

OIL AND GAS CONSERVATION COMMISSION

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

Minutes of Meeting
November 25, 1964

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

Others present:
Senator Marshall Simms
Mike O'Donnell
Charles B. McAlister
James Pickett
Loy Turbeville
Sydney Rosen
J.R. Scurlock, Geologist
John, Bannister, Executive Secretary

Chairman Lynn Lockhart called the meeting to order at 9:30 a.m. in the Commission Hearing Room.

The minutes of the last official Commission meeting, August 26, 1964, were approved.

Mr. Lewis questioned why there were no minutes for September and October. It was pointed out there was no meeting in September, and at the called October meeting with the Indians a quorum was not present and therefore no minutes were taken.

Inasmuch as records of all Commission meetings have heretofore been maintained, it is now directed that all activities, including hearings, during which the Commission acted as a body, be reflected.

Mr. Bannister stated there was roughly a \$10,000 increase in the proposed budget over the appropriation granted for the current fiscal year. The increase is represented primarily the the request for a new salary, another position, and to replace the 1960 Ford. Some money has been included so that if the Commissioners so desired it would be available for salary increases.

It was stressed by the Commissioners that the requests for additional funds would have to be well justified and that good detail should be presented as to what the additional man was to do and how he would be useful and how it would hurt not to have him.

It was moved that the reports of the Executive Secretary and the Geologist be filed.

Mr. Scurlock supplemented his report with the statement that knowledgeable men were needed to come into Arizona to drill on geology.

Mr. Bannister pointed out the interesting test activity going on at the present time in the activities of the Yucca Crary #1 well,

Taubert & Steed in the Snowflake area, the Johnson and Counts well near Congress, the Ferrin well northwest of Winslow, and Ark-La exploration program south of the Reservation.

As yet there were no applications on the recent Hopi leases, and Superior Oil Company apparently has abandoned their intentions to drill on the five-acre Hopi lease.

Mr. Scurlock reported that he had talked with Mr. Harless. Mr. Harless stated he is presently negotiating a contract with an independent to deepen the #36C well to 6,000 feet and that he has a shut down rig on the #27B well, but plans to acidize that well. Mr. Scurlock felt that Mr. Harless seems to be convinced he has oil. Mr. Harless stated that the #27B well is producing a little oil, but not increasing enough to make it economically feasible so the acidizing is indicated.

Mr. O'Donnell quoted remarks made by Mr. Harless at a recent meeting of the Arizona Oil and Gas Association that the well had produced 1,000 barrels of oil.

Mr. Bannister stated that Harless is not in violation of any Rules and Regulations, excepting perhaps on the #9, or first, well; but that no action is being taken because he does not want the Commission to be charged with the plugging of a producing well.

Mr. O'Donnell stated that he had made available the Slumberger logs from the Yucca Crary well to the majors and everybody for correlation purposes. The Harless Slumberger logs were correlated by Slumberger and indications were that the logs were similar.

Mr. Walden reported on the meeting of the Commission with members of the Natural Resources Committee of the Navajo Tribe which reaffirmed goodwill heretofore created with the Indians. The Indians are building an economy and spending money received from oil and gas leases and they are beginning to worry about what is going to happen to their status if oil production does not develop from these leases. What would solve that problem is to get a lot of activity and money and good geology to come in and drill wells and get production. This was in the nature of a good will trip and it was the feeling of this Commission that we do want to work with them, recognizing that they are an Indian nation. They are in fact a part of Arizona and we should work on a quasi associated basis with them.

Mr. Scurlock pointed out that we need to compile structural information on Arizona so that people interested in Arizona can be serviced. To do so would cost a great deal of money; but a way is needed, perhaps students of the University to do some mapping in connection with their degrees.

Mr. Bannister reported that two private sources in New Mexico had maps of Navajo and Apache counties available for sale.

Mr. Lewis suggested that perhaps the Commission could establish a bibliography of maps showing the subject and sources where these maps, etc., could be obtained.

Mr. Bannister reported the office is in process of compiling information as to what services or supplies are offered in Arizona.

Chairman Lockhart declared the next order of business to be the Kerr-McGee application. At this point Mr. Lewis disqualified himself from the meeting.

Mr. Bannister reviewed as background the formation of the Navajo Springs Unit and subsequent events transpiring between the Unit Operator and Kerr-McGee. And the Commission's denial of Kerr-McGee's application to require production of the Barfoot well was legally correct.

Mr. Rosen, Attorney General's Office, attempted to clarify a point by asking whether the decision was based on the fact that Kerr-McGee had entered into some sort of contingent contract to settle their differences or rather whether the Commission decided this on the merits of the law involved.

Chairman Lockhart replied it was his opinion it was not necessary to render any opinion so long as they had entered into an agreement.

Mr. Bannister noted that since a hearing had been held, according to the Statutes a decision must be made.

Mr. Walden stated his feeling that he took into consideration and made the decision on the basis that the difficulty had been overcome and that therefore, there was, in effect, no reason to grant a decision.

Mr. Rosen stated it was the appearance to the people that the decision was made on merit. Then, in fact, the decision, was not made according to law and it appears to stand against Kerr-McGee.

Mr. Walden stated his belief that individuals should settle their differences for their own good and for the good of the State, and that he had encouraged Eastern Petroleum to make an effort to reach an understanding with Kerr-McGee during a lunch with Mr. Fullop. Subsequently, an operating committee meeting was held and agreement was reached. It was his understanding that in rendering the decision it was to put the Commission back to where they were before the hearing. Further, that he was in favor of vacating the order and going back to where the Commission was before.

Mr. Rosen pointed out that the Commission did not rule on legal merits of this matter, that it thought it was placing the two parties back in the position in which they were prior to the meeting; the Commission could not legally do so by denying this petition, in

fact, it stands as though it had been ruled on the merits; and it would force Kerr-McGee to appeal to higher courts on something which you didn't rule on law in the first place. So now the moral right swings to Kerr-McGee in that the Commission didn't mean to rule against them, whereas, in fact, you did rule against them. It would lead to a simple re-phrasing of this decision. Perhaps something stating that the application is dismissed without prejudice. Then, six months from now if we needed, we could start this thing again with a clean slate.

Mr. Bannister indicated it was his opinion that the decision was based solely on the merits of the case because the action question involved had been removed. If this is not the thinking of the Commission, then the only choice is to back up and either deny or approve or dismiss without prejudice, but the Commission had no request for dismissal.

Mr. Owens stated that during the hearing both parties could see the Commission was going to stand pat if they didn't get together. The plan of re-issuing the order, if it could be worked out legally and keep the Commission in the clear, was a good one.

Mr. Walden moved that the Commission vacate its decision so that we can go back to where we were before the hearing took place and that the Attorney General prepare the proper language to express this concept from this point of view for the Commission to take a look, and our Secretary take a look, and then issue that kind of an order.

Motion was seconded by Mr. Owens and passed.

Mr. Rosen requested and received verification that it was his understanding that all this Commission is now doing is vacating their original decision because of the improper wording--wording which did not in fact legally express the Commission's feelings; this feeling being that the merits of this case, the law of this case, was never meant to be ruled on at the time, and later that the only reason for the decision as it originally read was based on understanding that the case was settled and that there was no point on ruling on it.

After discussion, it was decided that the next meeting of the Commission should be changed from December 23, which is very close to Christmas, to December 16, 1964.

Mr. Bannister raised the question of monies for hearings and suggested either a specific place in the budget to pay for these hearings, or a change in legislation to cause the parties to pay the costs.

It was decided that rather than a change in legislation, some specific monies should be provided for hearings.

Mr. Bannister also reported on suggested changes in the Rules and Regulations to bring about greater consistency and to remove conflicts and to clarify the Rules and Regulations. There would be only one suggested change that would require hearing, and that was to require a surveyed plat.

Mr. Walden pointed out that changes to Rules and Regulations would require a large expenditure by many people who would be interested or concerned and who would attend a hearing.

When called upon for an opinion concerning the changes, Mr. James Pickett stated he felt the changes suggested were minor and could not create a controversy. And that if the people were to get the suggested changes and compare them with the existing Rules and Regulations they would see there was no need for them to show up. And people do expect some changes from time to time to make the Rules and Regulations more functional.

Mr. Bannister was directed to compile the suggested changes for presentation to the Commission for consideration.

Mr. Pickett expressed deep respect for the Commission and commended Mr. Walden for his efforts in bringing parties together. He commented that the decision of the Commission hurt neither Kerr-McGee nor Eastern, but it hurt the industry. Decisions of the Commission give industry something to rely on. Then what you have done today lost the chance to set something down for people to use as a guide line. Someone is always going to get hurt--that is a fact of life. Emphasis was put on "let's not hurt anyone." Perhaps the merits require more thought than trying not to hurt any one.

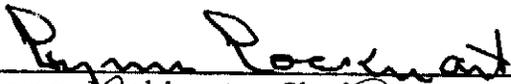
Mr. O' Donnell stated that anyone sitting in the meeting today would have a better understanding of the decision. But the way it is going to come out, it's going to hurt us all, because regardless of the facts they are going to say, "boy, you can't say they didn't favor Kerr-McGee."

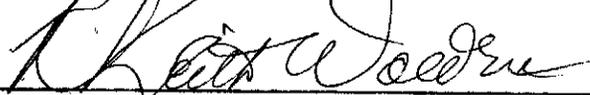
After some further general discussion of the Kerr-McGee application the meeting was adjourned at 11:45 a.m.

Respectfully submitted,

John Bannister, Executive Secretary

APPROVED December 16, 1964


Lynn Lockhart, Chairman


R. Keith Walden


Orme Lewis


Lucien B. Owens