

OIL AND GAS CONSERVATION COMMISSION

MINUTES OF MEETING

MAY 24, 1961

The regular monthly meeting of the Oil and Gas Conservation Commission was called to order by the Chairman, Anthony Deddens, in Room 110 of the Geology Building, University of Arizona, Tucson, Arizona at 9:30 A.M.

PRESENT:

COMMISSIONERS

Anthony T. Deddens
R. Keith Walden
Charles Kalil, M. D.
Lynn Lockhart
Robert B. Heward

Others

D. A. Jerome, Executive Secretary
Brooks Pierce, Petroleum Geologist
Loren I. Buck, Consulting Geologist
H. Murry Sinclair, Associated Press

The minutes of the meeting of April 26, 1961 were read by D. A. Jerome and before they were voted on for approval or amendments, a discussion was started by Keith Walden relative to the highway use tax situation brought up at the April 26 meeting. Dr. Kalil felt that a formal correspondence for the Highway Dept. addressed to this Commission should be requested and that copies of said correspondence could then be used by this Commission whenever any company ran into difficulties at the State line concerning any oil and gas exploration equipment. Mr. Jerome said he would endeavor to secure such a letter, but he doubted that the Highway Dept. would do so. Mr. Deddens volunteered to write a letter to Mr. Killingsworth to attend our next meeting, but Mr. Walden felt this matter should be handled before the next meeting of this Commission. Mr. Deddens repeated his intention to write a letter to Mr. Killingsworth to attend our next meeting and instructed Mr. Jerome to pursue this matter further so that we may have something better accomplished before the time of the next meeting.

Thereupon the Commissioners were requested again to make any amendments, changes, etc. in the minutes if they felt any were necessary; whereupon Mr. Lockhart moved the minutes of April 26, 1961 be approved as read, seconded by Mr. Walden - all in favor - so ordered.

Mr. Deddens then welcomed all of the following visitors and said that the Commission was in sympathy with their objectives and the purpose of their meeting with this Commission and that the Commission appreciated the large attendance and their interest:

Ben R. Kee, Dist. Landman,	Pan American Petrol. Corp., Farmington
Felix Hickman, Independent Operator,	Albuquerque, N.M.
James C. Vandiver, Div. Landman	El Paso Nat Gas Prod Co., Farmington
Bill Imbt, Dist. Exploration Mgr.	Pan Am Petro Corp., Farmington, N. M.
Johnston Rowe, Atty.	Texaco, Inc. Midland, Texas
Herb Wade, Prod. Engineer	Texaco, Inc. Midland, Texas
E. R. Richardson, Independent,	Albuquerque, N.M.
Fred Moxey, Director,	N.M. Oil & Gas Assoc., Sante Fe, N.M.

Floyd Schroeder, Independent,	Albuquerque, N.M.
James R. Pickett, Independent,	Phoenix, Ariz.
Charles Read, Independent,	Roswell, N. M.
Charles Grucksmaker, Ariz. Citizen,	Mesa, Ariz.
Earl Rogers, Independent,	Farmington, N.M.
E. N. Walsh, Div. Petro. Eng.	El Paso Nat Gas Prod Co., Farmington, N.M.

Mr. E. R. Richardson, an Independent of Albuquerque, N. M. took the floor to present the case for the advocates of the leasing of Federal lands in Kaibab Nat'l Forest by reading his prepared statement highlighting a few of the 33 stipulations set forth by the Forest Service after they had conferred with the Arizona Game and Fish Dept., The U.S.G.S. and the Oil and Gas Industry guaranteeing protection of wildlife resources and scenic values. He also pointed out the economic benefits to the State of Arizona from the oil and gas industry. He stated that Ariz. did receive \$205,775 from lease bonuses and rentals but that Kaibab receipts would have increased this by 36%. In comparison, N. Mex's income from this source for 1960 was \$7,768,686.

Also shown was the comparison between revenue received from the Industry in N. Mex. where oil or gas has been discovered and here in Ariz. where there is no production outside of the Navajo Reservation - Ariz's income from the Industry was nominal while N. Mex. received from the oil and gas industry a total revenue of \$52,218,503.

His closing paragraph revealed that the Kaibab Plateau is a good geological prospect and if it produces, pipelines are available and market is excellent and with discovery the entire strip country will quickly attract exploratory drilling. Such companies as El Paso Nat. Gas., Pan American Petrol., Texas-Pacific Coal & Oil, Skelly, Aztec Oil & Gas, El Paso Nat. Gas Prod. Co. of Farmington said that they were here to find, produce and market oil or gas and their products immediately. Speaking for the same company was Mr. E. N. Walsh, the Div. Petrol. Engineer, also from Farmington, with the engineer's viewpoint.

In conclusion, Mr. Fred Moxey, Director of the N. M. Oil & Gas Assoc. from Sante Fe related the history of oil and gas in his state and that their Commission was in existence for 34 years and that the oil and gas income was their largest source of revenue, albeit that N.M. did not have the other industries that Ariz. has developed.

The chairman, Mr. Deddens, thanked all the gentlemen and a discussion followed by the Commission and Lynn Lockhart made a motion that a letter be written over the signatures of the members of this entire Commission endorsing the issuance of leases on the Kaibab subject to the stipulations that have been worked out between the industry & the Forest Service. A letter to go both to Mr. Kennedy of the Forest Service and to Mr. Udall, Secty of the Interior. Seconded by Keith Walden. All in favor - unanimously adopted.

Adjourned for lunch.

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The meeting reconvened at 1:25 P.M. with the addition of Dean Forrester, Dr. Danson and Wesley Peirce in attendance.

Mr. Deddens introduced Dean Forrester of the College of Mines, U. of Ariz. who gave a detailed and lucid dissertation on the role of the Bureau of Mines together with their past, present and future expectations relative to all phases of geology. To date, he stated, they have 49,126 samples of oil & gas wells in storage with 14,637 added in 1960-61 year with 30,000 still to be catalogued - these figures included samples from water wells.

Brooks Pierce introduced the matter of one official repository for samples and cuttings for the State of Arizona and Dr. Danson of the Museum of No. Ariz. concurred with Mr. Pierce and felt this repository should be in Tucson's Bureau of Mines.

Dr. Danson commented on the work that his Museum of No. Ariz. has been doing and all felt that the samples of No. Ariz. should continue to be kept in Flagstaff.

Mr. Walden made a motion that the Ariz. Bureau of Mines be designated the repository of all cuttings and samples in the State of Arizona and that the Museum of Northern Arizona be deemed a companion repository in so far as cuttings from wells in the northern part of the State. Seconded by Bob Heward. Unanimously carried.

Dr. Danson thereupon offered the facilities of the Museum for the Commission's next meeting or the meeting after that. Mr. Deddens replied that there was a hearing scheduled for June 28 meeting, but maybe in July or August the Commission would take advantage of his invitation.

The Kerr-McGee application for deletion of Unit 7 from the area covered by Order No. 1 was read by Dr. Deddens and Dr. Kalil moved and Mr. Walden seconded that a hearing be set for June 28, 1961 in the Commission's office for 1:30 P.M. All approved - so ordered.

Mr. Pierce gave his report on the status of Atlantic Refining Co., Linehan and Stoltenberg and Teil Dev. Co. Inc. tests. He described his Denver trip to the A.A.P.G. convention and the interest shown in Ariz. by so many of the industry's representatives. He also mentioned his visit with Mr. Lloyd Nuttall of Western Oil & Minerals, Inc. and the difficulties encountered by Mr. Nuttall in his exploration venture.

Mr. Jerome, in his report:

Read the thank-you note from Mrs. Wharton on the very fine Memorial to her husband.

Mentioned that he and Mr. Pierce gave a talk and showed the movie to the Phx Exchange Club and both were well received and appreciated.

Discussed his appearance along with Mr. Pierce's at the public hearing of the Oil & Gas Study Committee - that he was called upon to express opinions which he stressed were his own personally; that he

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was requested to bring the proposed changes of the '59 rules to their June 6 meeting which they felt should be the public hearing for the adoption of new rules & regulations.

The proposed changes in the rules that Mr. Jerome and Mr. Pierce had been requested to present at this meeting were discussed briefly when Dr. Kalil asked for permission to speak - this being granted, Dr. Kalil expressed the opinion that some time would be required to study the suggestions that have been made and to study them in the plan of what the Commission already had, and further, that the House Oil & Gas Study Committee was to come forward with some ideas and suggestions as the result of their public and closed hearings; therefore, he suggested that this Commission would be premature in holding hearings to adopt new rules prior to the next meeting of the Legislature.

Since the next session of the Legislature was not until Jan., 1962, the consensus of opinion was that the Commission should not wait that period of time to do something concrete about adopting new rules & regulations.

Dr. Kalil further stated that he was the only one of the Commission in attendance at the May 16 hearing of the Oil & Gas Study Committee of the House and he reported that said Committee felt that this Commission should wait until it had heard what had come to pass as a result of the Committee's hearings. He stated that this was in no way a demand on the Commission or on anyone else, but since, in his opinion, we already had statutes on the books fairly clear and that this Commission had the benefit of the 1952 rules, although not as clear as the 1959 rules, under which to operate, he again suggested that the Commission would be premature in actually holding a hearing and adopting whatever rules we had in mind and that we should be a little more reserved in our actions.

Remarks followed by Lynn Lockhart, Keith Walden, Bob Heward and Tony Deddens as to their feelings in this matter. It was finally agreed that they would take the proposed changes home along with the present '59 rules for the purpose of studying them and in two or three meetings attempt to formalize their decision and then set a public hearing, possibly in Sept. 1961, to present their findings to the public and to the industry.

Mr. Lockhart then requested permission to state, for the record, that his LEGAL residence was SPRINGERVILLE, Ariz., and it had been for a good many years - that he votes there, pays taxes there, etc. and when he is in Phoenix, he stays at his son's home.

Dr. Kalil moved that this meeting adjourn, seconded by Mr. Walden.
Unanimously agreed - so ordered.

Respectfully submitted,

Helen M. Eremie

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APPROVED June 28, 1961

Anthony T. Deddens, Chairman

R. Keith Walden
R. Keith Walden, Vice-Chairman

Charles Kalil, M.D.
Charles Kalil, M. D., Member

Lynn Lockhart
Lynn Lockhart, Member

Robert B. Heward
Robert B. Heward, Member