

State of Arizona

OIL AND GAS CONSERVATION COMMISSION
1624 West Adams, Room 202
Phoenix, Arizona

MINUTES OF MEETING
February 18, 1964

COMMISSIONERS PRESENT:

R. Keith Walden, Chairman
Lynn Lockhart, Vice Chairman
Charles Kalil, M.D., Member
Orme Lewis, Member

COMMISSIONER ABSENT:

Robert B. Heward, Member

OTHERS PRESENT:

John K. Petty, Acting Executive
Secretary and Petroleum Geologist.
Edward I. Kennedy, Assistant Attorney
General.
Mike O'Donnell
James Pickett
Van Bennett
Chuck Martin (Present for portion of
meeting only.)

Chairman R. Keith Walden called the meeting to order at 9:15 a.m. in the Hearing Room of the Commission. He stated for the record that this meeting, even though it is not on the 4th Wednesday of the month, will serve as the regular meeting of the Commission for the month of February.

Commissioner Lynn Lockhart moved that the minutes for the December 16th meeting be accepted as recorded; motion seconded by Commissioner Charles Kalil; unanimously approved; so ordered.

Commissioner Charles Kalil moved and Commissioner Lynn Lockhart seconded the motion that the reports which had been mailed out by Mr. John K. Petty to the Commissioners from time to time be accepted as received. Unanimously approved; so ordered.

The Chairman then called upon Mr. Petty to report on the current status of the budget which had been submitted to the Legislature for the following fiscal year. Mr. Petty reported that no notice of a derogatory nature has been received; and that as far as is known, budget will be approved as submitted.

Motion was duly made, seconded and unanimously approved authorizing a twenty-five dollar per month increase in salary for Mrs. Mary Cooper, secretary-bookkeeper. So ordered.

The Chairman welcomed the members of the oil industry in Arizona who were in attendance and asked for any comments from them.

Mr. James Pickett stated his wish to follow up with the Commission the letter he had written the Commission regarding the bad publicity the oil industry in Arizona recently received in an ad placed by Merrill Lynch, Pierce, Fenner & Smith in the February 10th issue of

Newsweek. He stated he wanted to bring this matter to the attention of the Commissioners in the event they would see fit to do something about it. He reported he has sent letters of protest to the local and national offices of Merrill Lynch, Pierce, Fenner & Smith, to the Arizona Development Board, the Governor of the State, congressmen, and senators in an effort to call this ad to the attention of as many people in positions of influence as possible and requesting their help.

Mr. Van Bennett reported that he has written a letter to Senator Barry Goldwater with copies to Governor Paul Fannin, Merrill Lynch, Pierce, Fenner and Smith, and some other individuals: and suggested the Commissioners write some sort of a letter stating that the ad was not fair to the oil and gas industry.

Mr. Mike O'Donnell of Arizona Oil Report reported that through his attorney, Mr. Davidson, he is asking for comparable full page ads in all four magazines in which the ad appeared, and an apology; to be followed by a law suit if they do not comply.

After considerable discussion of this matter, it was agreed that Mr. John K. Petty would write a tactful letter to be reviewed by and mailed over the signature of the Chairman to Merrill Lynch, Pierce, Fenner & Smith providing factual information regarding the oil and gas industry in Arizona as it was agreed by the Commissioners that this action would be more effective than a formal resolution of protest. It was agreed that copy of the letter would be furnished to Mr. O'Donnell.

Senate Bill 43, the \$250,000.00 reward bill, was then discussed. It was reported that the Senate had scheduled some action regarding this bill, but action was delayed because of some more urgent matters; and the exact present status of the bill is not known. The Commissioners agreed that it is a good bill and Commissioners Lynn Lockhart and Charles Kalil made plans to contact Senator Harold Giss to determine his reaction to this bill. Messrs. Van Bennett, Jim Pickett and Mike O'Donnell reported they haven't supported the bill because, in their opinion and the opinion of the Arizona Oil and Gas Association, the bill is too restrictive; and they suggested that if it were amended, and the words "federal or" deleted from the "Exclusions" section so that reward would be applicable to all lands except Indian lands, they would be more apt to support it.

Next was the matter of appointments to the various committees of the Interstate Oil Compact Commission for the coming year. After some discussion, Commissioner Lynn Lockhart made the motion that persons who had served on the committees last year be reappointed with the exception that the Regulatory Practices appointment be left open until such time as an executive secretary is hired for this Commission at which time he would be placed on that committee. Thus, the following reappointments were made: Legal Committee, Commissioner Orme Lewis; Public Lands Committee, Obed Lassen; Research Committee, John K. Petty; and Secondary Recovery and Pressure Maintenance, Commissioner Lynn Lockhart. The motion was seconded, unanimously approved and so ordered.

Chairman R. Keith Walden announced that he has enjoyed serving as Chairman on this Commission and doing the work involved, but that he also has quite a few responsibilities in connection with the cotton industry which necessitate his devoting a very substantial amount of time outside of the state and outside of the country for another year. For that reason he asked that the Commissioners accept his resignation as Chairman of the Commission to be effective as of the end of today's meeting. Commissioner Lynn Lockhart moved that the resignation be accepted, reluctantly; seconded by Commissioner Orme Lewis; unanimously approved; so ordered.

Commissioner Orme Lewis' motion that Commissioner Lynn Lockhart, the Vice Chairman, be named Chairman of the Commission was seconded by Commissioner R. Keith Walden; unanimously approved and so ordered.

Commissioner Lynn Lockhart's motion that Commissioner R. Keith Walden be named Vice Chairman was seconded by Commissioner Orme Lewis, unanimously approved, and so ordered.

Mention was made of the fact that a vacancy exists on the Commission since Mr. Robert B. Heward's term expired December 31, 1963; and that the Governor's office would appreciate some suggestions to fill the vacancy, preferably a Democrat and preferably someone from the northern area.

The selection of an executive secretary for the Commission was discussed. Commissioner Lynn Lockhart reported the results of his investigation in Texas of Mr. Jack M. Little, Jr., an applicant for the position. On the basis of his findings he reported that he could not recommend Mr. Little for the position. Chairman R. Keith Walden was then asked if he could recommend someone from among the more than one-hundred twenty-seven applications which had been received.

Chairman R. Keith Walden said in part:

I am willing to recommend and recommend to you strongly John Bannister for a number of reasons. I may be wrong, but I would like to say this in front of you fellows here in the Oil and Gas Association and this industry. My concept of the function of this office is to be of service--and I say that just as the implication is--service--to the oil and gas industry, and to regulate in accordance with law the activities of the oil industry when it becomes necessary to regulate it. That hasn't been very much of a job up to this time as you know. I don't find anything in the responsibilities imposed on this Commission or the authority granted to it in the statutes or in the regulations to go out and actively promote the oil and gas industry in this state. And because I feel that way, I think that's your job; and I don't think that we as public servants should be doing it. Because I feel that way, I feel that the kind of a personality this Commission should have in its executive secretary is one who will not compete with you fellows in attempting to promote, but merely be here to service your efforts and the efforts of other people engaged in this industry. This fellow Bannister is I think quiet, cautious, reserved, from

everything that I have learned through much correspondence and many phone calls. I must have forty letters in his behalf here. I've talked with his employers personally; and his character, his ethics are certainly beyond reproach in my judgment from all the information I have; and I think something would have turned up as a flaw in all the information that I have if there were a flaw. He's not a promoter, but I think he will sit here and be of service and conduct himself in a quiet and dignified manner which is sort of in my analysis the kind of a job this should be. I think he will work well with John Petty who is our technical man in the field of geology, and I think we could have a great team here and be of real service to you fellows with John Bannister. Therefore I am going to recommend that we hire him.....
The reason that he is available to us now is that El Paso has got a real retrenchment program on and they're moving their land office out of El Paso, and he just wasn't far enough up the ladder to be included in the retrenchment program.

Mr. James Pickett also spoke in Mr. Bannister's behalf and recommended him very highly. Mr. Mike O'Donnell also reported that he has had many very complimentary recommendations of Mr. Bannister.

After some discussion, Commissioner Lynn Lockhart moved that Mr. John Bannister be employed as the Executive Secretary of the Commission effective March 1st. Seconded by Commissioner Orme Lewis; unanimously approved; so ordered.

Mr. John K. Petty was called upon to report on the potash exploration in the state and reported the following:

That there are about fifteen companies either exploring for potash in a drilling sort of way or exploring in an exploration sort of way in the Holbrook, Navajo, Springerville, Show Low, Snowflake area and slightly westward. They haven't started drilling yet as much as they will in another couple of months, but there are probably ten wells either being finished or started or drilling now; and there are about seven or eight rigs up there that are in motion.

That he has contacted these companies and asked them for the information which is ordinarily received from a regular drilling company exploring for oil or gas or helium; and that replies have been received from Kern County Land and American Metal Climax definitely stating that they will cooperate in every way and furnish copies of the logs and all the information that was requested in that letter sent to them, copies of which were furnished to the Commissioners. That before the list of information that the Commission would like to have was written, he had contacted seven of those potash exploration companies and they all were more than willing to cooperate; so it would appear that probably about ninety percent of the information asked for will be furnished to the Commission. Those companies were advised that it would be to their advantage to furnish the Commission with

the requested information in the event that a water contamination problem should arise in the future.

A discussion followed during which Mr. Mike O'Donnell read an opinion of the Attorney General of Utah, dated January 22, 1964, prepared in response to a request from the Utah Oil and Gas Conservation Commission on the question of whether or not that commission could compel an operator or other responsible people to file a sonic log. The opinion was in the affirmative that the Commission has the power to compel an operator or other persons to file sonic logs on oil and gas wells drilled within the jurisdiction of the Commission and in effect the ruling covered all logs of whatsoever type are run. Mr. O'Donnell requested that a ruling be requested from the Arizona Attorney General's office on whether the Commission has the right to have these logs run.

The fact was brought out that permits to explore for minerals such as potash are granted through the State Land Department, and therefore the matter is not under the jurisdiction of this Commission. Also that a permit is not necessary to drill a well except a water well or an oil or gas well; and that there is no law that would require a permit to drill a well, if it could be called that, to determine if copper or gold or potash or some other mineral were present.

Mr. Edward I. Kennedy reported that this question had arisen before in conjunction with the northeastern section of the state when gas had been struck when purportedly drilling for something else in federal exploration; and that it had been discussed at that time with no conclusions other than that it would be a good idea to have some central agency to handle such matters.

It was also reported that at the present time there is legislation before the current legislature looking to drilling as a means of proving up on mineral plans and that this has been done for years as a matter of exploration but not as a matter of proving out, and that if it is allowed for proving out, that it would increase this question.

It was reported that the State of New Mexico presumes that if drilling is done through an oil and gas formation, the operator is drilling for oil and gas and a permit is required.

Discussion was initiated by Mr. Mike O'Donnell regarding the possibility that perhaps the Commission is not being furnished with all the information available regarding certain wells drilled which is a requirement of the Commission. It was determined that all our law requires is that those who are granted a permit to drill an oil or gas well in this state produce whatever information they assemble to this Commission six months after it is completed, but that the Commission does not have the power to force anyone to run a log on any well.

Page Six
Minutes of Meeting
February 18, 1964

Motion was duly made, seconded, unanimously approved, and so ordered that Mr. Edward I. Kennedy, Assistant Attorney General, furnish at the March Commission meeting an opinion of what the Commission's rights are in connection with demanding information from operators, both oil and gas as well as potash.

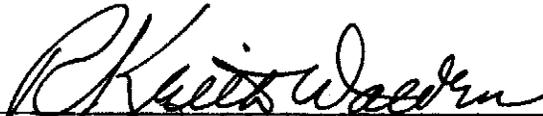
The last item of business was the appointment of a representative from Arizona to the Regulatory Practices Committee of the Interstate Oil Compact Commission. Commissioner Lynn Lockhart made the motion that since Mr. John Bannister has been selected as the executive secretary that he now also be appointed to serve on that committee. Motion was seconded by Commissioner Orme Lewis; unanimously approved; so ordered.

Upon motion duly made, seconded and unanimously approved; meeting was adjourned at eleven o'clock.

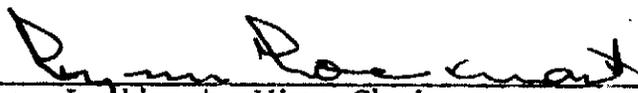
Respectfully submitted,

John K. Petty, Acting Executive Secretary

APPROVED: March 25, 1964



R. Keith Walden, Chairman



Lynn Lockhart, Vice Chairman

Charles Kalil, M.D., Member

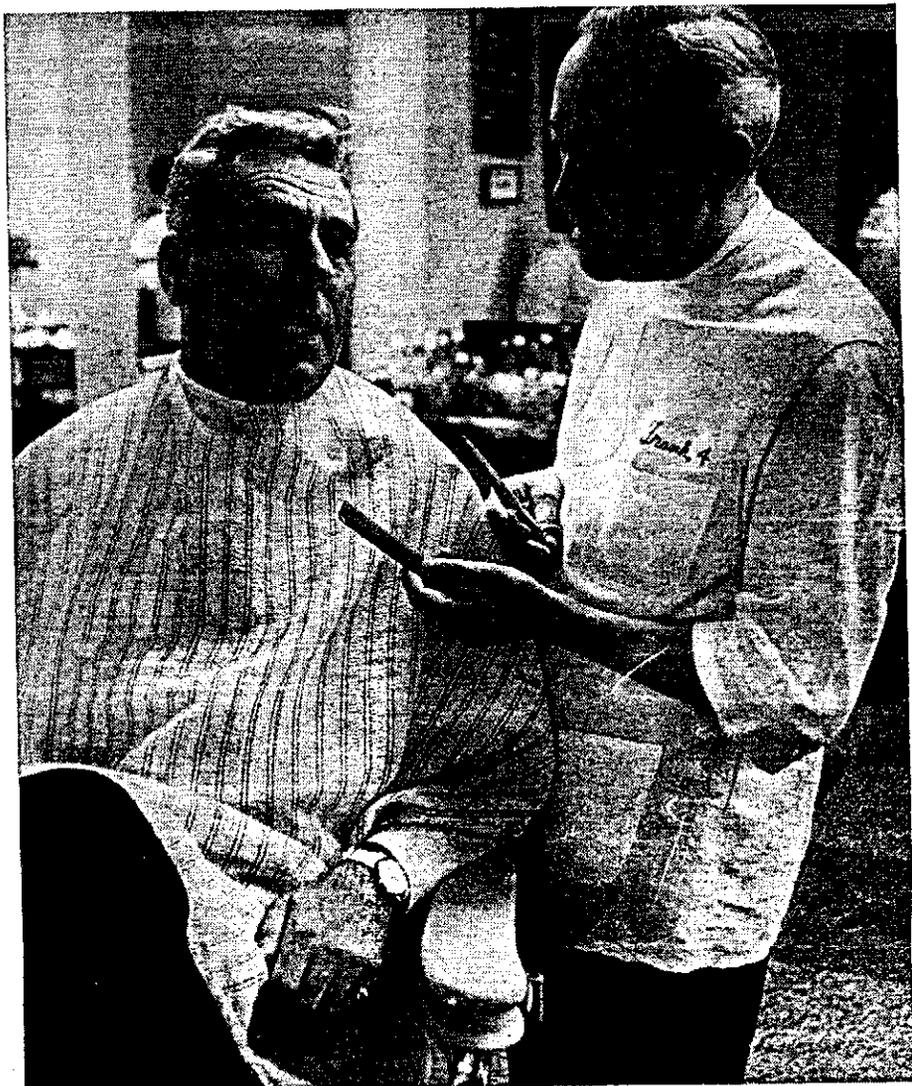


Orme Lewis, Member

A B S E N T

Robert B. Heward, Member

"I hear that Arizona Oil's a good buy"



"Good for what?" we asked our barber.

For income? For long-term growth? For speculation?

Obviously, Frank didn't know. He'd simply heard the man in the next chair talking about it that morning.

Anyway, we told him we didn't know either. Matter of fact, we said we'd never heard of Arizona Oil and he'd probably be better off if he hadn't either, since a tip like that — the gossip about some little known stock — is apt to be worth about what it costs you.

But Frank doesn't give up easy. He thought it still sounded like a good buy.

In that case, we told him he should certainly check the stock out with our Research Department first and get some facts about the company — if any.

Facts about earnings, sales, proved reserves, management, and the current outlook for the company. Facts

any investor should have before he ever buys a stock that "someone tells him about."

As it turned out, our specialist in oil stocks — a man who gets paid for knowing all he possibly can about the oil industry and the companies that make it up — had never heard of Arizona either. In fact, he reported that there never had been an Arizona Oil Company — and that it must be a new and doubtful venture — a pure, pie-in-the-sky promotion.

Just one more instance, that, of why our firm motto has always been, "Investigate . . . then invest."

JOSEPH C. QUINN, Vice President

One more instance of how that motto can save you money. Because in addition to an oil specialist, we have others covering every major industry and nearly any important company you can name.

So, if you'd like to know what we know about any stocks of interest to you . . . just ask.

There isn't any charge, you don't have to feel obligated to do business with us either.

Just tell us the stock you want information about — even a postcard will do — and we'll take it from there.

MERRILL LYNCH, PIERCE, FENNER & SMITH INC

MEMBERS NEW YORK STOCK EXCHANGE AND OTHER PRINCIPAL STOCK AND COMMODITY EXCHANGES

70 PINE STREET, NEW YORK 5, NEW YORK

February 10, 1964