

State of Arizona

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

MINUTES OF MEETING
April 22, 1964

COMMISSIONERS PRESENT:

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

Orme Lewis, Member
Lucien B. Owens, Member

OTHERS PRESENT:

John Bannister, Executive Secretary
John K. Petty, Petroleum Geologist
Edward I. Kennedy, Assistant
Attorney General
Silas C. (Buzz) Brown
Robert P. Davidson
Henry Fullop
James Fulton
Don Hornecker
Bill King
Tom Lenoir
Chuck Martin
Mike O'Donnell
Fritz Ryan
Loy Turbeville
J. H. Waterhouse

Chairman Lynn Lockhart called the meeting to order at 9:30 a.m. in the Hearing Room of the Commission. Mr. Lucien B. Owens was introduced as the newest member of the Commission, having been appointed by Governor Paul Fannin for term of office on April 1, 1964, to serve through December 31, 1968.

Mr. Robert P. Davidson, attorney representing Eastern Petroleum Company in their application for hearing before the Oil and Gas Conservation Commission in the matter of fieldwide unitization of the Navajo Springs unit, called attention to the fact that confusion exists in the statutes regarding the publication of notice of hearing and the scheduling of requested hearing, in that the law states that the Commission may hear the matter within ten days after publication; but that according to a study made by the Attorney General's office three or four years ago, the law states that where no specified number of times of publication is indicated, then it shall mean publication a certain number of days in a daily paper or once a week for four consecutive weeks in a weekly paper with not less than twenty days intervening. Mr. Edward I. Kennedy, counsel for the Commission furnished by the Attorney General's office, stated that he had studied the matter and came to the conclusion that the Commission has three alternatives regarding notice of hearing: notice by publication, notice by mail, or notice by personal service. He further stated that if the Commission elects to give notice by publication under the provision of A.R.S. 39-204, they would be required to publish in a daily newspaper six consecutive times, or four consecutive times in a weekly newspaper. He also pointed out that the statute, A.R.S. 27-517B, which had required that the Commissioner designate an official newspaper

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is no longer effective; and suggested that the Commission rescind the December 16, 1963, adoption of the Arizona Weekly Gazette as the official publication of the Commission since it was not a requirement by law and would tend to limit the flexibility of the Commission.

Mr. Davidson stated that Eastern Petroleum Company does want a hearing as soon as possible, but definitely in accordance with provisions of the statutes so that no one could oppose the outcome of the hearing on the grounds that the scheduling of the hearing was in conflict with the statutes and thus necessitate a rehearing at a later date. He suggested that this notice of hearing be handled through publication and the hearing scheduled after a minimum of twenty days had passed from the date of first publication.

Mr. John Bannister pointed out that if the motion adopting the Arizona Weekly Gazette were to be struck from the records of the minutes of the December 16, 1963, meeting, then a daily newspaper, The Arizona Republic, could be used for publication of the notice of hearing immediately and would satisfy the statutory requirements of a newspaper of general circulation in Maricopa County.

Commissioner R. Keith Walden made the motion that the Commission delete the designation from the December 16, 1963, minutes that the Arizona Weekly Gazette be adopted as the Commission's media of official publication. Motion was duly seconded, unanimously approved, and so ordered.

Chairman Lynn Lockhart announced that the hearing would be scheduled for May 27th at 10 a.m. at the State Highway Department Auditorium if this would be agreeable. It was generally agreed by those present, including Mr. Davidson and Mr. Fullop that that date would be satisfactory.

Commissioner Charles Kalil moved that the hearing requested by Eastern Petroleum Company before the Oil and Gas Conservation of The State of Arizona with reference to the compulsory fieldwide unitization of the Navajo Springs Unit be set for the next regular meeting date of the Commission, being the fourth Wednesday of May, May 27th, at the Highway Department Auditorium at 10 a.m. Motion was seconded by Commissioner R. Keith Walden, unanimously approved, and so ordered.

Mr. John Bannister was then directed to make arrangements to schedule the hearing accordingly.

Mr. Davidson then raised the question of whether the Commission would prefer that Eastern Petroleum Company prepare fully for the forthcoming hearing completely ignoring the evidence and testimony submitted at the previous hearing, Case No. 12 of October 23, 1963; or whether Eastern Petroleum Company should prepare only a simple presentation to cover the northern boundary since the denial of the previous application was based upon the fact that the northern boundary had not been delineated by actual drilling as required by law.

Eastern Petroleum Company was advised that unless substantial additional evidence is presented to the Commission to prove the existence of the northern boundary where it is purported to exist, with both geological information and information that has been developed from wells that have

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been drilled since the previous hearing to define that the faultline does exist, the Commission would not be able to grant the application at the forthcoming hearing. Eastern was further advised that the Commission would be willing to rely on the testimony of the previous hearing providing there is a showing that there has been no substantial change in the interim since the testimony was presented at the previous hearing. Eastern Petroleum Company agreed that any changes would be substantiated by evidence. Since all testimony should be subject to questioning and cross examination by all interested parties, the Commission agreed that even though the Commission would be willing to take notice of the technical data previously furnished and base its decision partially on that evidence in this forthcoming hearing, a stipulation would be necessary from Kerr-McGee Oil Industries, Inc. and Eastern Petroleum Company as the principal parties in this proceeding agreeing that certain evidence offered at the previous hearing which has not changed be accepted as evidence at the forthcoming hearing without again presenting such evidence and debating same.

Mr. Fritz Ryan asked whether his department, the State Land Department, on behalf of the State of Arizona's proprietary interest in Section 36 in the matter of the hearing scheduled for May 27th, would be required to hire expert witnesses and consultants to protect the State of Arizona's interest or if the State Land Department could simply accept the evidence presented by the other parties if it chose to adopt their position. He asked specifically if the State Land Department would be protected by the Oil and Gas Conservation Commission in whatever interest the State might have in Section 36 in a general unitization without having to drill a hole.

Mr. Ryan was advised that since the State Land Department has a proprietary interest in this matter, it would be best if the State made an official appearance, and as such would then be able to cross examine any witness and enter any evidence it might choose to present.

The Commission suggested that since no one knows definitely what evidence will be presented or questioned, in all fairness to everyone concerned, it would be wise for all interested parties to be as completely prepared as possible with complete evidence and witnesses available to substantiate or question any evidence presented at the May 27th hearing. It was agreed that if Kerr-McGee Oil Industries, Inc. and Eastern Petroleum Company reach an agreement to accept certain portions of the testimony given at the previous hearing, copy of such agreement would be furnished to the Commission and to the State Land Department as well.

The questions regarding the hearing scheduled for May 27th having been answered, the Commissioners proceeded with the agenda of the meeting.

Motion that the minutes of the previous meeting be accepted as prepared was duly made, seconded, unanimously approved, and so ordered.

Mr. Bannister added to the written report which had been presented to the Commissioners previous to the meeting by reporting that House Bill 345, abolishment of the Oil and Gas Commission, and House Bill 343, the bonus bill, are both dead issues.

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Mr. John Petty then reviewed some of the highlights of his field trips which had been presented to the Commissioners in writing prior to the meeting, and also reported on the possibilities which exist in connection with the drilling of the new well in the Kaibab Forest area for which permit was just recently issued (Permit No. 275: Rip C. Underwood-Jacob Lake Unit Federal #1-32 in Section 32-T39N-R2E, Coconino County).

Mr. Bannister then reviewed briefly for the Commissioners the trip he and Mr. Petty recently made to Santa Fe, New Mexico, to consult with the New Mexico Oil Conservation Commission regarding the handling of potash exploration, which trip was more fully detailed in his written report to the Commissioners.

Mr. Fritz Ryan stated the State Land Department's policy in connection with the potash exploration.

Mr. Petty reported on the cooperation promised by the potash companies in furnishing to the Commission logs, plugging records, etc. After considerable discussion of the potash exploration, Mr. Petty answered Mr. J. H. Waterhouse's questions regarding the handling, distribution, and availability of sample cuttings.

The following motion was duly made, seconded, and unanimously approved:

The Commissioners have exercised their judgment in prescribing the forms currently used by the Oil and Gas Conservation Commission as set forth in our Rules and Regulations. The approval of information and authority granted by these forms is purely administrative in scope; therefore the Commissioners, a quorum being present, do authorize John Bannister as Executive Secretary to approve and execute all forms on behalf of the Commission.

Mr. Bannister reported that the Legislature has approved an appropriation to this Commission in the amount of \$50,535.00 for the 1964-65 fiscal year, which is a reduction of \$345.00 from the appropriation granted for the 1963-64 fiscal year.

He also reported that as requested by the Oil and Gas Association of Arizona, the Commission will furnish copies of the agendas of all Commission meetings to the Association so that all interested parties can be represented at the Commission meetings.

Mr. Bannister then explained the importance to the State of Arizona the case pending between the Montana Oil and Gas Conservation Commission and the Assiniboine and Sioux Tribes which was called to the attention of the Commission by the Rocky Mountain Oil and Gas Association's request to all members of the Interstate Oil Compact Commission for such aid as each member felt might be given to the State of Montana. This proceeding resulted when the Montana Oil and Gas Conservation Commission ordered the pooling of some Indian land, and the Indians through the Department of Interior attacked the order claiming that the State had no right to issue such an order on Indian land, and the matter is now being appealed with the basic question being whether or not a state does have certain rights over Indian lands within its jurisdiction.

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Mr. Bannister reported that a complete file has been requested from the State of Montana, which file will be turned over to the Attorney General's office for review to determine whether or not this Commission should support actively the State of Montana in the proceeding, after which the Commission will consider appropriate action.

Mr. Bannister also reported to the Commissioners that a series of questions have been directed to the Attorney General's office with regard to the forthcoming hearing with request for replies in ample time for review prior to the hearing.

Upon motion duly made, seconded and unanimously approved, meeting was adjourned at 11:45.

Respectfully submitted,

John Bannister, Executive Secretary

APPROVED: May 27, 1964

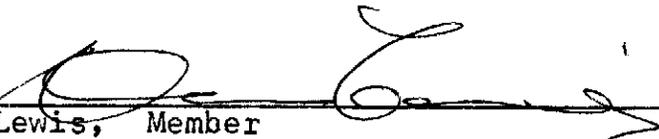


Lynn Lockhart, Chairman

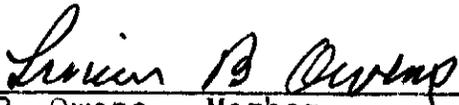


R. Keith Walden, Vice Chairman

Charles Kalil, M.D., Member



Orme Lewis, Member



Lucien B. Owens, Member