

OIL AND GAS CONSERVATION COMMISSION

Minutes of Meeting

August 24, 1960

Commissioners Present: Dr. Charles Kalil, Vice-Chairman
Mr. Ernest Chilson, Member
Mr. Anthony Deddens, Member
Mr. Keith Walden, Member

Commissioner Absent: Mr. M.F. Wharton, Chairman

Commission Employees Present: Mr. D.A. Jerome, Exec. Secretary
Mr. W.F. Maule, Petr. Engineer

Others Present: Arthur Ross, Ass't. Atty. General
Lydia Johnson (Aztec Well #2)
John Carleton (Aztec Well #2)
Paul LaPrade, Attorney
V.P. Richards, Holbrook Tribune News
Bill King, Republic reporter
Dick Thomas, Gazette reporter

Meeting was called to order August 24, 1960, at 9:30 a.m. by Dr. Charles Kalil, Vice-Chairman, in the absence of M.F. Wharton, Chairman. All members were present with the exception of Mr. Wharton, in whose absence Dr. Kalil presided.

Dr. Kalil: "Mr. Wharton has sent us a letter indicating the subjects he wished to be discussed at this meeting. I have also received in the mail a communication from Mr. Maule, as did all the Commissioners. Will you read it, please, Mr. Maule?"

Mr. Maule: (reading from statement previously prepared by him and sent to all the Commission members re: Lydia Johnson, Aztec #2 well. Statement is contained in file folder of same.). "The question being raised is this: Is there a violation of Rule 10 of the 1951 general rules and regulations -- that is, no surface pipe set in the hole?"

Mr. Ross: "We, the Commission, that is, are bringing this matter of investigation of Lydia Johnson and Mr. Carleton's Aztec #2 well, in pursuance to the power given under Title 27, Chapter 4 A.R.S., specifically, Arizona Revised Statute Title 27, Section 15, B2, as amended. In accordance with that Authority, the Commission has subpoenaed Miss Johnson and Mr. Carleton, as well as all their documents, logs, cementing tickets, and all that would have reference to Aztec #2. The purpose of this investigation is to determine if the operator of that well has complied with the rules and regulations and statute as set forth in Title 27."

Dr. Kalil: "That is the Authority under which this hearing is held."

Mr. Ross: "We also have the power to administer oaths to these witnesses when they testify. Anyone -- even members of the Commission, may administer the oath."

Mr. LaPrade: "May I speak on behalf of Mr. Carleton and Miss Johnson which may be of assistance to you. Miss Johnson and Mr. Carleton fully recognize the right of this Commission to conduct an investigation of any alleged violation of the statute or the regulations of this Commission pertaining to the exploration for oil and gas. We also fully recognize the right of the Commission to issue subpoenas for witnesses and to subpoena records to assist in such an investigation. However, I think it only fair to state the law specifically recognizes, and I refer you to Rule 22 and also Section 27-522B, of the Statutes, that all information concerning these exploratory wells and the records of the operators are confidential information and the law protects that confidence and permits the operator to withhold the filing and making public of those records until six months after the well is either abandoned or completed. Now, on July 29 of this year, this Commission made an Order and delivered it to Miss Johnson and Mr. Carleton, giving them an additional 90 days in which to complete or abandon this well. My clients are going to jealously protect this confidential information for which they have paid so dearly. It is in the matter of the public interest, and I believe it is a matter of public policy that this information remain confidential. Notwithstanding this law, we recognize that the Commission has the right to investigate any violations. In that regard, despite the confidential nature of the information so desired, they may conduct such an inquiry; however, the right of subpoena is not prohibited or unconditional. In Section 20-518, subsection B, it states, and I quote: "nothing in this section shall be construed to require any person to produce books, papers or records, or to testify in response to an inquiry not pertinent to some question lawfully before the Commission or court for determination." Today is the first occasion we have been told formally of what the nature of this investigation is or what alleged violation has been or is being committed. My clients are entitled to due process of law; that is, they are entitled to be advised of the nature and scope of the investigation to be conducted so that they may in turn prepare their defense to accumulate the necessary data and records to present and to have their opportunity to ask this Commission to subpoena witnesses in their behalf. This subpoena was served on the 19th day of this month. Today is the first occasion we have known what the nature of this investigation is. We do not have to give testimony or produce records except as pertinent to an inquiry or investigation before the Commission. It is our position and it is our intention to stand upon it until such time that we are given an opportunity to prepare a case in which to refute the alleged allegations. We are not and cannot be compelled to produce the records under this subpoena. Miss Johnson and Mr. Carleton want to cooperate with this Commission in every way and we welcome a hearing and an opportunity to be heard and to present evidence pro and con. That we welcome, and at any time that it is convenient for all concerned, it may be had, but it is not the intention of my clients to

willy-nilly on a shot-gun and all-inclusive subpoena duces tecum turn over their confidential information to this Commission which may become a matter of public record that anyone may examine at will, and more to that end, Miss Johnson and Mr. Carleton have employed prominent, experienced drillers and cement contractors. They have invested over \$130,000 of their own money and they intended to stay in Arizona to drill even though they have one dry hole, contrary to what other drillers do. They do have the right to have due process and opportunity to be heard on notice of what the hearing is about. If called to appear today, with the advice of counsel, they will refuse."

Dr. Kalil: "There is one question I would like to have clarified. According to the statute, who is authorized to initiate a subpoena and was this done according to the statute?"

Mr. Ross: "The commission is authorized."

Dr. Kalil: "By that, do I assume it to be a majority?"

Mr. Ross: "Only one signature is necessary. We had to go out of town to get this subpoena signed."

Dr. Kalil: "Mr. Maule, what is the emergency?"

Mr. Maule: "Gas was escaping from the backside of the production casing. This is indicative of a poor cement job or no cement at all. Secondly, water in the area, and I am speaking of the Lockhart well and the Lynch well, their logs show water rose to a height of 540 feet."

Dr. Kalil: "You visited that well. Did you look at the Lockhart well? Was there any water in that well?"

Mr. Maule: "No, it was down 500 feet. Secondly, if Miss Johnson did not put the casing in the hole, and I am speaking of the surface casing, and the coconino is known to carry water and formations below it are known to carry water, and in adjacent wells the salt is encountered at 2200 feet, it is very possible that the coconino water could escape downward into one of the other zones if it is of low pressure. Further, if the lower zones that are carrying salt water in the Supai at approximately 700 feet, if they have sufficient pressure to raise the water to the coconino, salt water could be escaping to the coconino formation at this instant. That, I believe, is an emergency."

Dr. Kalil: "Would any of the members of the commission like to speak?"

Mr. Deddens: "Yes, I would, respective to this matter, and the position taken by Mr. LaPrade. I wonder if he realizes this is not a formal hearing but just to ascertain facts."

Mr. LaPrade: "I do. But the point I am standing on is that the information asked in this subpoena is to become a matter of public record and we do not have to reveal unless it is pertinent to an inquiry which is before this commission. I do not believe the confidential information has to be disclosed without the proper notices. I have no doubt that the commission can determine an emergency and conduct a hearing forthwith, but you have only heard from Mr. Maule that this was on the 12th of August, and the 19th before the subpoena was issued and I know nothing was done by the commission in the interim. It was not an emergency so great that if the operators should not have had an opportunity to look into it themselves and if there is gas escaping from that well, they'd like to know about it themselves and do something about it."

Mr. Deddens: "Do you take the position that a drilling operator can prevent this commission from ascertaining if there is a violation of the rules and regulations just by saying that it is confidential whether there is surface pipe in the outside of the hole of that well?"

Mr. LaPrade: "No. I believe the commission can take testimony from their own engineer and make findings that such was not done and issue a directive to Miss Johnson and Mr. Carleton to do it if it is the wish of the commission. But we shall have to establish our right under the statute that it does not have to be done or was done, but if we are asked to lay open our file here and now, you may rest assured we are going to guard the information in that file."

Mr. Deddens: "You are saying that this commission has no authority to request Miss Johnson to give testimony relative to this matter?"

Mr. LaPrade: "For the record, you cannot refuse to testify or produce evidence on grounds you may be incriminated, but any forfeiture by virtue of any evidence, the statute goes on to say, that is not to be construed to mean that you have to give testimony of records, unless it is before the commission lawfully. We would like to know if it is lawfully before the commission so that we may come in and refute."

Mr. Deddens: "It may be true of a formal charge, but this is only an investigation, not a hearing, regardless, Mr. LaPrade, as often as you call this a hearing. This is only an investigation on the part of this commission to ascertain whether or not there has been any violation of the statute and rules and regulations of the commission, and I certainly do not think that any driller or operator has the right to say if information might

be confidential and not lawfully pertinent to the matter before the commission. If that is the case, a driller or operator could frustrate efforts of this commission to ascertain whether there was violation or not. You have taken the position that we have to prove the violation through our own witnesses."

Mr. LaPrade: "Certainly. This commission can give Miss Johnson and Mr. Carleton ten days notice to appear and show cause why this should have been done and they would be required to produce records and give testimony on matters pertinent to the issue before the commission; but we do not have to open up and show them to what depth we perforated and so on. This is an all-inclusive shot-gun subpoena duces tecum and it is not so informal as you make out. It may be you thought this is merely an investigation, but we view it that our life's blood is at issue to show what we discovered."

Mr. Ross: "Do I understand that you called either Miss Johnson or Mr. Carleton or both of them and notified them of what you found there?" (To Mr. Maule).

Mr. Maule: "That is correct. When I got in Friday evening, it was quite late and I didn't call. Saturday morning I first tried to contact the various members of the commission about what I considered an emergency and ask them what steps should be taken. I also talked to Mr. Carleton and told him I wished to contact Miss Johnson. He told me Miss Johnson was out of town. He told me that she was in Texas and would return Monday evening and be in my office Tuesday morning. She didn't show then or Wednesday. She did condescend to call me about 11 o'clock Tuesday and at that time--it was about 11:30--she said that she had some people coming in from Texas and would be in Wednesday. At that instant, there was no hearing or investigation scheduled. It was simply a matter brought before this office. There was nothing confidential about surface pipe. That was all I had wanted to find out--if she had violated Rule 10."

Dr. Kalil: "Mr. Maule, when you polled the members of the commission, as to what steps had to be taken, you didn't contact me. Mr. Jerome knew I could be had at Pinetop. Did you contact all the commissioners? Did you contact Mr. Wharton? Mr. Chilson? Mr. Deddens? Mr. Walden? Then of those commissioners that you contacted, did Mr. Wharton give the order to demand the subpoena?"

Mr. Maule: "I told Mr. Wharton the conditions that existed and he asked my recommendation. I told him there did not appear to be any surface pipe and there was gas escaping from the lower section which must be coming from the Fort Apache formation which is about 1500 feet in depth. That is the information I have available."

Dr. Kalil: "From the information you indicate, 1500 feet, Fort Apache, that indicates that there is a poor cement job or no cement job?"

Mr. Maule: "Mr. Wharton said if Miss Johnson did not show or did not comply, we should 'pack' her into court."

Mr. LaPrade: "May I ask a question? Have you discussed this with Mr. Stroud?"

Mr. Maule: "Mr. Stroud called me Wednesday and Thursday and he told me he had been out of town and Miss Johnson said he was one of the persons coming in on Wednesday and he told me "I am on my way back to Texas and I will check my files". I believe this is a matter properly before the commission."

Mr. Deddens: "I submit, Mr. Chairman, that we proceed to have witnesses sworn in and present testimony before the commission. This is a formal motion."

MOTION SECONDED BY MR. CHILSON--APPROVED AND CARRIED.

Mr. Maule was then sworn in to testify on behalf of the commission.

Mr. Ross: "What is your name, title, position..?"

Mr. LaPrade: "For the record, may I ask on behalf of Miss Johnson and Mr. Carleton that we object to any evidence being taken upon the ground that the commission does not have jurisdiction, no due process of law being given to respondents and no knowledge of the nature and scope of this investigation having been given to them in advance."

Mr. Ross: "Mr. Maule, will you state your title and position, please?"

Mr. Maule: "I am William F. Maule, petroleum engineer for the State of Arizona Oil and Gas Conservation Commission."

Mr. Ross: "Is it among your duties in that capacity to make investigations on behalf of the commission?"

Mr. Maule: "Yes."

Mr. Ross: "Did you undertake an investigation of a well known as the Aztec Land and Cattle #2 well?"

Mr. Maule: "The word 'investigation' -- how do you mean that?"

Mr. Ross: "I mean go and look at it."

Mr. Maule: "Mr. Chilson and I made a routine inspection of wells in the Snowflake area. While we were on location, Mr. Chilson smelled or heard gas blowing -- something on the order if you turn on your gas stove -- a light blow. We investigated and found gas to be coming from the ground outside the production casing of the Aztec #2 well, and at that time I got my shovel from my car and I dug around the well and found that there was no surface pipe in the hole."

Mr. Ross: "Will you describe what procedures you undertook to make that determination?"

Mr. Maule: "Well, the gas was issuing from this hole around the pipe and I got the shovel and dug to a depth of about a foot and in the process I encountered several rags and pieces of wood and a wad of what appeared to be telephone wire which was insulated wire -- it appeared to be insulated wire. It took Mr. Chilson and I both to remove this wire. And when it broke loose, the loose dirt surrounding the production pipe fell into the hole to a considerable depth. We looked down as far as we could and could see no indication of any pipe. The pipe was very loose. You could shake it. This is different pipe than surface pipe. This hole was dug with cable tools and the surface pipe would be a large diameter pipe -- something that would permit the operator to reduce the size of subsequent strings of pipe to cause water shutoffs."

Mr. Ross: "How long have you been petroleum engineer?"

Mr. Maule: "Since 1952."

Mr. Ross: "Will you tell us how many such investigations you conducted since that time? I mean investigations of the type you just described."

Mr. Maule: "I have never been on a well of this nature. Formerly, I was employed by Halliburton Company as a district engineer and I was on many wells where a re-cementing of the well was indicated. I have re-cemented many wells and it was necessary to re-perforate and run cement around the pipe."

Mr. Ross: "Have you had experience with surface casing to know if one is sufficient or not?"

Mr. Maule: "Yes."

Mr. Ross: "The fact that you discussed this hydrocarbon gas coming from the annular space -- can you tell the significance of that?"

Mr. Maule: "It is common for an oil or gas producing formation that has not been sealed off."

- Mr. Ross: "When you say it has not been sealed off, what is that indicative of?"
- Mr. Maule: "No cement job or a poor cement job."
- Mr. Ross: "Did you make an inquiry as to the cementing tickets on this well?"
- Mr. Maule: "I called Mr. Eubanks, the division superintendent at Farmington, and he indicated there was no cement."
- Mr. Ross: "Do you have an opinion with respect to the findings you just described?"
- Mr. Maule: "I have a very definite opinion that there is no surface pipe in the hole."
- Mr. Ross: "Is there any other significance other than that there is either no cement, a poor cement job, or no pipe in the hole, that you feel warrants immediate attention?"
- Mr. Maule: "Yes. If there is no cement in the hole, then the operator is in violation of the rules and regulations. If there is a poor cement job..."
- Mr. Ross: "Strike that out. Does the fact that there is no surface pipe have any bearing on the well as to the structure?"
- Mr. Maule: "Certainly. If there is a poor cement job, there is gas escaping from the formation. If there is no cement, then it is possible for fresh water to go down the hole into a thief zone or it is possible for salt water to go into the coconino which is known to be fresh water bearing in that area."
- Mr. Ross: "If there is comingling of fresh and salt water, what will it do?"
- Mr. Maule: "It will contaminate the fresh water and make it salty. And it might possibly ruin wells of ranchers or people who produce water for domestic use in that area."
- Mr. Ross: "Is that of sufficient seriousness that you feel something must be done about it?"
- Mr. Maule: "I believe it is an emergency."
- Mr. Ross: "If left undone, what is likely to happen?"
- Mr. Maule: "It is possible that if there is sufficient volume of gas in the formation from which this gas is escaping or sufficient volume of oil for it to come up into the coconino to contaminate it and ruin it for domestic use, or it is possible

that salt water from formations to ruin that water for domestic use."

Mr. Ross: "If this be the case, is it your opinion that something be done with it immediately?"

Mr. Maule: "Yes, sir."

Mr. Ross: "Can you tell us why?"

Mr. Maule: "To prevent ruining the coconino fresh water or be contaminated by oil or gas at ground depth or by loss of the coconino fresh water to a thief formation down the hole."

Mr. Ross: "Was anybody with you when you continued this inspection?"

Mr. Maule: "Commissioner Chilson."

Mr. Ross: "What did you do after making this determination?"

Mr. Maule: "I returned Mr. Chilson to Winslow and returned to Phoenix. It was late and I started calling the commissioners the next morning to ask their recommendations."

Mr. Ross: "Did you have any conversation with Mr. Carleton or Miss Johnson subsequent to coming back?"

Mr. Maule: "Yes, I called Mr. Carleton Saturday morning and I told Mr. Carleton what the conditions were up there and told him to take immediate action to remedy the condition, and he told me it was Saturday; and he said he would notify Miss Johnson who was in Texas, and he told me he was not able to reach her. At 9:30 p.m., he phoned me at my home and said she couldn't be in Phoenix until Monday evening and that she would be in my office Tuesday morning and that she had told him she had records to substantiate the surface pipe and cement, and on the production string to bring cement within 300 feet of surface, and that she had temperature logs. I told Mr. Carleton not to take any remedial action on the well unless I was there. I talked to Miss Johnson Tuesday morning about 11:30 and she told me that her people would be in from Texas Wednesday morning with the necessary service tickets, logs, and other papers, and that she would come down to my office and we would discuss the matter. I told Miss Johnson at that time not to take any remedial action on the well without my presence."

Mr. Ross: "Did she seem to have any understanding at that time of what you were telling her?"

Mr. Maule: "I told her there was no surface pipe in the hole and she said that she was sure that she had set 500 to 600 feet of 7" pipe."

- Mr. Ross: "How much did her application call for?"
- Mr. Maule: "1000 feet of 8 5/8 inch."
- Mr. Ross: "Do you know if she was granted any permission to change that requirement from the commission?"
- Mr. Maule: "I have no way of knowing this. It was before I joined this organization. I studied this case and found no change from the original application."
- Mr. Ross: "Did Miss Johnson or Mr. Carleton appear on the day they told you they would?"
- Mr. Maule: "No."
- Mr. Ross: "When was this date that she was supposed to have been in?"
- Mr. Maule: "Tuesday morning, the 16th."
- Mr. Ross: "Did you subsequently go back to the site of the well and if so, tell us what you found at that time."
- Mr. Maule: "I went to the Aztec #2 the afternoon of the 16th, Tuesday, after I talked with Miss Johnson, and I found that a form had been set up around the well and that a piece of 7" pipe had been placed in the well and cement run around the top."
- Mr. Ross: "Was there any evidence of surface pipe at that time?"
- Mr. Maule: "No, unless this could be construed to be a surface pipe."
- Mr. Ross: "With respect to your knowledge of surface pipes, is this a surface pipe that is suitable for this well in compliance with her application?"
- Mr. Maule: "No, it is not. There was no evidence of equipment being used on the well, and there were just tracks of a single rear-wheeled vehicle--a car, or a pick-up--showing that it had backed up to the well, possibly to bring in water. There was half a sack of cement still on location indicating the possibility of half a sack of cement being mixed and dumped around the surface adjacent to the pipe."
- Mr. Ross: "How much cement would be normally used?"
- Mr. Maule: "Half a sack is not sufficient. Very roughly, to set 8 5/8" pipe in a 12" hole, I can give you exact figures if you require, but just roughly it would take

approximately 300 sacks of cement."

Mr. Ross: "Did you find evidence of 300 sacks of cement in that area?"

Mr. Maule: "No, I did not. A small amount of cement had been placed around the surface pipe. It appeared that the hole around the 7" pipe had been filled with debris and a small amount placed on the top. This has settled delineating the size and shape of the hole."

Mr. Ross: "As a result of this second investigation, you contacted the commissioners?"

Mr. Maule: "No, I did not. I waited around the location for a considerable time and I returned to Phoenix that evening and the next morning at 10 a.m. I had no contact with Mr. Carleton or Miss Johnson and I prepared this statement that I mailed to the Commissioners. Mr. Wharton had advised me that in the event Miss Johnson did not show or produce evidence of a satisfactory surface pipe program and cementing, to take action against her and at that time I contacted your office for the proper procedures."

Mr. Ross: "As of the last time you looked at that well, do you have an opinion with respect to its condition at the time you last looked at it?"

Mr. Maule: "I believe there is a short joint of pipe, 7" pipe, in the hole. I substantiate that by saying I could see no evidence of heavy equipment being necessary to run 1000 feet of pipe."

Mr. Ross: "Do you have any opinion as to whether or not there is surface pipe this depth of 1000 feet in that hole?"

Mr. Maule: "I do not believe there is surface pipe in there to a depth of 40 feet. That is approximately the length of pipe that might possibly be there."

Mr. Ross: "Do you have an opinion with respect to the cement job which presently exists?"

Mr. Maule: "I could see no evidence of a sufficient quantity of cement being brought to the location and there was only a half sack of cement present. It is my conclusion that only a small amount of cement had been placed around the surface of 7"."

Mr. Ross: "Is Form O & G 56 filed with this commission?"

Mr. Maule: "No, I have no record."

Mr. Ross: "No proof of cement job filed with the commission?"

Mr. Maule: "No."

Mr. Ross: "Any report on test of water shut-off filed?"

Mr. Maule: "No."

Mr. Ross: "Were these the matters which were discussed with Miss Johnson on the telephone prior to your second visit?"

Mr. Maule: "No, the only matter discussed with Miss Johnson was the surface pipe and she said that she had cementing tickets and logs and the temperature survey of the production string."

Mr. Ross: "Any other questions the commission might want to ask Mr. Maule?"

Mr. Deddens: "Yes. Mr. Maule, you were asked several questions by Mr. Ross, requesting you to express an opinion, - 'do you have an opinion' - and you answered by saying that you 'believe'. For instance, by saying that there was a short joint of 7" pipe, does this mean in your opinion as Petroleum Engineer that only 7" pipe was put in the line?"

Mr. Maule: "Mr. Deddens, there is a supply of pipe available at the well site. The pipe is laying across two joints of pipe 20 feet apart. I do not know -- I can only interpret what I see. There is a scratch mark on the one crossing pipe, indicating that one has been moved. I would suggest therefore the pipe is 20 feet long, or less."

Mr. Deddens: "What we are asking is - do you as Petroleum Engineer have an opinion that there is only a short joint of pipe at the top of the well that was inserted between the two inspection dates to the well? It is your opinion that there is only a short joint of pipe only partially cemented in?"

Mr. Maule: "That is correct."

Mr. Deddens: "Could you estimate for us how much pipe could be cemented with half a sack of cement, keeping in mind the 7" pipe and 4½" pipe insert?"

Mr. Maule: "I would say that cemented approximately 6"."

Mr. Deddens: "When you talked to Miss Johnson and Mr. Carleton, did you request cementing tickets to show how much cement had been put into this casing?"

Mr. Maule: "Yes, I did."

Mr. Deddens: "Did I understand you to answer Miss Johnson said she did have the tickets to show a cementing job was done?"

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- Mr. Maule: "She had, or the persons in Texas had them. Her file is not complete."
- Mr. Deddens: "Was that on the Monday following the investigation?"
- Mr. Maule: "No, on Tuesday, the 16th."
- Mr. Deddens: "You stated that you requested both Mr. Carleton and Miss Johnson not to take any remedial action relative to this Aztec well #2 without your being notified. What was your object or purpose in making that statement to them?"
- Mr. Maule: "The rules specify a member may be present and I wanted to be present to see how much pipe and cement were run."
- Mr. Deddens: "Did you indicate to them that you were ready and available at any time they wanted to remedy this emergency situation there?"
- Mr. Maule: "The only discussion that may be construed that way was my conversation with Mr. Carleton when I told him the situation and told him the well was blowing out and that immediate action should be taken. Mr. Carleton said that this was Saturday and I said that Halliburton works on Saturday and I was working on Saturday; and I believe Mr. Carleton knew I would be available. I don't know."
- Mr. Deddens: "But you didn't say anything to indicate that you wanted them at any time."
- Mr. Maule: "No, sir, I did not."
- Mr. Deddens: "You have mentioned the fact that you saw no evidence of equipment being brought in to put in 1000 feet of casing. What kind of equipment would be required to do that sort of job?"
- Mr. Maule: "It could be done with a cable tool, drilling rig or pulling unit. The only thing necessary' would be the length of the mast and sufficient power to pick it up and lower it into the well and so on, and the cementing truck."
- Mr. Deddens: "If such equipment had been brought in to do any work there, would there have been evidence on the ground?"
- Mr. Maule: "There would be spilled cement or tracks of the unit used to run the pipe, or evidence of washing the truck after the cement job and tracks of the water truck."
- Mr. Deddens: "Was this heavy equipment?"

Mr. Maule: "All of it is heavy equipment."

Mr. Deddens: "You mentioned the name 'Halliburton'. Please give us the full name of that company and the nature of that company, and if it is well known."

Mr. Maule: "The Halliburton Company has recently had its name changed from Halliburton Oil Well Cementing Company. It is well known in the Oil industry for cementing, logs, and so on. It is a service organization for the cementing and subsequent surface work on oil wells."

Mr. Deddens: "You mentioned a Mr. Eubanks. For the record, tell us who he is."

Mr. Maule: "Mr. Eubanks is district superintendent in Farmington, New Mexico, for Halliburton company."

Mr. Deddens: "Are there any other firms that do this type of work in that vicinity?"

Mr. Maule: "There are several companies that do this type of work. I don't know where they are based. There are none in Arizona. They would have to come from New Mexico."

Mr. Deddens: "In your conversation with Mr. Carleton and Miss Johnson, did they indicate that they employed Halliburton?"

Mr. Maule: "Miss Johnson indicated Halliburton cemented the well."

Mr. Deddens: "I believe you worked for Halliburton Company. When that company does a cement job, does it have complete records of what it does?"

Mr. Maule: "When you go on location, the operator signs a work order that shows the time of trucks' arrival, equipment being used at direction of operator. Upon completion of the job, there is a service ticket which states the times, dates, the kind of job that was performed, how it was performed, amount of cement used, bulk or sack, and type of plugs, and so on; all that is pertinent to the oil industry."

Mr. Deddens: "If this Aztec #2 well had been properly cemented, Mr. Maule, would there have been cement between the surface casing and production pipe from the bottom of the well to the top or not?"

Mr. Maule: "Not necessarily. The rules specify that surface pipe will be run at a sufficient depth to seal off all fresh water. That would be one setting of surface pipe. The rules

further state that on the production casing sufficient cement will be run to protect all oil and gas formations, or a minimum of 500 feet of cement from the lower end of the pipe to a minimum of 500 feet. There could be possibly an area in between the base of the surface pipe and the top of the cement where no cement is involved. This zone is to be filled with heavy mud."

Mr. Deddens: "Do you mean no cement would be required?"

Mr. Maule: "That's right."

Mr. Deddens: "Do you know the first water depth that is met in that vicinity by drillers?"

Mr. Maule: "The Coconino sand is known to be a fresh water sand. In the case of the Lockhart and Lynch wells, the water rose to a depth of 543 and 545 feet from the surface to the top."

Mr. Deddens: "Did Miss Johnson or Mr. Carleton ever tell you the depth at which fresh water was struck while they were drilling?"

Mr. Maule: "Directly, no. I believe Miss Johnson made a statement that while drilling the coconino, they encountered very little water, barely enough to drill with."

Mr. Deddens: "Are there any records in this office to show the depth at which fresh water was contacted when drilling was done?"

Mr. Maule: "No, sir."

Mr. Deddens: "When you spoke of the required 300 sacks of cement as an estimate to do a proper cementing job on this Aztec #2, did you have in mind there would be areas that would be filled with mud and didn't require cementing?"

Mr. Maule: "No, sir. On the surface pipe it is required that cement be used. It would take 300 sacks of cement as a rough estimate. A hole 12" in diameter and setting in pipe 9" in diameter would take 305 sacks of cement. It is not possible to drill a gauge size hole. It would be useless and be more area to fill. Normally we use a fill up estimate of 60 per cent. You will get 60 per cent fill up out of a sack of cement. It would take 500 sacks of cement per 1000 feet of hole."

Mr. Deddens: "You are referring to taking 500 sacks of cement to fill the space between the hole as drilled and the outer surface as surface casing."

Mr. Maule: "Yes, sir."

- Mr. Deddens: "I believe that satisfies me, Mr. Commissioner."
- Mr. Chilson: "I have just one question off-hand. Providing that the cement that is now poured around the 7" casing provides a seal for the escaping gas that we witnessed, what would now be happening to that gas, assuming that there was 40 feet of casing in the hole? What would now be happening to that gas?"
- Mr. Maule: "On previous visits to that hole, there was a small pressure gauge installed on top of the tubing. The gas gauge indicated 120 lbs. pressure. If there is no pipe in the hole, the gas is now going into the coconino formation, if that is the true pressure of the well."
- Mr. Chilson: "Could it contaminate the fresh water in supply?"
- Mr. Maule: "A sufficient volume of gas could do so. It has happened that gas would change a fresh water formation and fresh water wells would produce gas along with fresh water."
- Dr. Kalil: "Mr. Maule, did you state you came on this job as the petroleum engineer after the Aztec #2 had been drilled to its present depth?"
- Mr. Maule: "Yes, sir."
- Dr. Kalil: "Then the facts you have quoted are based upon your observations after the well was finished and the material that you have, but which you read. Does that include a log of the hole?"
- Mr. Maule: "On the Aztec #2? No, sir, it does not."
- Dr. Kalil: "How can you be sure that fresh water and/or salt water was or was not encountered at the total depth which was how deep?"
- Mr. Maule: "I have no way of knowing how deep the well was. There was no record of it in the file."
- Dr. Kalil: "How can you be sure if there was no fresh and/or salt water in that hole?"
- Mr. Maule: "The coconino sandstone in that area is known to carry fresh water."
- Dr. Kalil: "That is the basis of your opinion? Is the function of a surface pipe essentially to start a hole straight, seal off any water strata for a certain depth down, and is it your opinion that there is no pipe in the hole?"
- Mr. Maule: "Yes, sir. But let me correct my answer to this: I told Miss Johnson that there is no surface pipe

in the hole. She said 'Bill, I know there is 6 or 700 feet'. There is no evidence. She said it might have fallen down the hole. The pipe may have dropped down the hole 50 feet. It could not be seen from the surface."

Dr. Kalil: "But your opinion is that there was no full cementing job done?"

Mr. Maule: "Yes. There was no surface pipe in the hole and there was no cement where the surface pipe would be."

Dr. Kalil: "You make trips regularly to inspect wells? Do you go by yourself?"

Mr. Maule: "Mr. Deddens and Mr. Chilson have gone with me."

Dr. Kalil: "Have they gone with you to any other wells? Which wells?"

Mr. Maule: "The three Lydia Johnson wells, the Tucson, the Hunt well, Kerr-McGee, Eastern in Cochise County, to the Duncan wells, to the Bomak wells, and Western Oil and Minerals. I have asked them to go and they have asked me to go to familiarize them with the oil field."

Dr. Kalil: "Have you ever asked me to go in the period of time you have been employed since December?"

Mr. Maule: "I don't remember."

Dr. Kalil: "You never have."

Mr. Walden: "I don't see what bearing this has on the situation at hand."

Dr. Kalil: "I just wanted to bring out the facts that in my opinion it would seem to me that this commission would be jumping to the high heavens and bally-hooing all of the country if these facts are true. Here we have a well in this state and we should expend ourselves basically for what this commission is intended, in that we would help the exploration and production of oil and gas instead of being particular about some things which still remain to be proven. It has not been proven to me that there has been comingling of fresh and salt water and it is our job as a commission to do our job to help instead of hindering anybody and everybody who is trying to find some petroleum gas and/or oil."

Mr. Walden: "I think what you are saying is irrelevant. It is entirely out of order. I think what you say is a different question and a different subject which we should debate at the proper time. I think what you say is incorrect in that it is our duty also to see that the rules of the statutes and rules under which your commission operates -- it is our duty to see they are carried

out. I move we go on with the investigation as such."

Dr. Kalil: "You are entitled to your opinion and I am entitled to mine."

Mr. Ross: "What is the reason that surface casing should be set up below fresh water?"

Mr. Maule: "To prevent fresh water from comingling with salt water."

Mr. Ross: "That is a requirement of all wells - gas or oil?"

Mr. Maule: "To this extent. It is not necessary in a proven area. Wells are completed in a proven area where there is no high pressure formation where the column of mud will contain the fluid in the producing formation. Wells are completed by drilling to the producing formation, setting the production string and circulating cement. This is a method of making sure fresh and salt water formations will be separated."

Mr. Ross: "I would like to offer in evidence the application for permit to drill by Lydia Johnson, Trustee."

Mr. LaPrade: "I have no objection to that."

Mr. Deddens: "you mentioned the Lockhart well, and I think you said the water in that well rose to 543 feet or thereabouts of the surface. How close is the Lockhart well to the Aztec #2?"

Mr. Maule: "Roughly, 300 feet."

Mr. LaPrade: "Mr. Chairman, as an attorney I have had the experience of waiving my clients' right to allow them to participate in certain procedures where they waive their rights. Out of an abundance of caution, I am going to move the commission to dismiss this hearing and re-set it upon proper notice to Mr. Carleton and Miss Johnson, at which time I would be most anxious to question Mr. Maule on many subjects, and I again reiterate for the record that my refusal to interrogate Mr. Maule at this time, that my clients' right to refuse to testify and produce records, might be waived, and it is under that proposition that I do declare to cross-examine."

Mr. Ross: "I do not think a hearing and an investigation are the same thing. Otherwise the statute never would have been laid out the way it has been. I think your client knew about the nature of this investigation. First of all, by telephone call. Secondly, I think the subpoena shows what we are looking for. I do not really think that she as an experienced oil and gas speculator

is unaware of what the nature of this procedure is. They spoke about the surface pipe in their conversation. I do not think there is a question about the telephone conversation. If there was any doubt about it, the visit by Mr. Maule to the site of the well indicates that she knew what was done because they were told by Mr. Maule not to take any remedial action without his presence. Secondly, the purpose of an investigation is to determine if there are violations, and I think Section 515 can be construed separately from Section 522. It is up to Miss Johnson if she wants to submit testimony in defense of the position Mr. Maule is taking. If she doesn't want to do so, the only other side of the picture stands."

Mr. LaPrade: "This subpoena not only calls for factual information and records relative to cementing, logs and so on, but calls for information that is not relevant, which we are under no circumstances going to produce until six months after the well has been completed. This much has been made an express order, permitting them to have 90 days to complete this well and they are not required to do any of the things today because they are not completing the well. They should have a medal pinned on them, and instead they are given no opportunity to know which regulations have been violated and what allegations are made except in conversation on a telephone, nor time to determine if there are any violations."

Mr. Ross: "If we had to make a statement of violation that we knew to be true, we would be not called in hearing. We have a right to go to court to get \$1000 from you for every day of violation."

Mr. Deddens: "First of all, if Mr. LaPrade refused to cross-examine the witnesses, it is his right to do so. If he wants to do that, I think we should just proceed further with our investigation hearing. It is his right to make that determination as their attorney. I have here a copy of the Minutes of July 27, 1960, meeting and from what I see here relative to Aztec #2, Mr. Carleton requested a 90-day extension to either plug or re-enter the well. Motion was made by Mr. Wharton who moved "that there be a 90-day suspension for disposition of the well, with the understanding they are to file all information, logs, and necessary data requested by the commission. Seconded by Mr. Chilson, the motion was carried unanimously." The motion did not show they had 90 days to do so."

Mr. LaPrade: "I quote from a letter from Mr. Jerome to Miss Johnson: 'For a period not to exceed ninety days from the date hereof, during which time you will re-enter and complete the above-stated well or plug and abandon said well in a manner prescribed by the rules and regulations of the Arizona Oil and Gas Conservation Commission and the Arizona Revised Statutes pertaining thereto.'"

Mr. Deddens: "I am reading from the actual motion in the Minutes of the last meeting, and I think they should have filed these logs which were requested, and that the 90 day

suspension was given to them at the meeting of July 27 on the express condition that the information be filed in this office and be furnished to this office, and they consented to do this."

Mr. LaPrade: "Wouldn't this be after the 90 days after the work was completed?"

Mr. Jerome: "Miss Johnson brought in the film and she was to get copies made from the film. They were in the following day. The minutes speak for themselves. It was the understanding that this 90 day extension was given because we would receive the records."

Mr. Deddens: "One other question. I would like to know, Mr. Maule, whether either Mr. Carleton or Miss Johnson notified you that any remedial action of any kind, if anything, was going to be done at Aztec #2 from the time of the original inspection and the second inspection? They didn't notify you that they were going to do the things that you found had been done when you went back the second time?"

Mr. Maule: "No, sir."

Mr. Ross: "Mr. LaPrade, Mr. Maule has testified here that, remiss of the content of the letter, when he found gas escaping, it was an emergency."

Mr. LaPrade: "There is no evidence now that there is any gas escaping."

Mr. Ross: "Then he found some remedial action to have been taken after the second time."

Mr. LaPrade: "Did the commission enter an Order pursuant to that, that the emergency existed?"

Mr. Maule: "Mr. Wharton requested that if Miss Johnson did not take action, we should bring action."

Mr. LaPrade: "We have no objections to laying the whole thing wide open but there is certain information regarding this well we do not have to reveal until the statutory six month period has been elapsed, and we have this letter from the commission that acknowledges it is not a complete well; and in due course this information will be filed; and if we are given ten days notice of the violations which may have been committed, we would be happy to produce witnesses and evidence to refute it, but we are not going to open our file until it is clear."

Mr. Walden: "During the life of a permit under which these people are operating, did the permit in this case specify that 1000 feet of 8 5/8" casing was to be used? Does the commission or its agent have the responsibility during the life

of a permit, in the event that type of casing has not been installed, to determine the operator in violation of the permit; or does the life of the permit which in this case was extended to 90 days allocate an extension of time during which there could be any rectification of not having installed the pipe?"

Mr. Ross: "The reason for the casing program is to confine the operator to what she claims is in the well. The law requires the operator to make a statement as to what her casing program is before she even starts. This requires the commission's approval. If a change is made from it, permission is also required for that."

Mr. Walden: "This operator is in violation then, on that basis. So we have here a case of violation."

Mr. Ross: "I agree with you, Mr. LaPrade, that most of your records do not have to be brought in. But there are other reports that must have been submitted all along prior to revealing all of your records; your production casing - Rule 11 - requires that shut off of water by any casing which has been cemented or landed in a stratum overlying an oil or gas-bearing stratum, with not more than five feet of hole open below the bottom of the casing. This must be witnessed by the commission or its representative. The rule thus requires that the owner or operator shall notify the commission or agent of the shut-off. There are various forms which you must file with this office, and after the necessary correction program of work has been done. Certain things must be done even before the commission or its agent. It is required that Form OG-63 be filed as a record of all the tests. These are different than the ones you are protecting here. All are on the routine of drilling the well; and there must be some jurisdiction. We would have contamination of water all over the state if this went on. We bring you here to get the record straight because we want to help the operators if they are deserving of help. It is not the business of the commission to prosecute anyone but it does have the right to ask a violator that question. That's the reason for the subpoena duces tecum being served."

Mr. LaPrade: "Informally, I will say that this entire matter depends to a great extent that any water exists in the hole and there was no opinion that there was. The cement concerned and the danger of pollution of fresh water depends upon the distance of water in this hole. Mr. Maule assumes a lot of things but the regulations that a lot of things are to be done depends on facts that require it to be done."

Mr. Ross: "Even if it is a matter of opinion, it still is a matter of surface pipe."

Mr. LaPrade: "They do not do these things themselves. They pay bills and finance and promote, and most of the information is in the hands of responsible drillers, and the superintendents who are on the job. Well, we would like to have an opportunity to have them subpoenaed here. We do not have the right

to subpoena people to this hearing. We should like an opportunity to ask this commission to subpoena the appropriate witnesses and this could be handled in good faith, and we could correct this without any difficulty."

Mr. Walden: "You are talking about other actions. This is an informal investigation. All that had been asked, as I understand the minutes of this last meeting, were that the records be brought in. All operators pay bills and they do not pay bills without first investigating. All we have now is a physical objection that those things weren't done. I can therefore ask what reason is there to cloak this thing in an aura of mysticism. Why not put the fact on the table that these bills have been paid?"

Mr. LaPrade: "Well, it is very simple. These records contain information which is not pertinent to this inquiry. They have paid dearly, and if we open up the file, the whole thing becomes a matter of public record. If I turn the file over, it is a matter of public record. Anybody in this community and any community can walk in and examine it. Until we are given an opportunity to give testimony it is best you do not have custody of the file."

Mr. Deddens: "Mr. Maule, a few minutes ago Mr. Ross read a number of reports that are required -- a number of reports necessary to drilling activities which must be submitted, showing surface pipe put in and when and report 30 days after the shooting that it has been done. Have any of those reports been filed by Miss Johnson and Mr. Carleton relative to Aztec #2?"

Mr. Maule: "No."

Mr. Deddens: "Were those reports of the type that Mr. Ross referred to? Were they the very matters that were discussed at the last meeting when we held an informal conference that they would have to file all necessary information required by this commission? Is that what we had in mind in the discussion? What have either Miss Johnson or Mr. Carleton done since the meeting of July 27th relative to complying with the conditions on which the 90 day suspension was granted?"

Mr. Maule: "I believe they brought in the film. The film was brought in and it checked very closely with #1 well. Mr. Carleton and Miss Johnson were given a permit on the #3 well and the letter that Mr. LaPrade mentions was mailed to Miss Johnson and Mr. Carleton at about that time. Physical evidence reports made on this well were not brought in."

Mr. Deddens: "Did I understand you or Mr. Jerome to say earlier that they were going to procure a copy of that?"

Mr. Maule: "It would be a positive print. I told Miss Johnson that she could get copies made over next door at Phoenix Blue Print."

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Mr. Deddens: "What's a reasonable amount of time to get those things printed?"

Mr. Maule: "I have had maps and papers reproduced here in an hour."

Mr. Deddens: "What date was it that they came in with the film on that log?"

Mr. Maule: "It was a day or two after the meeting on the 27th of July."

Mr. Deddens: "It was brought in August 1st?"

Mr. Maule: "Yes, sir."

Mr. Deddens: "And we still don't have the print filed in this office?"

Mr. Maule: "No, sir."

RECESSED 11:05 a.m. RECONVENED 11:20 a.m., Dr. Kalil presiding.

Dr. Kalil: "Are there any additional statements or facts, Mr. Ross, that we should bring out at this time before we arrive at some sort of a decision?"

Mr. Ross: "I would like to discuss Title 27 Section 522, with respect to the records that were asked for in the subpoena. Section B indicates that these records do become open to inspection to the public. However, well records of a well drilled in unproven territory shall not be subject to inspection until six months after completion. I feel the commission has the right to know and inquire into these matters and I do not think that the operator can hide behind the fact that it is open to public inspection. Public inspection is people other than those in the commission."

Mr. LaPrade: "I agree that you do have the right to inspect our records. Despite the fact it is confidential, you have the right."

Dr. Kalil: "Would you be in order, since we have reached an impasse, to call a formal hearing on this matter?"

Mr. Ross: "There should not be a necessity for a formal hearing if he will furnish us the things necessary for this hearing. We only want to know about the surface pipe and the cement. We are not asking you to divulge confidential information. We are interested in Rules 9, 10 and 11, which I do not think go to anything you are trying to protect."

Mr. LaPrade: "We cannot tell you about those things until we have the contractor. You are interested in whether the cement is there. You want to know if it is in there. We cannot give you anything but hearsay on what was done."

Mr. Deddens: "The records that these people have -- are they the records that we are entitled to have?"

Mr. LaPrade: "We will be happy to produce them on due notice."

Mr. Deddens: "I warrant you are not going to produce them at this investigation today."

Mr. LaPrade: "Positively."

Mr. Deddens: "We are not at an impasse."

Mr. Ross: "A hearing is set up separately and differently than an investigation, and under this action certain formal things have to be done for a hearing. I do not think the commission should be hampered in conducting an investigation. Either you produce the records or you don't produce them. You are at a disadvantage. The commission has a right to take steps from here. The steps they may wish to take are their own decision, not mine."

Mr. Deddens: "It seems to me we are entitled to have those records delivered to us in this investigation prior to the conclusion of our presenting the testimony of Mr. Maule and before we get into the testimony of Miss Johnson and Mr. Carleton. And I think for the record, you should specifically read off each document specifically requested, and ask them if they have them here and would they please deliver them to us so that we may have them available for inspection."

Mr. Ross: "We have asked them to produce pursuant to the subpoena duces tecum and Arizona Revised Statute Title 27, Section 515, B2, as amended, the following papers and documents: the cementing tickets of the surface pipe and production casing; electrical and all radioactive logs run on this well in open hole or in the encased hole or temperature surface; service tickets on the shooting and acidizing and all other treatments have been performed on said well; and other records and data pertaining to said well which are now in your custody and control."

Mr. Deddens: "I think request should be made for production of those records and documents. It is my request now, Mr. LaPrade, that you and your clients produce each and all of these documents that we have requested pursuant to the subpoena."

Mr. LaPrade: "For the record, on behalf of Lydia Johnson and John Carleton, I instruct them to refuse to produce the requested documents upon the ground of Title 27, Section 518,

ARS 1956, Paragraph B, that they are justified in such refusal, upon the ground that the inquiry concerns a matter not lawfully before the commission at this time and the commission has no jurisdiction on the matter before it, due to the failure and lack of due process of law to these parties, in that they were not given notice of the matter prior to this date."

Mr. Deddens: "I want to be perfectly fair and above-board with you, and your clients. I want them to hear and understand this. You have now refused to produce these records on the grounds which you state. And consequently I expect Mr. Ross will call both of them to testify, in this investigation. I anticipate from what you said before that they are either going to refuse to testify to anything or will refuse to answer any questions. I am of the mind now that I intend to move subsequently that we request the Attorney General to start contempt proceedings on refusal to testify and on refusal to produce these records. I don't want them to leave this meeting with no idea of consequences. But I think it only fair that this commission either follow up this matter or go out of existence, that they should have these people cited for contempt; I know you have the right to defend them, we must not criticize them if they wish to stand on their rights, but I want them to be fully informed that I intend to do so, and instructions will go to the Attorney General."

Dr. Kalil: "Is there anything further, Mr. Ross, that we can bring out here to clarify the matter? We will have to come to some decision as a result of these findings."

Mr. Ross: "You can make findings or move to have the Attorney General bring them before the court on failure to obey the subpoena or you can drop the matter."

Dr. Kalil: "What is the pleasure of this commission?"

Mr. Deddens: "I have a few more questions to request of Mr. Maule before we ask Miss Johnson and Mr. Carleton to testify. Mr. Maule, at the last informal hearing that we had with Miss Johnson and Mr. Carleton, on July 27th, they stated that they had done a shooting and acidizing job on this Aztec #2 well and they wanted to do further shooting and acidizing on that well, and that was one of the reasons they requested this 90 day suspension. Are there any producing gas wells in that vicinity, Mr. Maule?"

Mr. Maule: "No, not now."

Mr. Deddens: "Is it possible there might be a gas pocket in the immediate vicinity in which they have drilled and that gas pocket or the pressure of the gas in this vicinity could in any way escape through this well they have drilled, if there is no surface pipe in that well as required in our regulations?"

Mr. Maule: "Very definitely."

Mr. Deddens: "What could be the consequences if there was an escape and if there was enough pressure? What could happen?"

Mr. Maule: "If the well has hydrocarbon gas and if it is known that it has produced hydrocarbon gas, if lightning struck or if someone lit a cigarette, it could cause fire. Or if this is a channel job in the well and if it is eroding and ignited, considerable damage could be done to the well and the vicinity. Anyone who has ever seen a well fire would appreciate my remark. It is extremely dangerous."

Mr. Deddens: "Is that condition one of the conditions you had in mind relative to the emergency you spoke of?"

Mr. Maule: "Yes, sir."

Mr. Walden: "You mentioned that you believed you had seen a film of a well. Did the film indicate that there were several areas in which water could be produced from?"

Mr. Maule: "I didn't examine the log that closely. It was spread out on the drafting table for a few minutes and I pulled out the log on Number 1 well and made a comparison. No attempt was made to evaluate the log. They were similar."

Mr. Walden: "Did you ever attempt examination of the log on Well #2?"

Mr. Maule: "No. cursory examination, yes. But investigation, no."

Mr. Walden: "In your cursory examination, would you say there was water production in the coconino sands?"

Mr. Maule: "I would say that the log indicates that the lower part of the coconino sand contains hydrogen which would indicate water."

Mr. Walden: "Does it indicate that the water is relatively salt water?"

Mr. Maule: "No, it would not determine that. An electric log in an open hole would indicate that."

Mr. Walden: "The log of the Aztec #2 is on an encased hole?"

Mr. Maule: "Yes."

Dr. Kalil: "What is the pleasure of this commission at this time?"

-Mr. Ross: "Next order of business is to ask Miss Johnson to testify."

Mr. Deddens: "I think we should proceed."

MISS LYDIA JOHNSON SWORN IN BY DR. KALIL, ACTING CHAIRMAN OF COMMISSION.

Mr. Ross: "What is your name and address?"

Miss Johnson: "I am Lydia Johnson and I live at 1502 East Brill Street, in Phoenix."

Mr. Ross: "Are you the operator of Aztec Land and Cattle Oil Well #2?"

Miss Johnson: "Yes, I am."

Mr. Ross: "Will you tell us under which name you operate this well?"

Miss Johnson: "It is operated as Lydia Johnson Trustee."

Mr. Ross: "What are you a trustee of?"

Mr. LaPrade: "I instruct you not to answer that statement upon grounds heretofore stated."

Mr. Ross: "Is Lydia J. Associates organized in the State of Arizona?"

Miss Johnson: "No."

Mr. Ross: "Is that a limited partnership organized under the State of Arizona? Is that the organization that you are general partner and trustee of? And they are the operators of Aztec Land and Cattle Co. Well #2? And you yourself are general partner or trustee in that organization?"

Miss Johnson: "I refuse to answer on advice of counsel."

Mr. Ross: "Will you tell us who your limited partners are?"

Miss Johnson: "I am instructed not to answer on the grounds heretofore stated, and further grounds that I am not to answer anything discussed today on the subpoena issued as being irrelevant."

Mr. Ross: "Have you brought with you the cementing tickets for surface pipe and casing?"

Mr. LaPrade: "I am instructing her to refuse to answer on the grounds heretofore stated."

Mr. Ross: "Will you produce both documents and logs and

tickets that have been called for in the subpoena duces tecum?"

Miss Johnson: "No."

Mr. Ross: "You have not brought them here?"

Miss Johnson: "No."

Mr. LaPrade: "The question was whether she would produce them."

Miss Johnson: "No."

Mr. Ross: "Have you brought them with you here?"

Miss Johnson: "I refuse to answer."

Mr. LaPrade: "May the record show that all of these refusals to answer are on the grounds heretofore stated."

Mr. Ross: "You had conversation with Mr. Maule, Petroleum Engineer of the Arizona Oil and Gas Conservation Commission in the past few weeks?"

Miss Johnson: "I refuse to answer."

Mr. Ross: "At that time Mr. Maule instructed you not to take any remedial action with respect to the well?"

Miss Johnson: "I refuse to answer."

Mr. Ross: "And did you take any remedial action since that time?"

Miss Johnson: "I refuse to answer."

Mr. Ross: "I take it then you will refuse to answer any question I might ask? I think the commission should note that the witness is hostile and will refuse to answer, and further questioning of this witness will apparently be useless."

Mr. Deddens: "I have a question I would like to ask of the witness. Does any member or any employee of the Oil and Gas Conservation Commission have any beneficial interest whatsoever in your oil operations in the State of Arizona?"

Miss Johnson: "I refuse to answer."

Dr. Kalil: "I believe at this time that is a pointed question that needs clarification, and I would like to make it clear that, as I have done in public office in times before, whenever a question comes up in which I might have a personal interest, I would disqualify myself from voting pro or con, which I intend to do and have done in the past, and will continue to do so in the future,

in order to be absolutely impartial. It would be interesting to me to find out why you asked the question, Mr. Deddens."

Mr. Deddens: "I simply wanted to know if any employee had any interest in her oil operations. I must say this is a surprise to me."

Dr. Kalil: "I think I made the fact clear once and for all and let the record show that my interest in Aztec #2 was prior to the time when I was appointed to this Oil and Gas Commission."

Mr. Deddens: "I didn't know you had any interest in this well. Let me state frankly that this is the first time that I have known that you had an interest in Well #2. If you made such a statement since I have been on the commission, I do not recall it. But I did think that we should know whether anybody employed by this commission or member of the commission had any interest; that is the exact purpose. But I am not going to ask any questions of Miss Johnson as it is positive that she will not answer. I think she is in contempt of this body and as I have indicated before, I shall move when this is over with that contempt proceedings be started by the Attorney General."

Dr. Kalil: "Can we proceed here? What is the pleasure of this commission?"

Mr. LaPrade: "I assume by the question the vice-chairman has put to the commission that some action will be taken. My examination of the rules of this commission, effective I believe in 1951-52, promulgated by the State Land Commissioner, whose duties were later taken over by the commission, proves to me that they are pitifully inadequate. They are pretty silent on how these things will be commenced and what notice will be given to operators, as to what day to appear. No definite statement as to what constitutes an emergency hearing, and that is really the crux that we are in the position we are in here today, and I immediately reiterate, in ten days we will not refuse to testify and I will be happy to cooperate with your commission."

Mr. Ross: "I don't think you have a copy of this, but we are not at a hearing. As pointed out at the outset, this is not a hearing. This is not something that is even opened to the public. It didn't require notice. It is solely an investigation to determine if violation has taken place at the site of Aztec Land and Cattle Well #2. You are constantly calling it a hearing. I think it is a misinterpretation of Title 27 Section 515, B2, which empowers the commission to hold investigations and require production of records pertinent to the matter before the commission."

Mr. LaPrade: "These rules and regulations require that notice be given. The rules provide that notice of hearing must state time and place of hearing and what it is about."

Mr. Ross: "The subpoena reads the nature of that. An investigation...it can go into all matters pertaining to the well."

Mr. Deddens: "I think we could end this quickly and call Mr. Carleton as a witness."

MR. JOHN CARLETON SWORN IN BY DR. KALIL, ACTING CHAIRMAN OF COMMISSION.

Mr. Ross: "What is your name and address?"

Mr. Carleton: "John Carleton, 1502 East Brill, Phoenix."

Mr. Ross: "What is your connection with Lydia Johnson?"

Mr. Carleton: "I am an associate in Lydia J. Oil Associates. I am a limited partner."

Mr. Ross: "You work in close association with Miss Johnson?"

Mr. Carleton: "On advice of counsel, I refuse to answer any questions you might put to me."

Mr. Ross: "Did you bring with you today the cementing tickets, logs, temperature surveys and data asked for in the subpoena duces tecum?"

Mr. Carleton: "I am here of my own volition. I told Miss Johnson that when the sheriff came, as far as I was concerned I would accept the subpoena and would definitely appear."

Mr. Ross: "Would you accept service at this time?"

Mr. Carleton: "I would accept service, certainly."

Mr. Ross: "You knew what was in the contents of the subpoena?"

Mr. Carleton: "I had a general idea...I refuse to answer!"

Mr. Ross: "Did you bring with you the logs and records that were called for?"

Mr. Carleton: "I refuse to answer on advice of counsel."

Mr. Ross: "Will you produce the logs and records and the tickets with respect to the surface pipe and surface casing?"

Mr. Carleton: "On advice of counsel, no."

Mr. Ross: "Then you refuse to comply with the request of the commission at this time?"

Mr. Carleton: "On advice of counsel, yes."
Mr. Ross: "I think it is no further use, as before."
Mr. Deddens: "Except for your name and address, you will refuse to answer?"
Mr. Carleton: "Yes."

Dr. Kalil: "Is there any additional matter that has to be done by the commission?"

Mr. Ross: "Do we have any witnesses that can clarify the situation any further, such as Mr. Jerome? Does Mr. Jerome have anything to add to this investigation that might be of value that has not been heretofore produced as evidence or by the alluding to?"

MR. JEROME SWORN IN BY DR. KALIL, ACTING CHAIRMAN OF COMMISSION.

Mr. Ross: "Since this is an informal hearing, I think you have heard the testimony that has been given here by Mr. Maule and you have heard the refusal to give testimony by the persons subpoenaed by this commission. In order to expedite this thing, would you give us any information you know relative to the matter with regard to Aztec Land and Cattle #2 well?"

Mr. Jerome: "The information I have is that Miss Johnson and John Carleton came to this office subsequent to our meeting on July 27th and pursuant to the discussion had at the meeting and referred to by the minutes in which they were to be given additional grace period for they had failed and neglected to file requisite information and reports. They did come in with a photo of the log which was shown to me and I requested they show it to Mr. Maule. At that time we also gave Miss Johnson a new permit on well #1 which she didn't have and which was part of the commission's magnanimous gesture to help these operators do what they had failed and neglected to do when they changed the location of their well and were drilling without a permit at an improper location."

Dr. Kalil: "You are talking about Aztec #3?"

Mr. Jerome: "That's correct. And since that time I have not seen nor talked with either Mr. Carleton or Miss Johnson. I have been conversant with Mr. Maule's investigations and Mr. Chilson's trip and also Mr. Wharton's telephoning orders to Mr. Maule to go to the Attorney General's office to proceed with whatever they must do as this commission's lawyers determined proper to do under the circumstances."

Mr. Deddens: "For the record, have either Mr. Carleton or Mrs. Johnson furnished reports or information requested of them at the meeting of July 27 other than bringing in the photo or negative of the log?"

- Mr. Jerome: "No, they have furnished us with no further information although she orally told us she would furnish us the copy of the log."
- Mr. Deddens: "But the other reports were requested in the meeting of July 27 have not been filed at all?"
- Mr. Jerome: "No, they are still derelict in their compliance of the rules and regulations of the commission."
- Mr. LaPrade: "May I ask, Mr. Deddens, of the mandate over filing those things? Point of information, to myself."
- Mr. Deddens: "Here is what the resolution that was passed at the July 27 meeting states: (See Minutes, July 27, Page Two, last paragraph). This is everything in the meeting, this paragraph that Mr. Carleton and Miss Johnson said that well #2 was capped."
- Mr. Jerome: "This was arrived at with the full agreement of Mr. Carleton and Miss Johnson and they so informed the commission that they would present the data that was requested. The wording of the motion was pursuant to that. The minutes do not pretend to set forth everything that was requested of Mr. Carleton and Miss Johnson at the meeting, but they were requested to file these reports and that is what is referred to by the motion of Mr. Wharton when he said, "with the understanding they are to file all information, logs and the necessary data requested by the commission." Otherwise the suspension of 90 days would not have been granted if they had not agreed to furnish the data."
- Dr. Kalil: "Is there anything else that should be brought forth to clarify the matter at this time?"
- Mr. Jerome: "Relying on this, I did give them the letter which they have and probably was derelict in not incorporating there the reference to their furnishing the logs, although they had orally told me in Mr. Maule's presence that they would get the log printed and furnish us the information."
- Mr. Walden: "I have not seen a copy of this letter to Miss Johnson, which I assume therefore you state authorizes the 90 day extension." (Letter produced).
- Mr. LaPrade: "There is no question of standing on any technicalities. I think they are justified that they had a reasonable time, perhaps as much as 90 days, in which to work and get records together and so on before delivering records to the commission and certainly that information will be forthcoming."
- Mr. Deddens: "You weren't at the meeting and you are trying to read things into the letter and the motion that just didn't exist. As I indicated before the motion granting the

suspension would not have been made and I wouldn't have voted in favor of it, if they had not agreed to furnish all of that information to us."

Mr. Jerome: "The question of whether there was casing in the hole at that time was not in issue at the time of the motion. This was a result of a future investigation by Mr. Chilson and Mr. Maule."

Mr. Deddens: "But the question was at that time whether they would be plugging and abandoning a well and that was the thing before us. And they pleaded with us that they were negotiating with certain individuals and it would hurt them if they would plug and abandon their well. It would ruin their negotiations to make some financial advantage or some deal, and we went along with them. We gave them the suspension to help them in these financial transactions but only on the express condition that they file the reports and they agreed to do so nor would they feel they had 90 days to do same. They agreed to do as we requested."

Mr. Ross: "Did you notify the commission or the commission's agent that you were going to continue a test on the shut off of water in the well?"

Miss Johnson: "I refuse to answer."

Mr. Ross: "Have you filed a report on OG 54 with the commission?"

Miss Johnson: "I refuse to answer."

Mr. Ross: "That's the report on shooting and treating. Did you file a request with the commission to change your casing program at any time since the original issuance of the application to drill?"

Miss Johnson: "I refuse to answer."

Mr. Ross: "Let the record show that witness still refuses to answer questions. At this time I think the investigation as far as the witnesses are concerned can be closed."

Dr. Kalil: "What is the pleasure of this commission? I suggest we have a recess and take lunch and as far as Mr. LaPrade and his clients are concerned, I see no reason for their staying."

Mr. LaPrade: "I would like to add, gentlemen, if I may before we leave, for what it may be worth, it would seem to me that one of the fundamental functions of this commission is to encourage exploration of gas and oil and to that end, to avoid doing that which makes it difficult for outside capital interest to finance these ventures. The people before you today are from the outside and

spent a lot of money in Arizona. You can avoid unfavorable publicity to the commission by waiting for the ten days. It would be silly to abandon the well. It should not be the business of the commission to look into a hearing when it can be easily avoided. It is perhaps a mistake of judgment on behalf of the Attorney General's office to recommend the hearing, but on the whole we have nothing to complain of."

Mr. Chilson: "We are cognizant of that fact. The only reason we are as reasonable as we have been is that I hate more than anything things like this to happen because it is a matter of bad publicity and it can possibly deter some development by at least these people and maybe some others. Along that same line I think that if all the questions we asked had been answered and if we had full cooperation today, the matter might not have been so serious as you might think. But we are not out to crucify people out in the field drilling for oil and gas."

Mr. LaPrade: "It is common practice in courts of law for ideas to issue and for the Clerk of the Court to read a subpoena duces tecum that calls for everything under the sun, things that have nothing to do with the issue at hand. That's the type of thing we have in force today. This calls for everything in our possession and does not refer to just the facts at hand."

Mr. Chilson: "You could protect your client adequately if there were some matters which you had a right to refuse to produce. You have made us a blanket refusal. We have just requested facts as evidence. There is one section of our code that sets forth the divine policy of the State of Arizona relative to the oil and gas business in this state, and it imposes positive duties on this commission which we would be positively ignoring if we would fail to conduct this investigation. And if we had cooperation here we could find the facts, and if that pipe is in, there and if it is cemented. I feel certain in my mind that your clients have evidence to show it, and I don't know why they have a valid reason for failing to produce the records. I can understand the statutes the legislature enacted, as they do so for protecting the oil and gas industries in the State of Arizona. I don't think anything we do here will hamper or hurt or discourage anyone who is thinking of drilling in this state if he is a driller or an operator who is willing to comply and work with the laws of the State of Arizona and the rules of the proper regulatory body, and this organization is the proper regulatory body, and I am sorry to say we haven't had cooperation. I move we adjourn for lunch."

Mr. Ross: "Let the record show that Miss Johnson and Mr. Carleton and Mr. LaPrade will not be appearing this afternoon."

RECONVENED AT 1:45 p.m.

Mr. Walden: "It seems that the commission is faced with a case that will set precedent that we are strong or we are weak, and I would like to avoid bad publicity for the commission of the State of Arizona if possible. Likewise, it seems we have ample evidence at hand accumulated over a period of circumstances and that indicates that we are dealing with some people that apparently do not intend to cooperate, and who obviously violated the rules and regulations; and unless therefore we do something to rectify this thing, and not allow it to go on, we are setting a precedent that will detract from the interest of a great deal of capital that will come into the state over the next period of years, and we must be cognizant of that. But we must enforce the law or the rules and regulations and the commission should be put out of effect."

Mr. Ross: "What can we do to put ourselves in the proper position to rectify this situation? By virtue of the statute as amended, and which gives us the right in my opinion to hold investigations - there is separate language for the hearings - I must assume that the legislature gives us other ways of proceeding other than by hearing. Not every interested person has the right to have the commission call a hearing for the purpose of taking action on any matter in the commission's jurisdiction. Hearings by virtue of our rules are open to the public. There is a big difference between hearings and investigations. Other bodies are allowed to investigate privately. The actions of this commission are important to the state. We do want to encourage but at the same time you cannot let people flaunt the law in your face. In Section 515, B2, "The commission shall have jurisdiction and authority over all persons and property deemed necessary to administer and enforce the provisions of this article and other laws relating to conservation of oil and gas. The commission or representative or employee may at any time enter upon property and inspect wells drilled for oil or gas, and well records, and shall control property, machinery and appliances necessary to gauge the wells." In Section 518, entitled Refusal to Testify, the next step is to go to court and ask that she be punished for contempt of court, in order to show cause why she oughtn't be cited for contempt. In Section 519, if a person fails to testify or answer to a matter regarding which he may be lawfully interrogated, the judge of superior court of county where the person resides if he is a resident of the state, or the judge of the superior court of the county in which the land or any part thereof lies out of which the controversy arises, if the person is not a resident of the state, may on application of the commission issue an attachment for such person and compel him to comply with the subpoena and appear before the commission and produce such documents and give testimony upon such matters as required. B. The court may punish for contempt as in the case of disobedience of a subpoena issued by the court or for refusal to testify. In Section 520, Court Review, any person dissatisfied with the law of this body may bring suit. In 524, Enforcement provision, if a person refuses to cease and desist, commission may bring action for a restraining order."

- Dr. Kalil: "I think a lot depends on Mr. Maule's findings and interpretations because this commission is relying on that. Mr. Ross says we have to judge his testimony."
- Mr. Walden: "If it goes into court, the court is not going to interrogate the commission. It will interrogate the petroleum engineer."
- Mr. Maule: "It depends on whether I am capable of seeing if the pipe is in a hole or not and if there is cement there."
- Mr. Walden: "Mr. LaPrade took a stand on the 90 day suspension according to the letter from Mr. Jerome."
- Mr. Deddens: "Mr. Jerome's letter cannot change a commission action. As far as I can see, they have refused to cooperate with us and we have grounds for contempt proceedings."
- Mr. Maule: "The action I took with regard to Lydia Johnson was with knowledge of four members of the commission and it was approved by the attorney general's office."
- Mr. Ross: "The commission is permitted to take the action I have read before in the various statutes."
- Mr. Deddens: "Under the budget we have \$5000 for professional services. It seems to me that we can have someone go up there and ascertain for us whether there is surface pipe in that well or not. How much would it take for an engineer to go down there and determine if there is surface pipe in the hole or not?"
- Mr. Maule: "Without removal of the 7" pipe, I do not think it is possible to look within 20 feet of the surface. To detect that pipe you'd need a radioactive survey." (Produces log to show how it looks when there is surface pipe in the well.).
- Mr. Jerome: "The best evidence is surface casing and cementing of it by a firm engaged in that business."
- Mr. Deddens: "Assuming that Bill is right, we only have the fact of the small amount of cement that was used. It is my opinion that we should get the well logged and see if there is any surface casing and it will also determine whether there is cement. I shall move that we revoke the 90 day suspension granted to Lydia Johnson and Company in the last meeting on July 27, 1960."
- Mr. Ross: "The commission has a right to produce a cease and desist order."
- Dr. Kalil: "She has been asked to produce information and has refused to do so."

Mr. Maule: "This commission cannot give an opinion on what to do. We have nothing to pass an opinion on. Surface pipe by law must be set at sufficient depth to insure that all fresh water will be shut off."

Mr. Deddens: "I move that we direct the Attorney General to proceed under Section 27-519 ARS against Lydia Johnson and John Carleton as follows:

1. To request of the Superior Court of this County to issue an Attachment for each of them to require them to comply with our subpoena duces tecum and to produce the records requested;
2. That the Attorney General bring action for contempt proceedings against each of them for refusal to testify before this commission, at the investigation conducted this morning."

MOTION SECONDED BY MR. WALDEN. MR. DEDDENS, MR. WALDEN AND MR. CHILSON IN FAVOR. DR. KALIL ABSTAINED FROM VOTING IN ORDER TO ~~APPEAR~~^{BE} ENTIRELY IMPARTIAL DUE TO HIS PERSONAL INTEREST IN THE SUBJECT WELL. MOTION CARRIED.

Mr. Chilson: "I have a question. What is meant by contempt proceedings?"

Mr. Deddens: "The court can direct them if they do not appear before the commission on or before a certain date and testify and answer questions, the court can order them to go to county jail until they decide to testify."

Mr. Maule: "They are in violation of Rules 10, 11 and 24."

Mr. Deddens: "What report have they failed to file?"

Mr. Maule: "Form OG 63 and OG 54, test for water shut off (Rule 11), and Form OG 54 report for shooting or treating (Rule 24)."

Mr. Deddens: "I move that since the records of this office relative to Aztec #2 well, drilled by Lydia Johnson and Associates, fail to show the filing of a report on Form 63, disclosing the results of a test for the shut off of water in the well, that this commission give notice to Lydia Johnson and John Carleton to cease and desist from such violation of the rules requiring the filing of such report, and that they file the same with this commission within fifteen days from this date; and that they be directed and noticed to file the said report OG 63 also within fifteen days from this date."

SECONDED BY MR. CHILSON. MR. DEDDENS, MR. WALDEN AND MR. CHILSON IN FAVOR. DR. KALIL ABSTAINED FROM VOTING FOR REASON HERETOFORE STATED. MOTION CARRIED.

Mr. Deddens: "It seems I am making all the motions here today. It appearing from the records of this office that Lydia Johnson and her associates have failed to file a report of shooting and treating Aztec #2 well as required by Rule ;24 of the rules of procedure of this commission, I move that this commission give notice to Lydia Johnson and John Carleton to cease and desist from such violation and that they be required and directed to file the said report relative to the shooting and treating said Aztec #2 well within 15 days from this date."

MOTION SECONDED BY MR. WALDEN. MR. DEDDENS, MR. WALDEN AND MR. CHILSON IN FAVOR. DR. KALIL ABSTAINED FROM VOTING FOR REASONS HERETOFORE STATED. MOTION CARRIED.

Mr. Walden: "How do we go about remedying the situation without expending an enormous sum of money?"

Mr. Deddens: "I would like to employ an impartial person to dig around the well to see if there is evidence of violation."

Mr. Kalil: "I myself am mindful of the responsibility and the repercussions that could possibly result from our tampering with that well. I wish to make that point clear because it could result in serious legal entanglements."

Mr. Jerome: "You should make a motion directing us to get a competent petroleum engineer, naming a figure, and we can resolve this situation. And if the independent party, such as L.H. Bell and Associates, go up there, they would be liable for any damage because they are supposed to be competent contractors."

Mr. Deddens: "I move that we authorize Mr. Jerome, Executive Secretary, to employ competent professional people, to make an investigation at Aztec #2 well to ascertain: No. 1, the extent of the length of surface casing now surrounding the production pipe and which is cemented at the top of the well; No. 2, to make such tests as they are capable to do to determine the nature of the gas that is escaping at, in or around the well bore, or may be leaking at the surface of the well, excluding the gases in the production line."

SECONDED BY MR. WALDEN. MR. DEDDENS, MR. WALDEN AND MR. CHILSON IN FAVOR. DR. KALIL ABSTAINED FROM VOTING FOR REASONS ABOVE STATED. CARRIED

Mr. Deddens: "Mr. Chairman, it appearing from the files and records of this office relative to Aztec #2 well that Miss Lydia Johnson Trustee and her associates have wholly failed to file with this office since July 27, 1960, the information, logs, reports and necessary data which were requested by the commission and which she agreed to furnish the commission on that date, as a condition of the commission's granting her a 90 day suspension, to either plug or re-enter said Aztec #2 well, I move that the 90 day suspension granted to Lydia Johnson and Associates by this commission at the

meeting of July 27, 1960, pursuant to the motion made by Mr. Wharton and seconded by Mr. Chilson, and passed by the commission, be revoked."

SECONDED BY MR. CHILSON. APPROVED BY MR. DEDDENS, MR. WALDEN AND MR. CHILSON. DR. KALIL ABSTAINED FROM VOTING FOR REASONS PREVIOUSLY STATED. MOTION CARRIED.

The Budget was then discussed in closed conference of commissioners and their recommendations are to be mailed subsequently to this office.

Mr. Walden: "I move that the minutes of the meeting held July 27, 1960, be approved as prepared."

SECONDED BY MR. CHILSON. ALL IN FAVOR. MOTION CARRIED.

Pursuant to telephone request of Mr. James Dean, Eastern Petroleum Co., Denver 2, Colorado, the commission agreed that an amendment of the Notice of Hearing of Kerr-McGee's application to unitize Pinta Dome in Coconino Helium Sand to include Section 10, T.19, R 26E, was granted provided the same received approval of Kerr-McGee. Said hearing referred to above being set for September 28, 1960, at the Arizona Highway Commission auditorium, in Phoenix.

COMMISSION MEETING ADJOURNED AT 5 p.m. by Dr. Kalil, Acting Chairman.

Respectfully submitted,

E. R. Welsey
E. R. Welsey, Secretary

APPROVED: October 26, 1960

M. F. Wharton, Chairman

Charles Kalil, M.D.
Charles Kalil, M.D., Vice-Chairman

Ernest W. Chilson
Ernest W. Chilson, Member

Anthony T. Daddens
Anthony T. Daddens, Member

R. Keith Walden
R. Keith Walden, Member