

OIL AND GAS CONSERVATION COMMISSION

MINUTES OF MEETING

September 25, 1963

This meeting of the Oil and Gas Conservation Commission was called to order at 9:30 a.m. at the State of Arizona Highway Department Auditorium, 206 South 17th Avenue, Phoenix, Arizona, by Mr. Lynn Lockhart, Vice Chairman.

COMMISSIONERS PRESENT:

Lynn Lockhart, Vice Chairman
Charles Kalil, M.D.
Orme Lewis

COMMISSIONERS ABSENT:

Robert B. Heward
R. Keith Walden

OTHERS PRESENT:

John K. Petty, Acting Executive Secretary, and Petroleum Geologist of the Oil and Gas Conservation Commission; Edward I. Kennedy, Assistant Attorney General representing the Oil and Gas Conservation Commission; O. M. Lassen, Land Department Commissioner; Fritz Ryan, State Land Department; Charles Royall, State Land Department; Henry Fullop, President, Eastern Petroleum Company; Robert P. Davidson, attorney representing Eastern Petroleum Company; Dr. C. F. Swain, owner, Crest Oil Company; Val Connel, Assistant to the President, Kerr-McGee Oil Industries, Inc.; Larry Curtis, geologist, Kerr-McGee; Mr. McAllister, attorney, Kerr-McGee; Gust Divilbiss, attorney, Kerr-McGee; Francis Irvine, attorney representing Kerr-McGee; Charles F. Miller, Production Manager, Kerr-McGee; R. E. Anderson, Superintendent, Lease Records, Kerr-McGee; Lynn Adams, attorney, Kerr-McGee; John I. Fisher, Chief Engineer & Area Prod. Supt., Kerr-McGee; John A. Masters, Chief Geologist, Kerr-McGee; Jack W. Knight, partner, Knight & Miller, consulting geologist, Denver; Dr. G. R. Barfoot's attorneys, Miss Voltz, Richard E. Johnson, and Albert B. Spector, all of Spector & Johnson; Truett Henderson and son; Buzz Brown; Mike O'Donnell; Alfred Morgan; Mr. Waterhouse; Chuck Martin; N. A. Ludewick; Van Bennett; Grady Watson of San Antonio; James Fulton; Jim Pickett; L. M. Lockhart of San Antonio; Leo M. McCue of Chicago; Joe Barrett; Larry Vernon; Helen Eremie and Mary Cooper, employees of the Oil & Gas Conservation Commission.

Mr. Orme Lewis moved that the Minutes of the last meeting be accepted as distributed. Dr. Kalil seconded the motion. Accepted.

Mr. Lynn Lockhart swore in the court reporter, Mr. Oscar Taylor, from the firm of Ryan, Powers and Ryan.

Mr. Lockhart then announced that this was the time and place for the public hearing in the matter of the application of Eastern Petroleum Company.

Mr. John K. Petty then read the complete Notice of Hearing, Cause 12, before the Oil and Gas Conservation Commission of the State of Arizona, dated August 28, 1963, in the matter of the application of Eastern Petroleum Company for the creation of a Navajo Springs Unit for the fieldwide unitized management, development, operation and production of gas, including helium, from the Coconino Sand Gas Formation underlying the following lands to-wit: All or parts of Sections 31, 32, 33 & 34, Township 20 North, Range 27 East, and all or parts of Sections 3, 4, 5, 6, 8, & 9, Township 19 North, Range 27 East, Apache County, Arizona; prescribing the plan of unitization applicable thereto and for order integrating all interests in said land for the unitized management, development and operation thereof and for an order temporarily suspending all production from said lands or temporarily limiting, allocating and apportioning production of gas, including helium, between tracts in said lands, and for an emergency order temporarily suspending all production from said lands. The Affidavit of Publication of the Notice of Hearing in the Arizona Weekly Gazette, on September 3rd, 10th, 17th, and 24th, 1963, was introduced as Exhibit B.

Mr. Lockhart then swore in all of the witnesses present, and asked that Eastern Petroleum call their first witness.

Mr. Robert P. Davidson, attorney representing Eastern Petroleum, reported that the firm of DeGolyer and McNaughton had been hired by Eastern Petroleum for the purposes of evaluation in connection with this proposed unitization agreement; and that at their request Eastern sent out a survey and found a 27 foot elevation error on Kerr-McGee wells and as a result of the discrepancies, Eastern decided to recheck their own wells and did find some variations. Mr. Davidson stated that at the moment he was awaiting delivery from the office of corrected survey plats on well elevations and horizontal locations. He further advised that DeGolyer & McNaughton would not be in a position to testify in this particular matter at this time by reason of the faulty elevations being discovered at the last moment, and thereby causing a re-evaluation of the report, which report couldnot be re-evaluated in time for presentation of the technical data to the Commission at this time. Mr. Davidson suggested that in the absence of the technical information, perhaps the Commission might wish to go on to the other matters that must be passed on by the Commission in regard to this unitization.

Dr. Kalil suggested that a proper delineation of the structure should be presented before a decision could be made as to how it would be operated.

Mr. Davidson introduced map exhibited on the wall of the auditorium captioned "Exhibit A, Land Plat of Proposed Unit, Navajo Springs, Coconino Gas Sand Pool, Apache County, Arizona, as Exhibit A. The map captioned "Eastern Petroleum Exhibit A Land Plat of Proposed Unit Navajo Springs - Coconino Gas Sand Pool, Apache County, Arizona, E. M. Clark & Assoc., Durango, Colorado, Date September 21, 1963, File No. 63055" was introduced as Exhibit C.

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Upon questioning by Mr. Francis Irvine, attorney representing Kerr-McGee, Mr. Davidson stated that DeGolyer & McNaughton would have a completed report available by October 15th, after which time the technical data could be presented to the Commission, but that Eastern Petroleum was prepared to cover today the other matters in connection with the unitization.

Mr. Lockhart called a ten minute recess after which the meeting reconvened.

Mr. Francis Irvine raised the question as to why Kerr-McGee had not been notified, when Eastern Petroleum first found out that there was a purported difference, that there was some possibility of a continuance of the hearing in view of the fact that it was necessary to assemble all the witnesses here in Phoenix for the hearing. He also entered his objection to the admission of Exhibit C until the surveyor who made the survey could be called in and submitted to direct examination and cross examination of the matters that he has delineated on his map.

Mr. Albert B. Spector, representing Dr. G. R. Barfoot who has an interest in Tract A, Section 32, urged the Commission to proceed with the hearing. He stated that since Eastern Petroleum had presented to the Commission a unitization plan and was not ready to proceed with it, but because the other parties are ready to proceed, they should be proceeded. He called attention to a misdescription in the Notice of Hearing, and said that if the Commission would push the hearing to a speedy conclusion he would on behalf of Dr. Barfoot waive the imperfection in the Notice of Hearing. Both Mr. Davidson and Mr. Irvine stated they had no objections to the misdescription.

Mr. Irvine stated that since Eastern Petroleum has the burden of proof in this matter, that Kerr-McGee would prefer not to proceed further until the testimony is presented by the proponent.

After considerable discussion regarding the emergency order prohibiting the production of gas in the proposed unitization unit, Mr. Orme Lewis made the following motion:

"I move that the matter be continued until our next regular meeting; that there be no suspension in the interim and that the notice be republished in the interim."

and further clarified the motion:

"I move that it be continued until our next regular meeting date and that the emergency order not be continued and that the notice corrected as to description be published in the interim."

"I'll make my motion again. I'll move that the matter be continued until the next regular meeting date."

The motion was seconded by Dr. Kalil, and carried unanimously.

Mr. Lewis then moved:

"I move the secretary be directed to republish the Notice in the interim."

Dr. Kalil added to the motion:

"Correction, then secondly to notify all parties concerned of whom we have any advice of their interests."

The motion was approved unanimously.

Mr. Lewis:

"I make a motion as a matter of clarification, because it is an entire negative motion: As I understand it, that in the event the emergency order previously entered might be considered to run past this date, that it is being terminated as of this date."

The motion was seconded by Dr. Kalil and approved unanimously.

During a discussion of the order lifting suspension of the field, the fact was brought out that all of the wells could be turned wide open, but that the Commission would have to be advised as to what was taken out of each of those wells, and that if it was excessive to the extent that it would vary the interests of the parties, that the Commission could vary the interests of the parties as long as it was done fairly.

Mr. Irvine stated that whether or not it was a state requirement, Kerr-McGee does report to the State whatever is taken from any field, and would continue to do so in the future. Mr. Lewis stated that the Rules do require those periodic reports.

Mr. Irvine made the suggestion that in the interest of the latest and best information available before any production commences on this field that Kerr-McGee be given permission to go on the wells of Eastern and they to go on Kerr-McGee wells if they so desire and that a representative of the Commission be present and that open flow potential tests of all of these wells on the field be taken for the best information that could be available.

Mr. Irvine expressed Kerr-McGee's willingness to meet with Eastern Petroleum at a reasonable and convenient time with their geologists, engineers and attorneys to cooperate in every way in order to supply the commission with the best information that is available.

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Mr. Davidson suggested Denver as the place of meeting to which Mr. Irvine replied that he would have to talk to his people about the time and the place of the meeting.

Mr. Lockhart then adjourned the hearing until the next regular meeting on October 23rd.

(A complete transcript of the hearing proceedings may be made available through the firm of Ryan, Powers & Ryan, Court Reporters, 412 Security Building, Phoenix 4, Arizona.)

A short session followed during which the Commissioners discussed the following matters:

Mr. Lewis brought up the matter of publication of geological information by the Commission office and the distribution of same. He suggested that this matter be considered and that after the return of the Chairman, the Commission could decide upon a course of action.

Dr. Kalil suggested that the news be made public that the Commission has a vacancy in the position of Executive Secretary and that the position salary would be \$10,000 - \$10,800, and that applications would be accepted at the Oil and Gas Conservation Commission offices, and that applications should be addressed to Mr. John K. Petty, Acting Executive Secretary. This matter was discussed and it was agreed that this should be done.


Meeting was adjourned at 11:45 a.m.

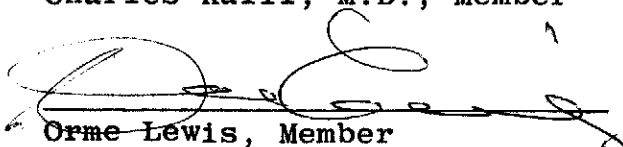
Respectfully submitted,

John K. Petty, Acting Executive Secretary

APPROVED: October 23, 1963


Lynn Lockhart, Vice Chairman


Charles Kalil, M.D., Member


Orme Lewis, Member

A B S E N T
R. Keith Walden, Chairman

A B S E N T
Robert B. Heward, Member