

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

Minutes of Meeting

August 17, 1966

Present:

Mr. Lynn Lockhart, Chairman  
Mr. Orme Lewis, Vice Chairman  
Mr. Hiram S. Corbett, Member  
Mr. John Bannister, Executive Secretary  
Mr. J.R. Scurlock, Geologist  
Hon. Fred Udine, Senator, State of Arizona  
Mr. Mike O'Donnell, O'Donnell-Ewing Drilling Co.  
Mr. James R. Pickett, Lease Broker  
Mr. J.H. Waterhouse  
Mr. Al Morgan

Absent:

Mr. Lucien B. Owens, Member  
Mr. George T. Siler, Member

Chairman Lockhart called the meeting to order at 9:55 a.m.

Mr. Corbett moved, and the motion passed unanimously, that the minutes of the July 20, 1966 meeting be approved.

The report of the Executive Secretary was accepted.

The Executive Secretary reported that the Commission's secretary was on vacation and consequently the geologist's report had not been typed. The geologist's report then was read and accepted.

In reply to Mr. Lewis' questions concerning the progress of the program to plug the old, abandoned wells, Mr. Bannister reported that by the end of this year the Commission will be pretty clean so far as closing all the old wells that we know about.

Mr. Bannister informed the Commission that Interstate Oil Compact Commission had endorsed to a representative of Australian government Arizona's Rules and Regulations as one of the best in the country.

Mr. Bannister reported on the current status of drilling wells and on the results of the recent Fort Apache Indian lease sale

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in which Tenneco Oil Company was the only bidder. He stated further that information has been received that Tenneco will soon begin four to six strat tests across their leased acreage.

Mr. Bannister reported on his further study of the American Petroleum Institute well numbering system. That system will not affect the Commission system; it would merely add, in addition to our system, an API number that can be put into a computer. Mr. Bannister recommended that we cooperate with this system inasmuch as every state will be involved.

Mr. Lewis moved that the staff assign API numbers in addition to the system now used by the Commission. The motion passed unanimously.

Mr. Bannister suggested that the Commission prepare and publish information pamphlets as a service to the public, dependent upon available funds. The pamphlets would cover such areas, perhaps, as leasing procedures and what is involved in lease participation, how oil is found, how it is produced, what is a gathering system.

In the discussion that followed, Mr. O'Donnell expressing the driller's viewpoint and Mr. Pickett expressing the lease broker's viewpoint, felt this was not a function of the Commission. Mr. Lewis pointed out the uniqueness of Arizona's lands and suggested that perhaps the purpose of service to the public could be performed through the newspapers with a series of articles.

It was decided that any action on this type service be deferred.

Mr. Bannister reported on the incentive or bonus programs to stimulate exploration offered in other states. Indications are that such bonus programs did not have the hoped for effect on exploration.

Mr. O'Donnell reported that during a very recent trip into New Mexico he learned that major companies were interested in a dry hole support program. Mr. Pickett and Mr. Scurlock reported an expression of interest in this type of program from consulting geologists and major companies.

Senator Udine suggested that perhaps the next step would be that an interested group independent of the Commission request an opinion from the Attorney General as to the legality of a dry hole support program.

Mr. Bannister presented a suggested budget for the fiscal year 1967-68. After discussion, it was directed that the suggested budget, but with the following changes, be submitted to the Commissioner of Finance:

- (1) The salary for the requested position of Administrative Assistant shall be at the rate of \$650.00 per month and that the amount shown for "Extra and Vacation Help" be in the amount of \$500.00.
- (2) Or, in alternative, if the position of Administrative Assistant is disallowed, the amount for "Extra and Vacation Help" shall be in the amount of \$2,000.00.
- (3) The amount for "Special Technical Projects shall be \$500.00.

After discussion, it was decided that inasmuch as no agency of the State has funds available for entertainment or other expenses in connection with the upcoming Interstate Oil Compact Commission meeting in Phoenix, the processes of raising necessary monies be discussed with Interstate Oil Compact Commission and as much as possible be turned to that body as the sponsoring organization.

Mr. Pickett stated he too thought the Commission had the best Rules and Regulations but he felt they were not being enforced strictly enough and cited permits issued to Eli Oil and Gas Development and one issued to Apache Drilling Company as they pertained to the rules on spacing. The Eli well was drilled in the southeast quarter of the southeast quarter of Section 15; and the Commission certainly is cognizant that in the southwest quarter of the southwest quarter of Section 14 is a well certified to be capable of producing helium. The only excuse for issuing the permit is that the operator said it was an oil well. There is only helium gas all around this area and there are no records of oil shows. If they come in to drill an oil well in an area that is noted for its helium, it doesn't make sense.

In reply, Mr. Bannister stated, that as he understood it, Mr. Pickett felt these two wells were looking for gas and not actually looking for oil, as stated on their applications. Therefore the wells should have been drilled on 640-acre spacing and not on 80 acres. The Rules and Regulations treat each strata separately. If you have a well producing gas from the Coconino, then we can legitimately allow a well next door to drill either above or below that Coconino formation, so long as that formation that they penetrate or produce is on proper spacing pattern.

Mr. Lewis questioned whether, if they go through the helium strata, the Coconino, would they have to plug that strata off and not take any helium out.

Mr. Bannister replied that they could not take any helium because they do not have a proper spacing for a gas well. He reminded

the Commission that in anticipation of this problem, during the May meeting he had indicated there would be a spacing problem, that operators were asking for permits to drill an oil well and that the permits were granted, but the operators had been told there was no way they could produce any gas because they were off the 640-acre spacing pattern.

Mr. Pickett thought that it would be less trouble to keep the operator from producing and to avoid long hearings by issuing proper permits in the first place.

Mr. Bannister replied by asking if it were a function of the Commission to discourage an operator who asks for a permit to drill an oil well. Mr. Pickett thought that judgment should be used, and if the application is for an oil well in a known helium area, a permit should not be issued for the oil well.

Mr. Morgan stated very strongly that a permit to drill an oil well should be granted if all requirements for an oil well were met, that the Commission legally could not refuse the permit.

Mr. Lewis indicated that the Commission must accept an application for an oil well, if it is in proper spacing, at face in accordance with our current Rules and Regulations. If judgment is to be exercised, then the Rules and Regulations should be changed. For a practical matter, the Commission might say and perhaps should say, that if you discover something other than oil, you will not be able to produce it and that you will have to close this well.

Mr. O'Donnell felt he would be within his right to go for an oil well next to a gas well, and if he got gas then he would have to forego the gas in the hole drilled on an oil well permit.

Mr. Bannister read the Statute setting forth the provision for permits to drill wherein the person states his intent to drill either an oil or gas well, and there was nothing in the Statute wherein the Commission had authority to look into the intent.

Mr. Lewis felt that the Rules and Regulations could be written to authorize the administrator, in cases where there was a doubt, to refer the matter to the Commission for hearing to determine whether the request is for an oil or gas well. Mr. Lewis also pointed out that this was an old argument; it first came up in connection with old mining claims and the mining law thereafter had been re-written.

Mr. Pickett reiterated that he was not criticising the Commission but that it should be cognizant of the many ramifications in issuing permits of this type, and asked if the Commission would be amenable to implementing the Rules and Regulations to state that

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before the well is drilled that the operator is notified that in event the oil well turns out to be a gas well, the operator will not be able to produce it as a gas well because it is off spacing for a gas well.

Mr. Bannister pointed out that these wells under discussion have not produced yet so there is no infraction; the permits were for a wildcat area. As a rule of thumb, anything a mile from a producing well or one capable of producing is a wildcat.

Mr. Lewis suggested that since the Commission had not given much thought to this, that at the next meeting this problem should again be brought up.

Chairman Lockhart reported that it had come to the attention of the Commission that there has been no activity on the Harless wells in Yavapai County for the past year or year-and-a-half, which is in excess of the Rule allowing a shutdown of sixty days. He had talked with all members of the Commission. The chair then would entertain a motion that the Executive Secretary be directed to take the action to plug the wells.

Mr. Corbett so moved. Mr. Lewis, in seconding the motion, stated that we are not closing the wells down; these wells have in fact been closed down for a long, long time and have not been in operation at all; that nobody having made an application for extension and that the time for making application for extension has passed in the sense that it could have been done months and months and months ago, the wells should therefore be plugged as all other wells are plugged under similar circumstances.

Chairman Lockhart reported that he had talked by telephone earlier this morning with the two commissioners who were unable to attend this meeting. Mr. Owens' opinion was that the wells should be plugged in accordance with the Rules and Regulations and Mr. Siler stated his vote as "no" pending his further study.

The motion was passed by a vote of four affirmative and one negative vote.

Meeting adjourned at 12:10 p.m.

APPROVED September 21, 1966

Lynn Lockhart, Chairman