

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

Minutes of Meeting
June 9, 1965

Commissioners present:
Lynn Lockhart, Chairman
R. Keith Walden
L.B. Owens
George T. Siler

Others present:
John Bannister, Executive Secretary
J.R. Scurlock, Geologist
Senator Fred Udine
Mr. Loy Turbeyville

Commissioners absent:
Orme Lewis

Chairman Lockhart called the meeting to order at 9:30 a.m.

Mr. Lockhart acknowledged the presence of Senator Udine and stated the appreciation of the Commission for his taking time from his busy schedule to attend. Mr. George T. Siler, newly appointed Commissioner was welcomed.

Mr. Walden moved, and the motion carried, that the minutes of the previous meeting, April 28, 1965 be approved.

Mr. Walden moved, and the motion carried, that the report of the Executive Secretary be approved.

Mr. Walden questioned Mr. Scurlock's statements in the minutes of the previous meeting and asked if the statements concerning export of helium to the Free World were hearsay or did he have facts. Mr. Scurlock replied that his information was hearsay, but it probably could be confirmed by contacting the U.S. Bureau of Mines in Amarillo.

Mr. Bannister mentioned that there was talk about releasing helium from the list of strategic materials.

Mr. Walden stated his interest in this point was of the other implications, such as ArkLa backing out of building their plant, implications with respect to the future of Arizona, whether the market is drying up, etc.

Mr. Bannister pointed out that ArkLa was backing out because their exploration did not find sufficient quantities of helium. The Kerr-McGee plant was running at approximately 60% capacity. The Kerr-McGee reserves are committed. If there were an increased demand, Kerr-McGee could double their production, processing gas from Navajo Springs. Kerr-McGee wanted to take 12,500 MCF from the Barfoot well, but it started coning. Eastern, to meet its contract, had to tie in other wells to prevent the pull-down of that one well. There is no confirmation, but it is felt that Eastern is going to have to go into a long term contract with Kerr-McGee.

Senator Udine commended Mr. Siler to the Commission and asked to be excused.

Report of the Geologist was accepted.

Mr. Bannister commented that the University of Arizona and Museum of Northern Arizona often sponsored geology trips and that he felt Mr. Scurlock should go on as many of these as possible, that he was getting a great deal of information from these trips.

Mr. Scurlock reported in greater detail on the last trip to Canyon de Chelly and the Grand Canyon and commented that northeastern Arizona was a tremendous laboratory for geology.

In reply to Mr. Walden's question about further developments at the Ferrin well, Mr. Bannister replied that the cement job had been bad, but that Mr. Ferrin was re-cementing to test the zones. Mr. Ferrin will notify the office when he is ready to test.

Mr. Bannister also reported that the Willett well, southeast of Flagstaff, had spudded on June 6 and that another well, by Ari-Mass Gas and Oil Company, was spudded on June 5 near Picacho. Mr. Walter Smith is active in this latter firm and also was associated with the Harless operations. Mr. Don Chene, who had also been associated with the Harless operations, is also connected with this company. Harless himself has some acreage in the area. There are four big blocks of about 105,000 acres. Mr. Bannister stated that he had been told that 1/64 of a section was being sold for \$5,000. A lot of money from Massachusetts seems to be involved in this. Right now they are looking for gas.

Mr. Scurlock reported that a man from the Bureau of Reclamation stated their seismic information shows the basement to be around 6,000 feet. This company indicates they plan to drill to 3,000 feet. Mr. Scurlock feels the possibilities of oil in this area are almost negligible. The main reason being that there are no marine deposits in this area.

Mr. Walden pointed out that they would be looking for gas and Mr. Scurlock replied that sometimes they find in this so-called "valley fill" sands washed in recently from the mountains. Ranchers are getting water from this. They will get puffs of marsh gas. It will never be commercial. Sometimes when people report they get shows of gas in this area it could be this marsh gas.

There was some further discussion of the Ari-Mass Gas and Oil Company operation in relation to the geological information.

Mr. Owens asked whether, in connection with the Application for Permit to drill, do we get information as to the interested parties in a company or organization. Mr. Bannister replied that an Organization Report is a required part of the Application and it shows the corporate structure. Our prime interest is who is legally responsible and this report gives us that information. The concern of selling oil and gas leases, etc., is the concern of the Securities Division of the Corporation Commission.

Mr. Owens questioned whether anything has materialized concerning action with the Attorney General and the bonds. Mr. Bannister replied that the office had been in contact with the Attorney General's office and that it was agreed he should go to the bond companies and request action. Mr. Bannister intends to organize all the work to be done in a certain area and go to the bond companies concerned and suggest to them that they cooperate and get one person to do all the work and thereby perhaps getting it done cheaper and more efficiently.

Mr. Bannister reported that, on the interpretation by the Attorney General's office on the new definition of "well", an initial draft had been prepared and it was now circulating in the Attorney General's Office because other State departments may have an interest in it and therefore the opinion is going to have close scrutiny.

Mr. Walden recalled previous discussion about holding a meeting at the University of Arizona. It was suggested that the August meeting be held there and Mr. Bannister was instructed to contact Dean Forrester, University of Arizona, to make arrangements for this meeting. Mr. Lockhart suggested that the Governor be invited to the Tucson meeting.

Mr. Bannister reported that the Geology Department, University of Arizona, will cooperate in preparing a publication of a structural study of the State, similar to the Oil, Gas and Helium brochure, for general circulation. The Arizona Development Board will publish it.

Mr. Walden asked whether there was more information about drilling activity on the Black Mesa. Mr. Scurlock replied that Atlantic had spudded and he would be going up to inspect it shortly; and that we had no current nor definite information about the Kerr-McGee well.

Concerning the four companies on the Hopi Reservation, it is Mr. Bannister's understanding that these companies will exchange information. The information on the three wells already completed was disappointing but apparently the operators are not too discouraged.

In reply to Mr. Walden's question as to whether there was any indication of oil or gas, Mr. Scurlock replied they had furnished no information.

Mr. Owens commented that to him this seemed to be an exploratory program. Mr. Bannister pointed out that most of these companies had seismic information about the area, and now with the information as the result of this drilling they are better informed about this area.

There was some further discussion of drilling exploration in Arizona.

Mr. Bannister reported that, roughly, we got what we asked for in our budget except for salaries. In that category we received only an increase of \$500. Previously we had discussed salary raises. The budget was approved on the premise that no raises would be granted. The \$500 increase was perhaps for commissioners to allow for additional duties. Out of the \$29,500 granted for salaries, the anticipated salary raises could be granted and still have a two hundred dollar surplus. In checking with the Post Auditor, the Post Auditor stated that if a lump sum is granted, as it was in this case, the money may be used at the discretion of the Commission.

Motion was made by Mr. Walden, and passed, that this be tabled, that no decision be made at this time, and that it be taken up at the next meeting.

Mr. Bannister reported that the Commission had recently received a complimentary letter from Kerr-McGee concerning the new legislation re-defining a well.

Mr. Owens stated he felt that with the new legislation and with changes to the Rules and Regulations, we are getting in a position to do a good job.

There followed a discussion of the value of the Commission to Arizona and the significant oil exploration and production in Arizona, other states, and in foreign countries.

Mr. Bannister reported that Truett Henderson is planning an exploration program for helium on Spurlock land.

Mr. Bannister suggested that either the September or October meeting be called for a hearing concerning changes to the Rules and Regulations that might cause some controversy. The majority of the changes suggested should cause no controversy in that the changes are to bring the Rules and Regulations into accord with the Statutes, and to eliminate conflicts within the Rules and Regulations themselves. The two changes that will cause controversy will be, first on changing the amount of bond. The other controversial change might be in requiring that a plat by a registered surveyor be furnished to us. This won't bother the

major companies because as a matter of course they use registered surveyors.

Mr. Walden was excused.

It was agreed that the September meeting be held in conjunction with a hearing on the changes to the Rules and Regulations and that Mr. Bannister would prepare and mail to the Commissioners, in advance, all the changes so that after the hearing the Rules and Regulations would be ready in entirety for printing.

Mr. Bannister reported that a Civil Defense disaster exercise would be held on June 30 and that on June 10 he and Mr. Scurlock would speak at a meeting of the American Association of Engineers to bring them up to date on exploration within the State.

Mr. Bannister mentioned he had heard nothing further on HB-28, a severance tax bill. Mr. Lockhart and he had appeared before the two Legislative Committees in connection with this bill. Mr. Lockhart pointed out that with the ending of that special session of legislature this bill was dead.

Meeting adjourned at 11:15 a.m.

APPROVED July 28, 1965:

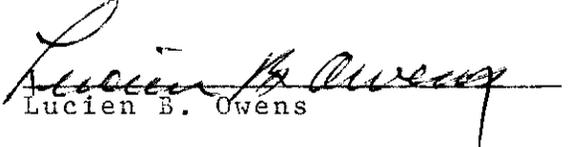


Lynn Lockhart, Chairman

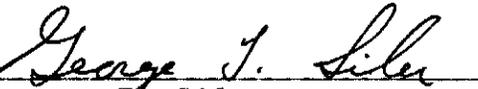
R. Keith Walden

Absent

Orme Lewis



Lucien B. Owens



George T. Siler