

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

Minutes of Meeting
April 20, 1966

Present:

Mr. Lynn Lockhart, Chairman
Mr. Orme Lewis, Vice Chairman
Mr. Lucien B. Owens, Member
Mr. George T. Siler, Member
Mr. Hiram S. Corbett, Member
Mr. John Bannister, Executive Secretary
Mr. J.R. Scurlock, Geologist

Dr. Willard Pye
Mr. J.H. Waterhouse
Mr. Ed Packwood

Chairman Lockhart called the meeting to order at 9:35 a.m.

Minutes of the meeting of February 23, 1966 were approved.

Reports of the Executive Secretary and the Geologist were accepted.

Attendance by representatives of the Commission at the Interstate Oil Compact Commission meeting June 20-22, 1966 in Tulsa, Oklahoma, was discussed. It was agreed that Mr. Lockhart, Mr. Lewis if he could, and Mr. Bannister would attend.

Mr. Lewis suggested that in connection with the Interstate Oil Compact Commission meeting of December, 1966 in Phoenix that it might be well to contact as soon as possible the Phoenix Chamber of Commerce to alert them for assistance. Chairman Lockhart directed Mr. Bannister to do so.

Mr. Bannister reminded the Commission that he would be attending the IPAA meeting in Los Angeles May 8-10, 1966.

Mr. Bannister informed the Commission members of the new telephone service for State employees from various Arizona cities to the Capitol.

Mr. Bannister commented upon the favorable Post Auditor's report, a copy of which was furnished to the Commissioners.

Motion was made and passed that the regular Commission meeting of July 20, 1966 be held in Flagstaff.

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Chairman Lockhart asked if it was the desire of the Commission to make a change in the chairmanship. It was unanimously voted that Mr. Lockhart continue as Chairman. It also was unanimously voted that Mr. Orme Lewis continue as Vice Chairman.

Mr. Bannister reported that the two bills providing incentives for oil and gas exploration in the State had no chance of getting out of Legislature during this session.

Mr. Lewis suggested that the Commission gather information from all other states concerning bonuses, what kind, how much of what period of time; and then inform the various legislative committees; and that this perhaps would avoid the Commission's getting entangled in an industry dispute and serve a useful purpose rather than worry about backing a bill.

Mr. Siler stated he felt that by restricting a bonus to State lands it would eliminate entanglement with promoters.

Dr. Pye stated that the Commission should back anything that will further develop oil and gas and conservation within the State. He told of the bonus bill in Oregon where a well was brought in, the bonus paid, and the industry no longer found incentive and exploration just died. He said in other areas, mostly foreign, that the footage bill was used very profitably because it takes away from the overall operation costs and he felt this type of program would be successful in Arizona.

Mr. Owens stated that gathering information, as suggested by Mr. Lewis, would be very valuable and then the Commission might be in a position where it would feel it could recommend consideration of a bill.

Mr. Corbett felt that the footage bill might be better for the purposes of encouraging wider exploration.

Mr. J.H. Waterhouse felt that when operating under a government patronage system, which he said we are, he could see where it was necessary to force the taxpayer to do those things that under the free enterprise system the independent producer would do himself. Mr. Waterhouse then expressed his dissatisfaction with some of the Commission's Rules and Regulations, particularly concerning prorationing.

Mr. Siler requested more information about bank oil financing and helium pricing.

Mr. Bannister explained the many facets of why and how drilling contractors and lease brokers obtain bank financing in oil areas. Institutions in Arizona were not familiar with this type of finance. Since there is a small demand, and looking to the future, talks have been had with the local banks. Valley National Bank so far is the only institution who has taken this concept to their policy-making board and are making further study in other

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states.

Mr. Bannister, further, clarified the State Land Department-Kerr McGee helium price suit.

Mr. Bannister reported that the ArkLa potash exploration program is still secret. Inasmuch as ArkLa is drilling under a mining permit rather than an oil and gas lease, they come under the surveillance of the Commission only because they penetrate the coconino formation.

Mr. Bannister introduced Dr. Pye as being present at this meeting as a representative of American Association of Petroleum Geologists in connection with the fiftieth anniversary of that Association's organization.

Dr. Pye cited the history of American Association of Petroleum Geologists in promoting and developing the oil and gas industry.

Chairman Lockhart read the memorial letter to this Association from the Commission, signed by all the commissioners. Dr. Pye, on behalf of the Association, presented to the Commission a paperweight made from an oil well core.

The meeting adjourned at 11:05 a.m.

APPROVED May 18, 1966

Lynn Lockhart, Chairman