have arrived, inquiring as to their knowledge of this information having been released or discussed with the Press, and apparently no one, including myself, were advised, prior to reading the following article."

Arizona Republic - April 27, 1960 - Page 9
"FANNIN ASKED TO HALT OIL & GAS REGULATIONS"

"The Attorney General said yesterday, he has advised the Governor's office that the Governor's Oil and Gas Commission should not consider adoption of drilling and production regulations as scheduled at 9 A. M. today.

On the Commission's agenda today is confirmation of petroleum drilling and production regulations promulgated by State Land Commissioner, Obed M. Lassen, before the creation of the Commission a year ago, Commission Members said.

But Attorney General Wade Church said he counseled against such action by the Commission on the following grounds.

1. That there is a serious legal question whether Lassen's regulations automatically become the regulations of the Commission or whether the Commission must hold adoption of new regulations.
2. That the statutory requirements for public notice prior to adoption of new regulations were not followed by the Commission.
3. That there is a practical question whether the Commission, for its own protection, should not draft its own regulations, after hearing all pertinent facts first hand.

Church added that he will reply today to Governor Fannin's April 19 request for an investigation of charges of scandal in State Oil and Gas Regulations.

The charges were made last week by Phoenician Lee Ackerman, Democratic gubernatorial contender, who talked of 'past chicanery' and 'a scandal bigger than Teapot Dome'.

The controversial portions of the State's Oil and Gas Regulations give the Commission power to limit production and hold well spacing to one (1) oil well per 80 acres and one (1) gas well per 640 acres. "

Minutes of Meeting
April 27, 1960
Page Three

Mr. Wharton continued his remarks, stating: "We did not ever intend to adopt the Rules and Regulations at this meeting, nor to confirm the ones which are here, for the following reasons: I quote from Substitute Senate Bill No. 79, Chapter 112, enacted by the Legislature of the State of Arizona, at its Twenty-fourth Legislature.

"Laws 1959, Ch. 112, amending Sections 27-501, 27-502 and 27-514, of the Arizona Revised Statutes, effective July 1, 1959, provides in Section 4, that the powers and duties imposed upon the State Land Commissioner by Title 27, Chapter 4, Article 1, shall be vested in the Oil & Gas Conservation Commission."

Also, because of the same opinion, which was expressed in a letter to our Commission, by our previous Attorney Member of the Commission, Judge William E. Kimble, Bisbee, Arizona.

Referring back to the newspaper article, which I have just read, this is not a "directive" from the Attorney General. In my personal opinion, this is just a "suggestion". I feel that until the Attorney General renders an outright "directive" to this Commission, that these rules are in effect and that we should leave them as they are at this moment, without any change whatever.

With the approval of the Commission, of course, I am going to request the Attorney General to advise the "legal status" of this, and I personally hope, and this is my personal feeling, that it will not be necessary to have a Hearing, until after the elections. I feel that the development of the oil and gas industry for the State of Arizona, regardless of whether they are Democrats or Republicans, should not be used as a political opportunity to get votes.

Mr. Chilson and myself, and I put us first, because we were first appointed by Governor McFarland and we are both Democrats. A Committee, in their good and wise judgment, confirmed by the State Legislature, saw fit to appoint us. Our Republican Commissioners are Dr. Kalil, Vice Chairman, Mr. Walden and Mr. Deddens. There has never been any political conversation brought up, since this Commission has been in force.

Therefore, I feel, that this should be a closed matter on the Rules and Regulations, until we have a definite opinion from the Attorney General's office, at which time we can take up the matter of adoption, confirmation, whichever is necessary.

Informally, gentlemen, I have just expressed my personal opinion to you Commissioners and visitors present. "

DR. KALIL: "Why not include your remarks in the Minutes?"

MR. WHARTON: "Of course, if you would like; would you like the Meeting called to order?"

The Commissioners agreed, and Mr. Wharton then formally called the meeting to order.

DR. KALIL: "Is the Agenda a matter of confidential nature, or not?"

MR. WHARTON: "I would like to refer to the Minutes of the Commission Meeting, held July 29, 1959, at which time the following action was taken:

"A member of the press having entered the meeting room at this time, Dr. Kalil raised the question of policy regarding the presence of the press at Commission meetings.

After discussion it was moved by Mr. Kimble, and seconded by Mr. Walden, that business sessions of the Commission be open to the public, but that executive sessions be closed to the public.

Motion carried.

DR. KALIL: "The question of adopting or confirming the Rules & Regulations, I feel, is basically the same as taken on September 23, 1959 Commission Meeting, which is a "matter of record", at which meeting I presided, as Vice-Chairman, inasmuch as Mr. Wharton was on an extended, planned tour of the "South Seas". At this meeting, the following motion was made, seconded and passed, and I quote:

"Mr. Walden moved that the Commissioners authorize and instruct Mr. D. A. Jerome, Executive Secretary, to formulate specific items, to be considered at a Public Hearing of the Oil & Gas Conservation Commission; this Hearing to be conducted in accordance with the statutes applicable thereto; the time and place of said Hearing to be announced, as soon as possible, and if possible, that the same be held on the next regular meeting date of the Commission.

Minutes of Meeting
April 27, 1960
Page Five

Mr. Chilson seconded the motion. The motion carried unanimously. "

Following this meeting there evidently was a "change of heart" - I don't know why. We had a field trip, two weeks later, and for some reason or another, the validity of adviseability of having a hearing was predominantly changed.

MR. WHARTON: "May I stop you a moment? I was only away until November 14, 1959. "

DR. KALIL: "As I recall, we had a short meeting at Snowflake, Arizona and specifically, before that time, I had issued instructions to the Executive Secretary that I would be available, at any time, but somehow I failed to get a call. "

MR. WHARTON: "Was there any formal action taken? "

DR. KALIL: "As I recall, a motion was made by someone. "

MR. WHARTON: "By Mr. Jerome, Mr. Chilson, Mr. Walden???"

DR. KALIL: "Mr. Jerome, I believe, suggested that it would be a little premature, and I didn't concur.

It is my feeling that we acquired the Rules & Regulations from a "one-man body" and in all fairness to the people of Arizona, this "five-man Commission" should have had a Hearing. The public deserves the opportunity to have a Hearing, concerning these Rules & Regulations, about which there has been considerable controversy. I refer particularly to two features: 1) Spacing pattern, which is the broadest, blanket spacing pattern -- and I said "the broadest". 2) Proration, or the limitation of production, about which there was considerable feeling, on the part of Arizona folks and it does nothing but deter the exploration of oil and gas in Arizona.

I am of the opinion that any Rules & Regulations, and incidentally the States of Colorado, Utah and Wyoming, have no features in their Rules & Regulations, which limit production on the basis of market demand. "

Minutes of Meeting
April 27, 1960
Page Six

MR. WHARTON: "One addition, to include in your "narrative report": The Rules & Regulations considered at the Hearings were a revision of the Rules & Regulations, dated December 30, 1951, which were in force at that date."

DR. KALIL: "You mean the 'little 4 page booklet'? What point did you wish to make?"

MR. WHARTON: "That they can be changed at any time, and I believe that there is machinery for changing the Rules & Regulations; that the Commission can institute a Hearing, to make any changes; that interested people can apply for a Hearing."

DR. KALIL: "I feel, very, very strongly about the features I have mentioned just previously, and I would like to make a motion at this time."

MR. WHARTON: "Before we go into that, Dr. Kalil, may I ask about this meeting at Snowflake, Arizona? Mr. Jerome, please refer to the Minutes of the October 28th Commission Meeting; do you find any reference to the Snowflake well meeting? Mr. Jerome then referred to the Minute Book, and advised that the Minutes of the October 28th Meeting did not reflect a Snowflake well meeting."

DR. KALIL: "Then, actually, didn't we have an informal gathering at the well, near Snowflake?"

MR. WALDEN: "Yes, that is right."

MR. JEROME: "As I recall, you said; that it was premature and that we should not rush into this matter and that the Commission should postpone the Hearing, and the majority of the members agreed."

DR. KALIL: "Mr. Jerome, that was conditional...."

MR. WALDEN: "My recollection is that this came from Mr. Wharton, and not from Mr. Jerome. I had taken time to delve into this, and I believe it was my suggestion that holding a Hearing at that time was entirely premature, and I think I was the one that said that. I just wanted to make this comment."

Minutes of Meeting
April 27, 1960
Page Seven

DR. KALIL: "In the Governor's Office, July 8, 1959, when Mr. Wharton was nominated as Chairman by Mr. Walden, and he was then elected Chairman, the very first order of business, as I recall, was these Rules & Regulations, their approval and acceptance. I felt then, at an 'organizational meeting' of two members, that the Commission never had an opportunity to see the Rules & Regulations. I made a motion, at that time, that they be postponed to a later date."

MR. WHARTON: "I would like to refer to the Minutes. Will the Executive Secretary please check the Minutes of the first meeting, in July, 1959, and advise if such a motion is recorded."

MR. JEROME: "They appear to be 'silent' on that;"

DR. KALIL: "Mr. Chairman, I am absolutely certain as to the facts. I don't know if they were in the Minutes or not. Then, back in October, more time was still required, as suggested by Mr. Walden."

MR. WHARTON: "The July Meeting Minutes were written by a secretary in the Governor's office, Miss Virginia Kochan, I note, and there would be no reason on her part to omit any part of the meeting - - and no mention is made in these Minutes."

MR. JEROME: "In view of the fact that the Chairman was out of the country, it was felt that it should be delayed until the Chairman returned."

DR. KALIL: "Mr. Wharton, whether it is in these Minutes or not, I know this to be a fact."

Mr. Wharton polled the Commissioners.

MR. WALDEN: "I just don't know if we did nor not."

DR. KALIL: "Senator Lynn Lockhart said these are to be approved."

MR. WHARTON: "Have you completed your remarks, Dr. Kalil?"

DR. KALIL: "I wish to make the following motion."

"That a public Hearing be set for the next Commission Meeting date, for the explicit purposes of considering spacing and proration, and any other features that might be deemed advisable."

The motion died for lack of a second.

MR. WHARTON: "The record will show that the motion made by Dr. Kalil 'died for lack of a second.' Any remarks?"

Commissioner Deddens, do you have any remarks?"

MR. DEDDENS: "I find myself considerably in agreement. It is my understanding that the Rules & Regulations have been adopted, in the past, in the Fall of 1958, or apparently, by what you say this morning, by the Land Commissioner, preceding the organization of this Commission, in July, 1959. At that time, Mr. Obed M. Lassen was Land Commissioner, and it is presumably correct, or my understanding from the Executive Secretary, that they are on file at the Secretary of State's office, Phoenix, as required by Law.

I see here, by the morning paper that there is a 'serious legal question'. I am in agreement, that there is a serious legal question. The article does not say further than this.

When I say that it is my opinion, I am assuming that this Commission is a five-man Commission, and I am speaking only as one member of the Commission, and I have resolved, as an individual, that these Rules & Regulations are binding on the Commission. We have no choice in this matter.

The Attorney General says: 'That the statutory requirements for public notice, prior to adoption of new regulations were not followed by the commission...'; I am partially in agreement on this, there is nothing for us to discuss. I, not having been a member of this Commission, nor have I been told how this matter was first set up. It seems to me that we are just "spinning wheels". The article seems to imply, by way of criticism, that we are trying to do something contrary to law, and I don't think the Commissioners are.

That there is a practical question, whether the Commission, for its own protection, should not draft its own Regulations, after hearing all pertinent facts first hand, to quote from the news article. The thing that impresses me is that we should carry on.

After this matter came out in the papers, a week or ten days ago, I did my own personal research, completely aside from whether any proper statutory notice had been given, and I came to the conclusion, beyond all doubt, that: 1) That this is a continuing body; we simply took over the duties of the State Land Commissioner. If you will analyze this, in a proper way, no more of a change was assumed, than when I became an appointed member of this Commission, after Judge Wm. E. Kimble's resignation.

I have read the Statutes, and the Hearings, and way back in 1951, Sec. 27, 502, Sub. Chp. B and until the creation of the Oil & Gas Conservation Commission, or appointment of its members, the Legislature, in 1951, considered there was going to be a change. All the duties and functions continued over to the five-man body.

In some respects, Dr. Kalil, I am in accord with your statements, 'One Commissioner passed on these Rules & Regulations', but the Legislature did not intend otherwise. I am not criticizing you, just pointing out. Sec. 27, 506, which was first enacted in 1951, as a matter of fact they have a reference to the '1939 Code', and I assume this was part of the '1951 Act' referred to.

So we have, if we analyze the situation, property that is, not only Rules & Regulations of a 'one-man Commission', we have the Rules & Regulations the Legislature adopted.

Now there is one more important point: These Rules & Regulations were adopted prior to April 6, 1959 and filed with the Secretary of State; Hearings were held in 1958; Mr. Obed M. Lassen, I presume, had presented them and filed same; the point I am trying to make is this: When the Hearings or Meetings were held, and changes made, they were made only on Section No. 502. Certainly the Legislature must have known that only 'one man was the Commission', and if they had wanted some change they would have made one, but 'they made no change'; no change was even suggested, and this 'new-body', and I call it a 'new body', only because of the change in membership, plus the Land Commissioner, as an Ex-Officio Member. The Legislature took no action, nor did it say anything about making any changes.

I, therefore, can come to only one conclusion, and that is those Rules & Regulations were adopted, according to Law. It might be possible to change; at some later date, but Mr. Lassen, nevertheless, had adopted the Rules & Regulations. They have the 'effect of law', the Courts say; they are binding on this Commission. I think they are in effect.

Some of the Legislature may be surprised to hear my opinion, but that is my personal opinion, regarding spacing and proration changes. I am a new member of this Commission, and I think it would be highly presumptuous of me to say: 'We should make a change at this time.' I think I should listen, and to leave them as they are, and if our experience shows there is something wrong with one or another of them, then we can make the changes. I have had no experience with the oil and gas business to date. Maybe I have said too much. . . ."

MR. WHARTON: "Thank you, Commissioner Deddens, you have every right to say whatever you please; every man on this Commission is entitled to express their opinion.

Commissioner Walden, do you have any comments to make?"

MR. WALDEN: "I have only this comment to make, Mr. Chairman: That it seems to me, in the light of Commissioner Deddens comments, with which I concur, that new approval on our part would be tantamount to any public body going around approving the Law. There is no justification in approving something which is the Law, and which was handed to us. We would be 'out of order'. These Rules & Regulations are the ones, which were in existence, and when the time comes and as the oil and gas industry develops, and these Rules & Regulations can be reviewed, from time to time, or hold Hearings, in the light of the evidence submitted."

MR. CHILSON: "I don't have too much to add. I concur with Mr. Deddens and Mr. Walden. Up to this time, unless we have 'formal requests', I cannot see stepping out and making changes that we are not sure of. I am certainly not one to say they need changing."

MR. WHARTON: "Thank you Commissioner Chilson.

Gentlemen, do you feel that we should be forward enough to request, from the Attorney General, an opinion?"

Minutes of Meeting
April 27, 1960
Page Eleven

MR. WALDEN: "It seems to me that it is rather peculiar that we are placed in the odd position of ascertaining whether we are operating legally, but since the Attorney General has raised that question, it is therefore necessary that we should have a 'formal judgment, or opinion'. As an Attorney, and member of the Commission, Mr. Deddens' legal opinion is good enough for me."

MR. DEDDENS: "I thought I understood you to say, 'we had an opinion!'"

MR. WHARTON: "This is in regard to the hardship case of the British-American Oil Producing Company'. The Rules & Regulations state that you should have a Hearing and a Public Notice be given; those with leases surrounding the immediate area should also be notified. This case was referred to the Attorney General's office for an 'opinion' and Mr. Leslie C. Hardy, Chief Assistant Attorney General, advised the Commission, via letter, dated May 4, 1960, as follows:

"From: Department of Law
Office of Attorney General
Phoenix, Arizona

To: D. A. Jerome, Executive Secretary
OIL & GAS CONSERVATION COMMISSION
3500 No. Central Ave., Suite 312
Phoenix, Arizona

RE; Application of Rule 105 (A & (D)
Rules & Regulations - OIL & GAS
CONSERVATION COMMISSION

Dear Mr. Jerome:

We have examined the correspondence, rules and regulations and the statutes involved with reference to the unorthodox location of the British-American Oil Producing Company and Gulf Oil Company.

Under the statutes and your rules and regulations, it is specifically required that a hearing be had after not less than ten days notice to all adjoining leases who may be affected by such a location, prior to the granting of authority for such location.

The Commission, as well as all other persons, are bound by such rules and regulations.

A. R. S. #27-516 (C) provides a method whereby an emergency order may be issued, but it does not do away with the requirement that due notice be given and a hearing held if such emergency order is to remain in force in excess of fifteen days.

If a hearing is not held, even though apparently a useless gesture, and production is obtained from this unauthorized location, British-American could forfeit production and be subject to such other penalties as the law provides.

It is our opinion that a hearing should be held for the protection of all concerned.

Very truly yours,
WADE CHURCH, The Attorney General

/s/ Leslie C. Hardy
Chief Assistant Attorney General"

MR. WHARTON: "Am I correct?"

MR. DEDDENS: "There was not a specific question to the Attorney General's Office. I felt quite sure there was not. I don't think we can technically construe this letter as binding on this Commission. Mr. Hardy didn't have a specific question before him.

In this news article, this morning, it did not say the Rules & Regulations were binding, but: 'There is a serious legal question.' This calls for an opinion of a 'lawyer', not a 'layman'. I did not say he is wrong.

MR. WHARTON: "That is the question I have just asked this Commission. Do you, or do you not wish a definite legal ruling?"

MR. WALDEN: "I therefore make the following motion:

'That we request a formal, written opinion, from the Attorney General, of the State of Arizona, advising this Commission whether the Rules & Regulations heretofore adopted by Mr. Obed M. Lassen, State Land Commissioner, and on file in the office of the Secretary of State of Arizona, are:

- 1) Valid and properly adopted Rules & Regulations?
- 2) Binding on the Oil & Gas Conservation Commission of the State of Arizona, established by the Arizona Legislature in 1959?'

(this motion was 'legally worded' by Mr. Deddens, but submitted by Mr. Walden, as his motion)

MR. CHILSON seconded the motion.

Motion carried unanimously.

MR. WHARTON: "May I point out that these Rules & Regulations are subject to amendment; the statutes so set forth."

DR. KALIL: "I am sure it does, Mr. Chairman."

MR. WHARTON: "Is there any reason to discuss this further? Inasmuch as no comments were made, Mr. Wharton stated: 'I then consider this a closed issue.'"

The next item on the Agenda to be considered is the Budget, for the fiscal year, July 1, 1960 to July 1, 1961. It will be necessary for plans to be made for the coming year, at the greatly reduced Budget of \$46, 131.00."

DR. KALIL: "I asked about the Agenda a week ago; are we going to have a different one?"

MR. WHARTON: "The only change is the one brought about by the events, which have occurred since the original Agenda was set up. Do you want to read the Agenda?"

Mr. Wharton then referred to the copy of the March 30, 1960 Agenda, which was the date the Commission Meeting was originally planned, and accordingly reviewed same aloud.

For the benefit of the Press present, I wish to state, Gentlemen, that there is nothing secretive on our Agenda. I do wish to again refer, however, to the motion, referred to earlier today, and read, from the Minutes of the July 29, 1959 Commission Meeting, regarding business sessions of the Commission being open to the public, but that executive sessions be considered closed."

Minutes of Meeting

April 27, 1960

Page Fourteen

DR. KALIL: "Discussion of information that would be of such 'confidential nature that our reputation would be at stake'; I would not construe the Budget, expended to date, to be such business as only for an 'Executive Session'. Dr. Kalil then referred to a possible item on the Agenda for discussion, such as Item 3, 'Approval of Applications to Drill etc....'."

MR. WHARTON: "We do have some regulations that require that 'certain information be kept confidential for a period of six (6) months, and then may be released.'"

MR. BILL KING (Arizona Republic Reporter): "Point of Information: Is the driller in a position to waive?"

MR. WHARTON: "Asked that questions be brought forth."

MR. JAMES SHREEVE (St. Johns, Arizona): "At this time I would like to state my reasons for being present at your Commission Meeting.

This new gas bill that was set up by Senator Lynn Lockhart and myself... I am not a lawyer, or an oil man, but we set this bill up to 'promote gas production in Arizona', 'set it up for taxes - revenue, etc.', we figured it was the duty of this body to promote oil and gas. I have come to the conclusion that 'this is not the right time'. Why do they drill just two feet over the line? Why not come and ask for a road? There is no way to come down --no--road--no licenses, and no effort has been made to take care of these problems. My opinion is that it has been held up in every way, shape and form. Everyone has been waiting, thinking you are going to pass a resolution -- these things get out - - and 'on the face of it' what has been done?"

MR. WHARTON: "Mr. Shreeve, I would say that this Commission body first of all, has nothing to do with taxes --that is for the Tax Department. Secondly, it has nothing to do with the roads--that is the State Highway Department. Third, it has nothing to do with the leasing--that is the State Land Department."

MR. SHREEVE: "We have been trying to get action. Until we can get transportation for the gas, we are going to be handicapped. On the highway situation, we can do nothing but 'bring pressure', and then immediately be accused."

MR. WHARTON: "Let me come back to the oil and gas. The highest content of helium in any area, is in the Northern part of Arizona, and the Government is ready to put in refineries. From the standpoint of considering the fighting--with Washington, with the press. A column was in the paper a week ago Sunday, regarding 'a reserve supply of helium in Arizona'; I know this is common knowledge; refineries in Texas and Oklahoma, to collect helium, to hold this in abeyance; it is only good, when there is a 'market' -- just like hay or alfalfa--only good when you have a 'market'."

MR. JEROME: "Mr. Shreeve, I might mention one event, which we were required to handle: "A truck, from Halliburton, came in on a Sunday morning, and it took me over five (5) hours to obtain a 30-day permit, a 30-day permit tax'. Taxing of 'rigs'--that is an example of something we have no control over."

MR. SHREEVE: "The Governor has control. Has he had his man Gibbons ever try to help the Indians?"

MR. WHARTON: "Do you think we would be standing in the way? I'm in the fertilizer business. . . ."

MR. JEROME: "I might tell you about when I was in Washington, D. C. The Department of Interior had 131 pages of testimony, trying to get the Pinta Dome, fighting it were Texas and Oklahoma. In addition to that, even sent telegrams. Suggest too that you refer to the '4Corners Area'. The oil and gas business is in tough shape; there would be a lot of drilling, if a gas pipeline were a reality."

MR. SHREEVE: "Your open meetings and discussions would be the 'thing' that would help."

MR. WHARTON: "What would you think? Certain stated open meetings, when anyone interested might attend? I think we should do this as a public service. You know we did hold one meeting in Flagstaff, Arizona."

DR. KALIL: "This has always been true. As I see it, the rest of this is an open meeting?"

MR. SHREEVE: "Why not hold a meeting at Window Rock?"

MR. JEROME: "We plan to--we have corresponded with Paul Jones, Navajo Tribal Council, several letters."

DR. KALIL: "Mr. Shreeve, when I was Acting Chairman of this Commission, the rest of the Commission concurred that we should go into the areas and 'feel the pulse' of the community. One meeting was held in Holbrook. I am sorry I was negligent, around about October and November, and did not make your acquaintance, at that time."

MR. SHREEVE: "I suggest that you get the thing out before the people. Why hasn't there been more development? Why isn't there any endorsement to drill over in Apache? The Indian boys said Mrs. Belcher, drilling out at Springerville, said 'the wildcatters were going to be stopped'. The general opinion is that 'trying to kill the oil industries.' "

MR. WALDEN: "This is extremely important to Arizona, Mr. Shreeve. What is the basis for these opinion, and this attitude of your people? Where does the 'particularly negative feeling' arise?"

MR. SHREEVE: "Well, New Mexico is getting a lot of drilling; they are 'just over the line'; nothing here - why?"

MR. DEDDENS: "Is there anything we can say or do to reassure you?"

MR. SHREEVE: "I am here for information."

MR. DEDDENS: "This is all new to me--you just mentioned 'drilling two feet over the line'...."

MR. SHREEVE: "Are you going to take your group up to Window Rock, Fort Defiance, St. Michaels? There are 26,000 Indians in there. They don't bring a 'road down'. What is the Commission going to say? Have you talked to the Governor? If we had a 'little backing somewhere', we would have roads up there. Going to have to pay for schools. Some day going to have to take over industry. I have always lived in the West--we are never going to let anyone take this oil industry away from us."

DR. KALIL: "In December, at the December 16, 1959 meeting, held in Flagstaff, Mr. Howard Sutcliffe, of Flagstaff, and a Mr. Paul Babbitt, of Flagstaff attended our Meeting, and the essence of Mr. Sutcliffe's discussion was his appeal to this Commission, because of the difficulty of his getting the Cottonwood Well financed. He definitely stated that because of the 'hammer' that was being held over his head; that they were hesitant. Just 'over the line', in Utah, they do not have proration, market demand and that is proper."

MR. JEROME: "I think that is most highly debatable; Utah has gone into 80 acre spacing; but I am not going into this discussion at this time."

MR. WALDEN: "Mr. Shreeve, I don't want you to leave here with the idea we are not 'all working together' and 'striving for a market', which we are all doing; everyone is in this together and the 'little man', prospecting in this state, is being given every consideration. Our Rules & Regulations, under which we are now operating, assure the 'little man' his fair pay or return for his Investment, until there is a surplus-- and why is this not 'just'?"

MR. SHREEVE: "What is the difference in the New Mexico and Utah State Laws, compared to Arizona's? Tax free? Industry, rather than oil?"

MR. JEROME: "Oil is presently being taxed in those states."

MR. WALDEN: "Because they have a market; we are looking at a 'hard to get market'."

MR. WHARTON: "An oil field is only as good as the market. The only transportation, at present, in the Northern area, which you refer to, Mr. Shreeve, is by truck from the wells; of course it cannot get out, unless there are adequate roads. The Highway Dept. is studying this situation. We are not the Highway Department. State Departments are somewhat jealous of their individual department duties, etc., and they wouldn't appreciate pressure from this group."

MR. SHREEVE: "Colorado highways are coming right in; the oil will go to Colorado. Why should that be?"

MR. CHILSON: "You made the statement earlier, that you had heard that 'it was pending that all wildcatters be shut-down'; that 'we would not allow wildcatters in this state'. That is not true, and I think we should be given the source of this incorrect information."

MR. SHREEVE: "A lady out East--Mrs. Mae Belcher, Springerville, I believe. (Mr. Maule supplied the correct name to Mr. Shreeve.) I, personally, have never talked to this individual, I was only told this. I am just laying the facts out on the table. It is my opinion that you need to convert the people."

MR. WALDEN: "Let me speak for every member of this Commission; every man is dedicated with the desire to accumulate the reserves for this State, and we want to know what people are thinking, what is being held back, and if so, why?"

MR. SHREEVE. "I will help you."

MR. WALDEN: "We want your help."

MR. WHARTON: "This is the first Oil and Gas Conservation Commission, where any State funds were allocated. This Commission is just 10 months old, and it has only had an office and secretary for 9 months. Pardon the facetious remark, but "Rome was not built in a day!" We are trying to do the best possible job and one of the biggest handicaps is the transportation thing, which is brought about by three areas of ownership and control.

I am not criticizing, but they are all operating independently--big areas: The Indian Service (Mr. Davis acknowledged his presence at the meeting)-- 2 or 3 to be considered there; State Lands and then Fee Lands, that pay all the taxes. We get highways, which we couldn't build alone, not one-twentieth, if we depended entirely upon State funds. We have to work it out somehow, sharing the responsibility with these people -- in getting a market. The only market we have for oil and gas is the Los Angeles area, for example. The 4 Corners Area has to go East; Colorado has to go East. We are working to try to handle all the problems.

MR. LAURENCE DAVIS (Attorney, Navajo Tribal Council): "The people of Northern Arizona have been neglected for a long standing period; this thing goes back 60 years approximately, and they are pretty bitter about it, and with good reason. Anything in this State goes to Maricopa and Pima Counties; everything seems to go to Phoenix. I don't like to see you criticized at all; I like to think that here you are, as a proponent for the State; I know you gentlemen have your State's rights at heart. But, I do wish we could get 'just one agency' for us. Now there are a lot of things--Transportation. Oil does not get out to market; supplies do get out. It is hurting the business. I do think that the transportation problem could be solved."

MR. WHARTON: "The difficulty is getting coordinated action."

MR. DAVIS: "A lot of people were not sincere, made a lot of gas tax money. Every Indian has been paying that tax for many, many years, and don't get any returns: 1) Pipelines; 2) Railroads, 3) Oil Leases. Sixty-two percent of the taxes on the reservations... I am just bringing these things out, gentlemen... don't just look at the State's viewpoint. I've been trying to do a little evangelistic work."

MR. JEROME: "Well, along encouragement lines. I have been for a pipeline, Navajo and Apache. Maybe, in time, and I think we will be getting one; we are fast approaching it. There is a lot of drilling being done in the 4 Corners Area."

DAVIS: "Another thing; Corporation Commission. The way they were talking, of using a 'private road'; wanted to get their 'fee'. You gentlemen can give us a little help. We will be helping collect taxes."

MR. WHARTON: "Mr. Shreeve, there is gas and oil developing in your county, and projected Seismic Crews that come across the State line and into your county, as well as others, entitling them to pay -- we have done this. We haven't gone to the papers about it. We have been to the Highway Department. We even have them posted."

MR. JEROME: "There are 4 Seismic Crews in Northern Arizona; Pinta Dome, Eastern Petroleum were going to the Highway Dept. John Hatcher was drilling and they wanted \$800.; called at 6 A.M. in the morning one day, at our expense and said they would grant a 30 days permit. We don't have any control over this."

MR. SHREEVE: "The Oil and Highway Commission should get together. We need legislation."

MR. WHARTON: "We welcome your suggestions, and thank you for coming down. How often do you, Mr. Maule, as our Petroleum Engineer, get up in that area? Apache, Pinta, Navajo, Holbrook, Snowflake, etc.? Mr. Maule covers this territory approximately every two weeks. You have given me an idea, Mr. Shreeve, Boyd Gibbons has been a personal friend of mine, and he and the Governor are good friends - - I can sit down and talk to him about this. We do have to admit, 'That Maricopa County is the tail that wags the dog in this state!'

I would like to call a recess at this time."

MEETING RECONVENED AT 11:35 A. M.

Next subject before the Commission was the Approval of Applications to Drill etc. Mr. W. F. Maule, Petroleum Engineer was asked to give his report.

Mr. Maule, Petroleum Engineer, advised that he had gone out on locations and checked the plugging of ten (10) wells, which are in order; now just a matter of paper work and release of bonds. Advised that since the last meeting, several letters have been issued, and excellent results have been obtained.

Mr. Wharton asked the Executive Secretary to review the request for money, and the correspondence between the Northern Arizona Museum, Dr. Edward B. Danson, Director and the Oil and Gas Commission.

Mr. Jerome read the correspondence of February 1, April 5, April 12 and April 19, 1960 with the Museum of Northern Arizona and also read the correspondence with Mr. Louis C. Duncan, Manager of the State Land Department, regarding their payment to the Museum of Northern Arizona.

Mr. Jerome asked whether we should give the \$2,500 to the Museum, when it becomes available to the Commission, July 1, 1960.

Dr. Kalil asked if it was the Executive Secretary's opinion that the services rendered by the Museum of Northern Arizona are not desirable enough?

The Executive Secretary advised that this was true, and that the oil and gas industry would prefer to deal with a well logged cutting service, as it is handled in other states; they make a nominal charge for looking at them; proper storage becomes minimized, our budget and service is same. We would, no doubt, be criticized, if we do not give the money.

Mr. Walden asked if our budget specifically states that this amount is so ear-marked?

Minutes of Meeting

April 27, 1960

Page Twenty One

Mr. Wharton stated that sooner or later we will have to decide on official laboratories and make provisions in the budget. The U.S.G.S. and Bureau of Mines service are not satisfactory, from standpoint of enforcing drilling etc. and it would take the full time of a geologist in the laboratory. Less expensive to have it done, rather than maintain own.

After discussion, it was the consensus of opinion that the matter be delayed until a later meeting, and further investigation of the matter can be made.

The Chairman asked that the Executive Secretary read the motion made at the February 24, 1960 Commission Meeting, with reference to the Approval of Permits, which stated:

"That the policy be established that Permits to Drill be approved and signed by the Chairman, or the Vice-Chairman, in the Chairman's absence, or with the Chairman's approval, and that the Plugging & Abandonment procedures be delegated to the Petroleum Engineer."

The next question before the Commission was the "Designation of Field Names".

After discussion, Dr. Kalil made the following motion:

"That the Commission should have the right to name the field! We should inform people that a field is about to be named, because some pioneer might be named, sort of a happy compromise. Commission should ask for a nomination of names."

Mr. Walden seconded the motion.

The motion carried unanimously.

The Chairman asked the Executive Secretary to tell the Commission about the invitation from Kerr-McGee, Oklahoma City, Oklahoma, to the Commission and to Senator Lynn Lockhart, Senator Clarence Carpenter, and Representative Tay Cook to visit Oklahoma City and see the following: 1) Producing Fields; 2) Visit with the members of their Commission; also to see how they operate and the utilization at Pinta.

Minutes of Meeting
April 27, 1960
Page Twenty Two

Mr. Jerome advised that the Kerr-McGee firm wished to supply their DC-3 plane, and arrangements can be made for the entire trip.

After discussion, it was the consensus of opinion that the trip be arranged for May 19, 20 and 21, 1960 and the Executive Secretary was requested to complete arrangements with Kerr-McGee and advise each member of the Commission accordingly.

The Meeting adjourned for lunch at 12:15 and reconvened at 1:37 P.M.

The Executive Secretary advised the Commission of the Interstate Oil Compact Commission Meeting, to be held in Detroit, Michigan, June 13-15, 1960, in accordance with correspondence received by the Commission office.

The subject of "Charge for Driller's Logs" was discussed.

After reviewal by the Executive Secretary and mention made of other supplies being given away by the office, it was the consensus of opinion that a list of such items, and their cost be listed and some be presented to the Commission at their next meeting.

A study of the Budget was then made. Copies of the Budget had been distributed to each Commissioner and the Chairman reviewed each item and the Executive Secretary was asked to explain in detail. (See addendum attached).

The following motion was then made by Dr. Kalil:

"With reference to the Budget, that it be completely reviewed by the five members of the Commission, and that they should concur prior to presentation to the Appropriations Committee. The Budget should be prepared for complete reviewal by the June Meeting."

Mr. Deddens seconded the motion.

The motion was carried unanimously.

ADDENDUM

DR. KALIL (to Mr. Jerome): "By whose authority did you put yourself in for an increase of approximately \$1800.00 a year, and the Petroleum Engineer for \$300 a year; and by whose authority did you establish the new job of Assistant Secretary at \$5400.00 a year?"

MR. JEROME: "The Governor asked me to have the budget in, and it was in such short notice. That's why I submitted it."

Minutes of Meeting
April 27, 1960
Page Twenty Three

Mr. Wharton stated that, for the record, the reason the Commission received the \$50,000.00, was because the Land Department, in 1958, had set up a 'typical budget and submitted same' and this was utilized; we then submit \$69,897.00 in 1960 and it was cut down to \$46,131.00, expecting us to operate on less than even the Commission was originally allotted in 1958.

After discussion of salaries of the Executive Secretary, and the Petroleum Engineer, (both had been asked to leave the meeting room), the following motion was made by Mr. Walden:

"That we raise W. F. Maule, the Petroleum Engineer's salary from \$600.00 per month to \$675.00 per month, effective July 1, 1960.

Further, that D. A. Jerome's salary, the Executive Secretary, for the next fiscal year 1960-1961 be kept at \$10,000.00 per year.

Further that both D. A. Jerome, Executive Secretary, and W. F. Maule, Petroleum Engineer, be given "Contracts of Employment", effective July 1, 1960, for a period of one (1) year, subject to the legality of giving the year's contract."

Mr. Chilson seconded the motion.

Dr. Kalil wished to state, in connection with this question (or motion):

"I, personally, feel in the light of the first Budget, which was \$52,000.00, having been cut by the Appropriations Committee to \$46,131.00, for the fiscal year 1960-1961, and furthermore in the light of the short period of time that has been involved for the personnel working with the Oil and Gas Conservation Commission, and in view of the fact that to date we have not been able to definitely show something in the nature of a tremendous revenue, as a direct result of this Commission being in existence, that we should be conservative. I am not putting this in the form of a motion, but I feel, based on the aforementioned reasons, that we 'should hold the line'. Those are my sentiments, Gentlemen."

Minutes of Meeting
April 27, 1960
Page Twenty Four

The motion, made by Mr. Walden, carried, with four (4) affirmative and one (1) negative vote. Four members said yes; Dr. Kalil said no.

The Executive Secretary then was requested to read the correspondence from the State Planning & Building Commission, regarding office space in the Capitol Building for the Oil & Gas Commission. The letter advised that space would not be available until late in 1961, and not definitely, even at that date.

The following motion was then made by Dr. Kalil:

"In the light of the reply from the State Planning & Building Commission, and based upon the requests of the Executive Secretary, that more room is needed, particularly for a 'map room, work room (for use of logs and samples etc.)', and since we have that appropriation in the 1960-1961 Budget, terms 'Current Fixed Charges', I move that we look at the suggested new quarters, Room 221, 3500 No. Central Ave. Bldg., and if satisfactorily approved by the Commission, the Executive Secretary make arrangements to move the offices of the Commission, effective May 1, 1960, or as soon as conveniently possible thereafter."

Mr. Walden seconded the motion.

The motion carried unanimously.

The Executive Secretary was questioned regarding the various items on the Budget. He was requested, by the Chairman, to obtain "enough copies of the proper form for preparation of the Budget, used by the State Auditor's Office," so that each Commissioner could be given one at the next meeting. He was also requested to furnish the Commission, at the next meeting, a breakdown of the Budget, as it had been reviewed at this meeting.

The Chairman then asked the Executive Secretary to review the Hearing on the British-American Oil Producing Company.

Mr. Jerome advised the Commissioners, that the Commission office had received a telephone call, from a representative of the British-

Minutes of Meeting
April 27, 1960
Page Twenty Five

American Company, from Farmington, New Mexico, advising that "it was a dry hole and that the Navajo's are taking over the well, as a water well, since the U.S.G.S. had approved the plugging program", accordingly no legal action is now necessary (in other words, no Hearing is required). This information was typed and put in the British-American file, for future reference.

It was suggested that the Executive Secretary request a letter from the British-American Oil Producing Company, confirming the information given verbally to the Executive Secretary. The Executive Secretary stated he would do so at once.

Dr. Kalil suggested that in cases such as this, in the future, it might save a considerable amount of time and possibly the cost of a hearing, particularly in a non-controversial situation, if the Executive Secretary would call the local Commissioners and write, via Air Mail, the out-of-city Commissioners, arranging for a "Conference Telephone Call", at a time convenient to all, so that such a matter could be discussed by all members of the Commission, and a decision reached at once.

Mr. Walden agreed that this would be very wise and all members of the Commission present agreed that this should be done in the future.

The Executive Secretary was then asked to give a report of the trip he and the Petroleum Engineer made to Farmington, New Mexico; and he gave an excellent reviewal of same, particularly commenting on the high points of the meeting attended and the contacts made, and firms visited.

The meeting was then duly adjourned by Mr. Wharton, Chairman at 5:05 P.M.

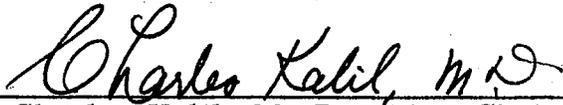
Respectfully submitted

Marylee M. Roush, (Mrs.)
Secretary

APPROVED June 22, 1960

Mr. M. F. Wharton, Chairman

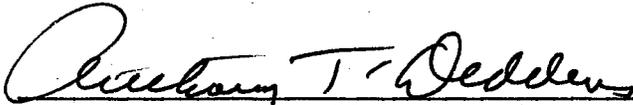
Minutes of Meeting
April 27, 1960
Page Twenty Six



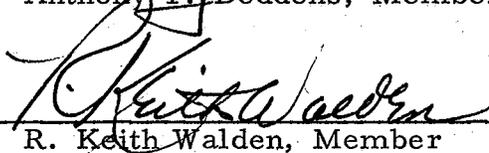
Charles Kalil, M. D., Vice-Chairman



Ernest W. Chilson, Member



Anthony T. Deddens, Member



R. Keith Walden, Member

(Please note: "The minutes of this meeting were written as close to 'verbatim' as possible, in accordance with the request by the Chairman."

M. M. R.)