

OIL AND GAS CONSERVATION COMMISSION

STATE OF ARIZONA
1624 WEST ADAMS - SUITE 202
PHOENIX 7, ARIZONA

Minutes of Meeting

August 26, 1964

Commissioners present:
Lynn Lockhart, Chairman
R. Keith Walden, Vice Chairman
Orme Lewis, Member
Lucien B. Owens, Member

Others present:
Senator Marshall Sims
John Bannister, Executive
Secretary
Robert P. Davidson
Henry Fullop
Roy Sharp
Jim Fulton
Alfred Morgan
Paul Brown
C.A. Martin, Jr.
Bill King
W.E. Cooper
Marjorie Rushton

Chairman Lynn Lockhart called the meeting to order at 9:05 a.m. in the conference room, Arizona State Highway Department.

Motion was made, seconded, and passed that the minutes of the previous meeting of June 10, 1964 be approved as submitted.

Mr. Bannister called attention to the confidential report of August 19, 1964 mailed previously to each of the Commissioners concerning Ram Oil Company vs Mr. Roy Sharp, holder of the Sierra Bonita Ranch oil lease, and read Mr. Sharp's letter addressed to the Commission, in which Mr. Sharp contended that all rules and regulations had not been complied with, particularly as to Ram not using a blow-out preventer.

Mr. Bannister stated that Mr. Petty informed him that he had checked with Ram's Mr. Harden and had told Mr. Harden that a blow-out preventer was not needed and would not be required. Mr. Bannister further stated that this problem appeared to be a quarrel between two parties. Ram was current with the requirements of the Commission and not in violation of any rules and regulations; the ranch owner had no quarrel; and that every opportunity for Ram to perform should be granted.

Mr. Walden opined the Commission should not be involved in a lease dispute between these parties because the Commission is not a regulatory body in that sense; the operator was given permission by our geologist to operate without a blow-out preventer; and that the Commission should take no issue on this thing whatsoever.

It was directed that Mr. Bannister write the two parties accord-

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ingly.

Mr. Bannister indicated that Ram may request another extension and so far as he is concerned he intends to grant the extension and asked for comments from the Commissioners.

Mr. Owens stated that the Commission had no place in the quarrel, but that the Commission should go along with the Rules and Regulations.

In response to the next call for business from the Chairman, Mr. Bannister suggested that the Kerr-McGee Application for Hearing, concerning the Navajo Springs Unit, be the next item of business.

Mr. Orme Lewis disqualified himself from this portion of the meeting.

Mr. Bannister presented as background the following: The Unit Hearing was held the last of May and the Commission granted the Unit June 10. On July 30 Eastern Petroleum presented evidence that the necessary parties, 63% of the royalty owners and working interest owners, had agreed and executed a unit agreement so the Unit became effective July 31.

Kerr-McGee had been closed-in 60 days to allow the operator, Eastern, to get the signatures in. August 10, ten days after the Unit became effective, the suspend order on Kerr-McGee came to an end and Kerr-McGee was notified that they could produce the Barfoot, subject to the Unit Agreement.

On August 10 Eastern Petroleum held an Operating Committee meeting, which is the controlling committee under the Unit Agreement. As part of this they agreed to begin actual physical operation on August 21. In the interim they would be making their inventory so as to bring everyone into equal financial position.

Kerr-McGee wants to produce right away and requested Eastern to start the Barfoot. Eastern replied they would be glad to work out some system where they could produce on a day-to-day basis or month-to-month basis, subject of course to Unit Agreement.

Meantime Kerr-McGee has said Eastern will not produce and will not let them produce; so either make Eastern start producing, or let Kerr-McGee produce the Barfoot.

Mr. Bannister stated he believed the Application improperly before the Commission and should not be heard; that the Commission has approved a unit plan whereby correlative rights are being protected; and a procedure was set up for producing this

Unit. This is a matter that can be handled, and there are ways to handle, under the Unit Agreement. He did not think we should step in again as a judge of contentention between two parties. The Commission's position is to see that the Unit Agreement and the Unit itself is protected.

Mr. Davidson, counsel for Eastern Petroleum, Unit Operator, opposed the granting of a hearing for the following reasons: The Commission lacked jurisdiction; the Application failed to state a claim upon which the relief requested can be granted; and the Application requested alternative relief by requesting permission to produce unlawfully in contravention of Section 27-534.

Mr. Davidson then detailed chronologically the steps taken by Eastern to get the Unit into operation. All unit members were present at the organization meeting August 10. Dr. Barfoot was represented by proxy by Kerr-McGee. Basic data, as required by the Agreement, such as title opinions, original leases and contracts, all production and well data, had been requested from all members but as yet Kerr-McGee had not complied. The Unit, as such, is run by an Operating Committee and by majority vote. This is application by dissatisfied minority interest owners and they have not made any request of the Operating Committee to study this problem.

Mr. Davidson further stated Eastern was perfectly willing to produce the same amount of gas that Kerr-McGee had previously nominated as unit production.

Chairman Lockhart queried as to whether the Barfoot well was running or shut-in. Mr. Davidson replied it was shut-in.

Mr. Henry Fullop, Eastern Petroleum, stated they had no intention of hurting Kerr-McGee, that Kerr-McGee could take their production in kind--this was the purpose of a unit.

Mr. Owens indicated that it seemed what Kerr-McGee is asking is not in conformity with what the Commission did when it established a field-wide unitization with an operating committee to operate this unit, and that in actuality the basis on which the operator determines that any well be operated within a unit is the basis on which that well must be operated. And to ask for a set-aside of one well, out of unit agreement, is in effect asking for repeal of the Commission authorization. They should be given a chance to operate and this application for set-aside be denied at this time.

He so moved, the motion was seconded and passed.

Meeting recessed at 10:00 a.m. to permit the conduct of the hearing between the Hopi Indians and Superior Oil Company.

Meeting reconvened at 11:40 a.m., with Mr. Lewis participating.

The proposed budget for 1965-66 was discussed. The increases in personnel and monies was justified by the anticipated increase in activity with Eastern and Arkansas-Louisiana and the work that must be done in connection with existing wells to bring them into line with the Regulations.

Senator Sims indicated it was his opinion that the budget application would be well received with the exception of a new employee, a "records clerk" at \$6,000.00. This was a rather high salary for a run-of-the-mill clerk. Further discussion decided that "administrative assistant" would be more properly descriptive of the position.

Mr. Bannister was directed to prepare the budget along this line and to verify percentages of increase or decrease.

Senator Sims suggested that to substantiate the request for capital outlay, a new auto, that invoices for repairs and maintenance on the old automobile be presented to the legislative committees.

Chairman Lockhart raised the question of hiring a new geologist. It was decided that Mr. Bannister should have 2 or 3 outstanding applicants present for interview at the September Commission meeting.

Mr. Lewis questioned the naming of a well. The well seemed to be different from the pattern or policy for naming wells. Mr. Bannister will scrutinize the naming of wells.

Chairman Lockhart urged all Commissioners to attend the October 28 meeting with the Navajo Indians. Mr. Bannister will firm up the arrangements.

The matter of Arizona being represented at the hearing in Federal Court in Portland, Oregon, State of Montana vs Assiniboine Indians to compel the Indians to pool and space oil wells, was discussed and it was agreed by this Commission that Arizona would not be represented at this hearing.

Mr. Bannister presented a list of people and/or firms who might be of interest to the Commissioners when they go around and contact people to poll their interests and intentions in Arizona.

It was decided that a record would continue to be maintained of all telephone calls and visitors received in the office of the Oil & Gas Conservation Commission.

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Meeting adjourned at 12:55 p.m.

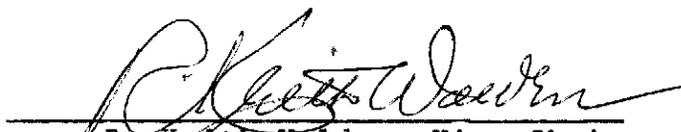
Respectfully submitted,

John Bannister, Executive Secretary

APPROVED November 25, 1964

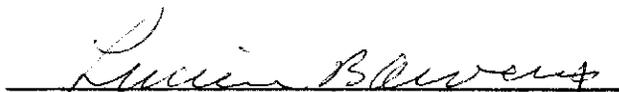


Lynn Lockhart, Chairman



R. Keith Walden, Vice Chairman

Orme Lewis, Member



Lucien B. Owens, Member