

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

Minutes of Meeting  
March 24, 1965

Commissioners present:  
Lynn Lockhart, Chairman  
R. Keith Walden  
Orme Lewis  
L.B. Owens

Others Present:  
John Bannister, Executive Secretary  
J.R. Scurlock, Geologist  
F.C. Ryan, State Land Department  
J.K. Petty

Meeting was called to order at 9:45 a.m. in the Commission Hearing Room, Room 204.

Minutes of the December 16, 1964 meeting were approved.

Mr. Bannister reported that in response to the directive concerning the well naming policy, there had been only one adverse comment, from Pan American Oil Company, on the ground that in some instances they would have to designate a well in two ways.

It was moved by Mr. Lewis and it was passed that this letter be made the policy for naming wells in Arizona.

Mr. Bannister showed a new "brief" form for the well files which shows the complete history of the well. Mr. Lewis pointed out that in the next 10-20 years there will be no legal-sized paper or files, except in extremely few exceptional cases and brought this up for consideration now since it is easier to plan accordingly rather than to make a change from legal size ten years from now.

Mr. Bannister called attention to the low balance in the Travel-out of State fund in relation to the June Interstate Oil Compact Commission meeting. Chairman Lockhart is the Governor's representative to IOCC and Mr. Bannister and Mr. Scurlock are on Committees.

Mr. Lockhart reported on the IOCC Executive Committee meeting in Austin, Texas, February 23, at which Governor Connolly of Texas was elected to attend the Secretary of Interior's meeting.

Mr. Walden asked about the financial condition of the Commission. Mr. Bannister replied that the only place right now where the Commission is cramped is in Travel-out of State and that we probably would close out the current year even. However, Professional Services, which currently has about a \$1,200 balance, and Current Expenditures Other, with \$2,700 for office supplies

through June 30, will probably not be depleted and much of this will revert.

Mr. Walden asked, that if in the event we plug the McCauley well, running into an expenditure beyond the amount of the bond, what would this do to the budget.

Mr. Bannister replied that the bonding company would be ordered to plug; and that in his opinion the State could not contract for this work. Where any expenditure in excess of the bond amount would come from, Mr. Bannister does not know.

Mr. Lewis pointed out that the Commission has no system, no method of handling plugging and questioned what would happen if ten cases requiring plugging came up all at once. Mr. Bannister pointed out that bonding requirements of \$2,500 for one well, or \$10,000 blanket, were insufficient and suggested that a minimum of \$5,000 per well, or \$25,000 blanket be set.

Mr. Lockhart suggested graduating bond amounts to the depth of the well. Mr. Bannister felt that it would be simpler and more clear cut to set a straight amount. Mr. Lewis pointed out that if an operator was in no position to get a bond, perhaps he should not drill any wells and suggested that this problem be listed as one of the myriad things to take up when we have a hearing.

Mr. Bannister reported on the current status of SB-185, as ammended, defining a well, currently in the House.

Mr. Ryan commented there was no conflict, actually, between the Land Department and the Commission. In the Statutes the Land Department has certain responsibility under the water code and that the Commission has different areas of responsibility. The prime responsibility of the Land Department in the current water deal is to act as a depository for the records of all ground water for the Legislature. The all-inclusive angle pertaining to the Coconino formation could throw a hardship on all the cowpunchers and people hunting water in the Coconino formation in Apache and Navajo Counties because, the bill was written could indeed have made any hole into the Coconino formation subject to permit and bond until the hole was plugged. Mr. Ryan felt it wasn't the Commission's intent to enforce the bill to the holt each time, still the bill reads that way and he thought the Commission would be in jeopardy of being mandamused into having to comply fully. The Land Department is still beating the drums for a special omnibus water bill. This year the Land Department started out in the same direction but held off because of the tenderness of the subject in relation to California Arizona Project.

Chairman Lockhart asked if any mining company or anyone else would have any objection to the language as it is now ammended.

Mr. Ryan replied that except for Duval, all companies the Land Department had contact with were "foreign" companies. In talking with Ben Messer of Duval he didn't seem to have any particular objection but was going to have it checked. Their biggest fear was having to make public mining company information.

Chairman Lockhart asked if there would be any organized objection and Mr. Ryan replied that he had no idea. Mr. Bannister felt that no big objection would develop now.

Mr. Bannister called attention to the period of confidentiality (six months) and compared it to New Mexico's 90-day period. Upon Mr. Bannister's affirmation that New Mexico's 90-day period did apply to mining interests if they became subject to New Mexico's Oil & Gas Conservation Commission Rules, Mr. Lewis indicated that this could be a good answer to any complaints about Arizona law.

Mr. Walden queried whether the Bill as ammended would cause any problem for the Land Department, and Mr. Ryan replied only that it might scare someone off from exploring for potash; but even then, since they know already the centers of interest, they probably would come back in.

Chairman Lockhart questioned whether it would entail any more work for the Land Department and Mr. Ryan replied that he felt it would not. At the present time the Land Department does not ask for information from a permittee who has a license to explore reporting everything that was found that particular day. The Land Department felt content to wait until the man makes a move to take a lease. Then, in keeping with the law, then we want to know 101% of exactly what he has found. Mr. Ryan did not think that anything the Commission was going to have to have in way of protecting Coconino or other horizons or water is going to interfere with that. The instances where the Commission is going to take after a water well will be few.

Mr. Bannister stated that there has been a conflict of interest or ideals or opinion, between the Land Department and himself, but at no time has there been any personal animosity. Mr. Ryan concurred.

Mr. Bannister reported that the Registrar of Contractors does not know if a driller for oil and gas comes under their regulations or not. Mike O'Donnell went in because he was thinking of doing some water work and kicked off quite a controversy. Right now the Registrar is deciding that oil and gas drilling contractors does come under them. This would mean that an outfit coming in from Farmington to drill one well is going to be coming in illegally. It is not likely that a contractor will come to Phoenix, take a test, put up a bond, just to drill a single well.

Mr. Lewis cited many of the other facets of the Registrar's regulations and pointed out that originally the purpose of this registration was to keep the business in the hands of local contractors.

Mr. Bannister pointed out that 90% or better of the wells drilled in this state have been drilled in violation of the Registrar of Contractors regulations. One man in the Registrar's office held that in an old Attorney General's opinion oil and gas drilling did not come under them. Mike O'Donnell went in the next day, talked to another man who got out the same Attorney General's opinion and said that very definitely oil and gas drilling does come under them.

The Registrar is asking the Attorney General for a new opinion. In talking to the Attorney General's office, Mr. Bannister said, they decided the original opinion was very ambiguous, but if they do render another opinion oil and gas would come under the Registrar's regulations.

Laws in other States are probably set up in the same way. But the problem here is that one drilling company is set up in Arizona. The rest of the drilling is coming out of California and New Mexico. This service is needed.

Mr. Lewis suggested that the Chairman of the Commission, but not officially, go over and talk with the Deputy Attorney General, Bill Eubanks. Tell him that you understand there is a request for an opinion, you recognize that all he can do is to interpret the law; but on the other hand it is your understanding, and you're not a lawyer, that there is confusion in the Law and you would like him to know first hand the real problems --that there is only once contractor in the State and the only reason he is licensed is that he was planning to do some water work, and that it is not unusual for drillers to come into the State, that generally where a situation like this exists a local contractor complains; but in this incidence, O'Donnell is complaining because they are being required to have a license; and that if in interpreting the law he has a problem of deciding which way it goes, please bear in mind these facts because it would be of great help if these people did not have to have licenses. Then later, if the time comes when there is a real reason for them to be licensed, the law could be clarified. Mr. Eubanks is a very intelligent young man. He will give all the cooperation he can, but he will not bend the law.

Mr. Walden questioned whether the law was ambiguous and Mr. Bannister replied it was the interpretation.

After further discussion Mr. Lewis stated it was his opinion then that we should not go to the Attorney General, but to talk to the appropriate man in the Governor's office who can explain the situation to the man in the Registrar's office.

Mr. Lockhart asked if a change in the Chairmanship was desired. It was unanimous that Mr. Lockhart should continue as chairman as he was doing a very good job, he had various experiences in his time, and he had time and inclination.

Mr. Bannister reviewed expenditures and pointed out that the salary budget would have an excess of \$1,700 and that the Commission could go ahead and use some of this for salary raises.

Mr. Walden felt that the Commission should wait at least until the new budget was approved, that the budget for the current year was set up and approved on a salary scale.

Mr. Lewis was opposed to raising salaries at present; the only basis on which he would be willing to see it done would be for the Chairmen of the two Appropriation Committees to approve it in view of the new salary schedule.

Mr. Owens felt that if and when the new budget is approved, and if the Appropriation Committees approve, and if there would be a reversion of money anyhow, he could see no objections.

Mr. Lockhart suggested that no action be taken until the next meeting and when it is known whether the new budget is approved.

Mr. Lewis felt it an unwise way to start out, not wrong, but unwise. We would be much stronger as we approach the Legislature in the future if we did not do this. Mr. Walden concurred and no further action was taken.

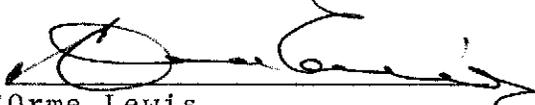
The Post Auditor's Report was discussed. Mr. Walden commented upon Mr. Bannister's written comment that comments of the Auditor were because he did not understand the operation of the Commission; and his reaction was that it was Mr. Bannister's responsibility to see that the auditor did understand the operation. Mr. Bannister replied that he was working with the post auditor on this.

Current mechanics of issuing permits to drill, as commented upon by the Post Auditor, were discussed. Mr. Walden moved and it was voted that the suggestion of the Post Auditor, that a pre-numbered permit to drill be issued, be made effective. Chairman directed that the Post Auditor be advised by letter that the Commission was complying with his recommendation.

Meeting adjourned at 11:30 a.m.

APPROVED April 28, 1965:

  
Lynn Lockhart, Chairman

  
Orme Lewis

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R. Keith Walden

  
L.B. Owens