

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

Minutes of Meeting
July 28, 1965

Commissioners present:
Mr. Lynn Lockhart, Chairman
Mr. Lucien B. Owens
Mr. George T. Siler

Others present:
Mr. John Bannister, Executive
Secretary
Mr. J.R. Scurlock, Geologist

Commissioners absent:
Mr. R. Keith Walden
Mr. Orme Lewis

The meeting was called to order at 9:30 a.m.

Minutes of the meeting of June 9, 1965 were approved.

The Executive Secretary's report was discussed and approved.

Mr. Scurlock and Mr. Bannister discussed Apache Drilling Company's development of Shinarump helium production and its hopes to establish enough helium reserves to build another processing plant. Apache Drilling hopes to drill about five wells and have them all tested at one time and apparently has financial backing to build another plant if enough helium reserves can be developed.

In response to Mr. Owens' inquiry concerning ArkLa's plans, Mr. Bannister and Mr. Scurlock indicated that apparently ArkLa was disappointed in their mineral exploration, but recently their attitude seems to have changed. However, they have not filed any information with this Commission.

Results of drilling on the Hopi Reservation were discussed. It was pointed out that one drawback to Arizona exploration is the high cost of drilling due to lack of equipment and materials within the State, and of course the lack of information.

In response to Mr. Siler's question, Mr. Scurlock reported that the market demand for helium since 1950 has increased about 50%. Kerr-McGee's production represents about 6% of the national total.

Mr. Bannister reported that apparently Easter Petroleum and Kerr-McGee were working toward turning over the Navajo Springs Unit to Kerr-McGee as unit operator. This would give Kerr-McGee something to attract additional markets.

Mr. Bannister reported on the Civil Defense exercise held June 30, 1965, a test of the State Plan for Petroleum Management which has been approved without change by the national Civil Defense Office.

One thing that was ascertained during the exercise was the lack of sufficient stock of proper octane aviation gas for propellor planes. The solution recommended was that when certain things happen that might result in an emergency, the Governor will order companies to increase their stocks of this type gasoline.

Mr. Owens suggested, in this connection, that the amount of storage, whether currently in use or not, should be reported.

Mr. Bannister reported that Duval Drilling Corporation had submitted to the Commission a list of the wells drilled in their potash tests, the location, depths, etc., and that at some future date would submit Slumberger logs.

As soon as time permits, Mr. Bannister is going to write other exploration companies, show them what Duval has submitted and attempt to get similar information from these other companies.

Copies of the Rules and Regulations together with suggested changes will be ready for discussion at the August meeting and prior to the September hearing.

The Attorney General's opinion concerning the new definition of well was discussed.

The Attorney General stated that an area determination would be questionable; it was something that the Commission should have the power to do, but should have definite legislative authority. Should the Commission proceed on an area determination, it should be done after public hearing. If the Commission points to a specific well as coming within its jurisdiction, a hearing is not necessary. If any individual chooses to oppose any decision of the Commission, it may go into court.

Mr. Owens questioned why, with the authority to declare an individual well under jurisdiction of the Commission, was it necessary to have an area designation.

Mr. Bannister replied that with the small staff there would be no way of checking each well being drilled in the State. An area determination would bring the driller in to the Commission.

Mr. Bannister suggested that we have a hearing to set up an area determination that any wells being drilled within that area come within the jurisdiction of this Commission.

Mr. Owens wondered about the relationship with mining companies with any area determination. Mr. Bannister pointed out that in the area where the mining companies are operating we have no information to indicate that we have anything to protect. The area we are interested in is in the northern part of the State where we have production and geological information. It is conceivable that water well drillers, in some instances, may have to come to the Commission, but right now this problem is not anticipated.

Mr. Lockhart and Mr. Owens felt it was necessary for the Commission to take the calculated risk and hold an area determination hearing.

It was moved and passed that the hearing on changes to the Rules and Regulations be set for 9:30, September 29, and the hearing for area determination be set for 2:00 p.m. on the same day.

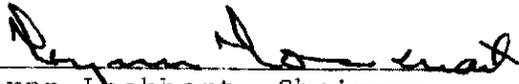
Mr. Scurlock was directed to prepare an initial area description for discussion with Mr. Bannister, showing as broad an area as he reasonably can, west of the Petrified Forest, almost the border of the State, over to Flagstaff, and as deep as possible, with all the geology he can to justify this area. Mr. Bannister and Mr. Scurlock shall discuss this area description to determine the area for which the hearing is to be held.

Mr. Lockhart reported on his attendance at the recent Interstate Oil Compact Commission meeting in Pittsburgh, June 21-22-23. He chairs the very important Finances and Publications Committee.

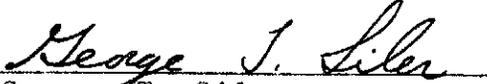
Mr. Bannister pointed out that Interstate Oil Compact Commission is the first interstate commission and has set the pattern for many other interstate commissions. It has improved the industry in general and government. He also pointed out that Arizona is considered to be the most progressive of the States, conservation-wise and rule-wise; and many of the States are envious of the flexibility of our Statutes and Rules.

The meeting adjourned at 11:30 a.m.

APPROVED August 25, 1965


Lynn Lockhart, Chairman

Absent
Orme Lewis


George T. Siler

Absent
R. Keith Walden


Lucien B. Owens