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STATE OIL & GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

15 March 1963

Testimony and proceedings before the State Oil and Gas Board of Alabama, in the Hearing Room, State Oil and Gas Board Building, University Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 15th day of March, 1963.

BEFORE:

BOARD MEMBERS

Mr. Lindsey C. Boney.....Chairman
Mr. Hugh L. Britton.....Associate Member
Mr. E. K. Hanby.....Associate Member

BOARD PERSONNEL

Mr. Philip E. LaMoreaux.....Secretary & Supervisor
Mr. Gene White.....Ass't Supervisor & Chief Pet. Engr.
Mr. Gus Harris.....Attorney

(Reported by Lou M. Chambers)

P R O C E E D I N G S

(The Board reconvened in executive session
at 10:20 A.M., 15 March 1963.)

MR. HANBY: All right, now we will get to the agenda
for the executive session. The first item is:

"Discussion of Gulf Oil Corporation's Bond."

MR. WHITE: Mr. Chairman, Taylor Carlisle, I think,
has discussed this with Mr. Boney and called me day before
yesterday or yesterday, I believe, to discuss releasing
Gulf Oil Corporation's bond. Now, the way he wanted to go
about that was sort of funny. He led Mr. Boney to believe
and to some extent, me, too, that the Gulf Oil Corporation
has single well bonds covering their operations at Pollard
Field, which is the only operation Gulf Oil has in the
State. At this time, however, in checking the folders,
here are all the folders for their operations, they do not
have any single well bonds in the Pollard Field at all.
They have a \$10,000 blanket bond which has covered in the
past all of their operations in the State, both at Pollard
and Citronelle and wildcat wells drilled by their company.
Mr. Carlisle's opinion is that once the bond had been con-
sumated between his company and the bonding company that

the premium paid for the first year's premium would be sufficient to carry that bond forever. So what he wants this Board to do, I think, is to write a letter to the bonding company stating that Gulf Oil Corporation no longer has to pay the premium on the bond. That's what he asked me to ask y'all. So I'll put it just like that.

MR. HARRIS: Mr. Chairman, he called me and tried to talk about the legal aspects of the thing. I told Taylor this, without going into it, but I stated that from the legal field, I didn't see how the Board or why we could recommend to the Board that the Board just come out with a flatfooted statement and say "No, you don't have to pay your bond premium anymore." I don't think that is up to the Board and I think that they must be bonded according to regulations as long as they do business. Now, his theory, as Gene pointed out, was that suppose like some of these wells we have up here in North Alabama need plugging and they haven't paid premiums on their bonds for many years and yet we can still hold them because they were bonded originally.

MR. HANBY: At that time.

MR. HARRIS: At that time. That may be true but if

the Board has to say, we have to go in court and say whether that's true or whether it's not true, I don't think we should be put in that position. I suggest this, that Gulf Oil Corporation is certainly a large one and I don't see any objection to letting them go on their own bond, let the Gulf Oil Company sign its own bond. As long as someone bonds them that is financially responsible, I don't see why we should object to who it is, whether it's a regular bonding company or whether it's any financial company. Why not let Gulf sign its own bond?

CHMN. BONEY: But they don't have an individual well bond at Pollard.

MR. HARRIS: It's a blanket bond.

CHMN. BONEY: They said they had those first wells on individual bonds and later on changed over to a blanket bond, which is not true. If that were true, then we could accept the original bond as we have with these wildcats in the Warrior Basin, but they have a \$2,000 bond which I understand is also a blanket bond which they wanted to drop the blanket bond and wouldn't have to have...

MR. HARRIS: Well, that would be a different case entirely.

MR. WHITE: That would work out swell if that were the case, but that's not the case.

CHMN. BONEY: Gene brought the file and they don't have them.

MR. HARRIS: No, I don't think the Board would let him cancel a bond.

MR. WHITE: He asked me point-blankly what would happen if his company or any company flatly refused to pay the bonding company premium and I said "That's your business." Some people have flatly refused to pay them, but this agency is the only releasing authority for that bond. Therefore, the bonding company is obligated to this Board to insure the performance.

MR. HANBY: As long as the bond is in effect.

MR. WHITE: And it will be in effect, Mr. Hanby, until this Board releases it. This is the only authority to release the bonds. It's up to the bonding company to collect the premiums. In other words, once bonded, this is the only agency that can cancel.

MR. HANBY: I would not release it as to any activity occurring while the bond was in effect, but if they didn't pay the premium and the bond was cancelled, it wouldn't be

effective to any future activity of the company.

MR. WHITE: It would be insofar as this Board is concerned, yes sir, because that's set up in law, Mr. Hanby.

MR. HANBY: I don't see how that's possible.

MR. HARRIS: The original bonds were made to the State of Alabama and only the Governor can cancel.

MR. WHITE: The bonds are made payable to the Governor of Alabama and his successors in office.

MR. HANBY: I don't see how in the world... say a fellow came in here and drilled one well ten years ago and that's the only activity he had. That bond would only continue to be effective as against that one well. If he came in and wanted to drill another well, then he'd have to give us another bond.

MR. WHITE: That's true, yes sir, except if the original bond was a blanket bond. If the original bond was a blanket bond, it would cover all of their operations over the State.

MR. HANBY: All right, say, for instance, this is the case. Say a fellow came in here and gave us a blanket bond and drilled one well and then he plugged that well in every way according to the requirements and we released

him. Then he came in five years later and drilled another well...

MR. LaMOREAUX: This is off the record.

(At this point in the hearing, the proceedings were off the record)

MR. LaMOREAUX: Would you record this for us, Lou?

MR. HANBY: The Board, in discussion of the question of the Gulf Oil Corporation's bond, has concluded that the Board has no authority or jurisdiction nor obligation to interfere with the dealings between the Gulf Oil Corporation and their bondsman and we cannot take a position in it and think that it is entirely a matter between the Gulf Oil Corporation and the surety company and that they be so advised.

MR. HARRIS: All right.

MR. LaMOREAUX: We designate Mr. Harris to so advise Taylor Carlisle.

MR. HANBY: The next item of business is:

"Discussion of Letter of Appreciation to
Chairman, Board of Revenue, Double Springs, Alabama."

MR. WHITE: Mr. Hanby, we are presently occupying office space in the Double Springs Court House, Winston County Court House, the new section of the Court House,

free of charge, and Pete Herbert suggested and thought that it would be a nice gesture on the part of the Board if we drafted a letter for the Board's signature to be sent to this agency expressing our appreciation for the use of the space. We can either draft a letter for y'all's signature or you can draft it, either one.

MR. HANBY: I suggest the Staff draft the letter and the Board Members could sign it, if necessary, or we could authorize Mr. LaMoreaux to authorize it for the Board.

CHMN. BONEY: That would be fine.

MR. BRITTON: That's all right.

MR. LaMOREAUX: I will take care of that, then.

MR. HANBY: All right. Now, the next item is:

"Progress Report by William Horner - April Meeting."

MR. LaMOREAUX: As a part of our program in presenting information on the oil and gas activities in the State before the Board at its regular meetings, we had asked Mr. Bill Horner, ~~the~~ unit manager, Citronelle Unit, to present to us a progress report on the Unit Flood Operation. Mr. Horner was to be here this morning. Unfortunately, he could not attend this meeting, but has written the Board a

memo dated March 14 in which he states that he was sorry that he could not be here but that he will most certainly look forward to presenting that progress report at the next meeting. He did submit a confidential report on the Unit Flood Operation. That report is being made available to our professional staff and it will be read by the professional staff prior to Mr. Horner's report at the next meeting.

MR. HANBY: The next item of business is:

"Public Relations - Pollution Problem -
Mobile Area."

MR. LaMOREAUX: Actually, you are pretty well current on that activity. However, Gene White made a trip to Gilberttown in the Citronelle-Mobile area on February 26-28, visited with news columnist ^{Zeibach} Zebo (phon.) and also talked with Frank Bruer. You have in your folder the memo report to me from Mr. White on the results of that trip. That memo is dated March 4 and you can read it at your convenience, but I think that we have done a fine job of public relations in the Mobile area. We've got a fine response out of the newspaper and I think that the charges regarding pollution from oil and gas activities have been very well

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taken care of.

MR. HANBY: Well, I might state that I personally as a Member of the Board was very pleased to read the publicity that we got on it. I think Mr. LaMoreaux and the Staff Members did an excellent job in following through on this matter when it came to our attention, and I think that's what we need to do on the Board, we need to continue that type of activity. I think the people expect it. It certainly speaks well for the Board and the Staff Members. I personally want to congratulate you, Mr. LaMoreaux and all the Staff Members, on the way you handled that.

MR. SHANKS: Mr. Chairman, along with this line of pollution, may I state something that I was told this week? I'm Bob Shanks. You probably read an item in Mr. Zebo's column about the ~~Tanker~~ crewmen writing and saying they discharged their waste in Mobile Bay in South Carlton.

CHMN. BONEY: One of the pumpers came in with a dredge recently. There had been discharged some amount of diesel oil in the river, so there are other means of oil being in the river.

MR. WHITE: I think Mr. Zebo is very convinced of this fact, once we got through with the trip, the fact that even though the possibility was for a minor amount of oil to

come out of Gilbertown, while even yet there is still this possibility, certainly there is not a possibility of polluting Mobile Bay. So while we visited Hunt's (phon.) or Placid's (phon.) ^{loading} ~~filling~~ station over there, he said ^{and I'm ready ~~to~~ to go to} "I've seen all I needed to see ~~a minute ago~~ in Mobile."

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MR. HANBY: Well, I certainly am happy that it turned out that way. The next item of business is:

"Action Depletion Allowance."

MR. LaMOREAUX: You probably are all familiar with the ~~present administration's~~, Kennedy's administration's actions regarding the depletion allowance. There is a proposal to either reduce or do away with the depletion allowance, 27½%. That is a substantial incentive to the oil and gas industry for exploration work. We have been collecting all the information that we could on this, statements from other State Governors, from the other oil and gas agencies, from congressmen, regarding attitudes toward the depletion allowance. I've been in contact with Mr. Jim Britton of the Alabama Petroleum Council and during this last week we prepared a statement that could be used by Governor Wallace -- ^{along with} you have a copy of this in your folder, ~~you have~~ a cover night letter to a Leo H.

Chief Counsel

1 Ways and Means Committee

Erwin ~~and then~~ Attached to ~~that~~ ^{file} you have a memo to me from the Committee on Ways and Means, House of Representatives, Washington, a letter of transmittal of March 14 to the

Honorable George C. Wallace, and ~~then the~~ ^a statement ~~that~~ ^{proposing}

~~that every effort be started~~

~~now~~ to retain an incentive for oil and gas exploration in the State of Alabama. ~~now~~ This was all done in an effort to allow our Governor the opportunity to present a statement before the Ways and Means Committee, ^{to have} or a representative of ~~the~~ ^{our} State ~~to~~ make a statement regarding support of maintaining a depletion allowance. Actually, I learned that permission had to be granted to appear before the Ways and Means Committee before a certain deadline because of the limited time available. I wrote directly to the Committee and asked for a period for presentation. I received a letter from Leo H. Erwin, their chief counsel, granting us time on Monday, March 25. Then I prepared a letter of explanation to the Governor and then, in collaboration with the Staff and with the Alabama Petroleum Council, prepared the statement regarding the depletion allowance. Yesterday Mr. Harris and I presented this to Mr. Cecil Jackson, the Governor's legal counsel, and on Monday we will receive word as to the Governor's decided action on this matter, but at

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any rate, we ~~have been alerted to this action and our~~
~~National Congress has~~ called the action to the attention
of our Governor and ~~to those in the State and it is before~~
~~the Governor now~~ for consideration.

MR. HANBY: What is it before him for consideration?

MR. LaMOREAUX: This statement in support of retain-
ing the...

MR. HANBY: Oh, I see. The statement, you plan if he
so approves to read this to the Committee when you appear?

MR. LaMOREAUX: That is correct. Either Governor
Wallace can present this or someone that he designates can
present it. The important thing was that we gained time
before that Committee. That time was granted. Then we
prepared the statement and the Governor will consider the
statement. Now, the importance that we feel related to
the depletion allowance is that Alabama is on the brink of
substantial increase in exploration activity. ^{*we believe now*} Oil and gas
pools ~~at present~~ will be at substantial depths, greater
depths than perhaps ^{*than*} the ~~shallow~~ oil and gas ^{*developed at present*} in Mississippi
and Louisiana. Therefore, every incentive needs to be re-
tained to encourage those in the oil and gas industry to
expand their exploration activities rather than decrease

them, which will take place if the depletion allowance is reduced or done away with. ^{This} ~~So that~~ was the basic reason RE
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~~and that is what went into this statement~~ that we gave in support of maintaining the depletion allowance and in our statement of support proposed for the Governor.

MR. HANBY: Don't you think it would also be advisable if we prepared a statement signed by the Members of the Oil and Gas Board for you to take with you to read before the Committee?

MR. LaMOREAUX: Yes. I think if we -- if the Governor or I or someone presents this to the Committee, it would be very wise if the Board felt that it wanted to support this activity, I think it would be very wise ~~that~~ the Board follow suit and make a joint resolution.

MR. HANBY: Well, I would like very much for the... personally, to sign a statement. We've got men here that can write it much better than I. If the Staff maybe could prepare the statement and send it to us. Let's see, the 25th -- now, you're going to leave here when?

MR. LaMOREAUX: We don't... Monday I will know. The Governor will call me or the Governor's representative will call me Monday.

MR. HANBY: Well, now, are you actually waiting for his approval before you actually go?

MR. LaMOREAUX: Oh, yes.

MR. HANBY: He hasn't actually given his...

MR. LaMOREAUX: He hasn't had a chance to review this.

MR. HARRIS: The alternatives -- the Governor can either appear in person before the Ways and Means Committee; the Governor can send a statement; the Governor can send a representative; or the Governor can do all three. It's up to him to decide which.

MR. LaMOREAUX: And whoever appears certainly can inject the statement of the Oil and Gas Board or any other group in the State.

MR. HANBY: I see.

MR. LaMOREAUX: I think it would be very wise if the Board felt that it could... a motion, perhaps, even just to support the Governor's statement.

MR. HANBY: Yes, I think so, too.

MR. LaMOREAUX: Or we would be pleased to draft you a statement, whichever you desire.

MR. HANBY: Well, I know committees like to have a lot of things before them. I mean, the more you shoot before

them, the better off it is. I think we could in our statement endorse the Governor's statement and also make our own statement in the same instrument.

MR. LaMOREAUX: All right. We have the background material for preparation of that statement. We'll go ahead and prepare it and send carbons to you for approval. Return those carbons and we'll weave in any suggestions you have.

MR. HANBY: I have some ideas myself I'd like to inject in it if you don't cover them.

MR. LaMOREAUX: All right. In the meantime, I will alert the Governor's office that the Board has taken this action so that it can be added to any testimony given.

MR. HANBY: And another thing, too, at the proper time, I think it would be advisable for the Board to send telegrams to each member of that committee. I don't think that would be out of order.

MR. LaMOREAUX: That would not hurt a bit, in other words, to each one of your Congressmen.

MR. HANBY: Well, to the committee and of course to the Congressmen, too.

MR. LaMOREAUX: There's only two that have not taken

a positive action on this.

MR. HANBY: Who are they?

MR. LaMOREAUX: I can't tell you.

MR. HANBY: It's not Albert Raines, is it?

MR. LaMOREAUX: It's one of the Senators and one of the Congressmen. I'd have to look it up. I've got it in my notes somewhere.

MR. HANBY: I'd like to know. I'm sure it's not Albert Raines, but if it happened to be, I want to know it.

MR. LaMOREAUX: It's not Raines. You see, Kerr (phon.) died and this pulled a real strong man out of the... ^{supporting} ~~the~~ *group in congress to retain the depletion allowance* ~~we will take that action.~~

MR. HANBY: All right. The next item of business is:

"Action Standing Committee IOCC."

MR. LaMOREAUX: Mr. Chairman, earlier this spring, we received a letter from Mr. Lawrence ^{Alleg} ~~Alleg~~, the executive secretary of the Interstate Oil Compact Commission, requesting that Governor Wallace appoint committee members to the acting committees of the Interstate Oil Compact Commission. ~~Now~~ ~~He~~ wrote directly to the Governor and he wrote to us. We called the matter to the attention of the Governor's

Staff. In conference with the Governor, Mr. Cecil Jackson requested that he call me and ask for recommendations. These recommendations were given on January 25 in a letter addressed to the Honorable Cecil C. Jackson, Jr., ~~and~~ I am just calling this ^{matter} to your attention so that you will be informed of the recommendations of the professional staff to the Governor of the committee positions. Now, there is still time, if, in review of these, you would like to make suggestions, since the Governor has not acted to date on them, but will act within the next few days. There is an opportunity for additions here to this list, if you'd like to look them over. There is also attached ~~--you will~~ ^{in which} notice ~~that in the~~ letter of January 24 ^A the Governor had appointed me to act as his official representative at the executive session of the IOCC on...

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MR. HANBY: That was February 4, wasn't it?

MR. LaMOREAUX: February 4. He also asked that I report on my return and the February 14 letter to the Governor is my report on the activities at that meeting, and that is also for your information.

MR. HANBY: Now, what is it that...

MR. LaMOREAUX: It's just a matter of informing you of what actions have been taken.

MR. HANBY: I see.

MR. LaMOREAUX: You will notice that in my letter to Cecil Jackson on January 25 I responded to the Governor's request for recommendations for standing committee membership, and we listed Mr. Horner -- Mr. White for engineering; Mr. Jackson and Mr. Harris for legal; Mr. Kelley and Mr. Britton for public lands; Mr. Hanby and Mr. White for regulatory practice; Mr. MacElvain and me for research; and Mr. Boney for secondary recovery and pressure maintenance.

MR. HANBY: Well, there's no action for the Board to take?

MR. LaMOREAUX: None, unless you would like to make additional recommendations on those.

MR. HANBY: Do y'all have any additional recommendations?

CHMN. BONEY: No.

MR. HANBY: Hugh?

MR. BRITTON: No.

MR. HANBY: All right. The next item of business is:

"P. E. LaMoreaux -- NSF Activity."

MR. LaMOREAUX: National Science Foundation wrote to me again to give a series of lectures to different univer-

sities ~~and civic areas~~ in the United States, and this was
a second year or a re-request of the same type of thing
that ⁹ ~~was~~ presented last year in Texas, Tennessee, and
Mississippi. This year the speaking engagements are pro-
posed for Texas again, Beaumont & Lamar State College and
to Tampa, and as this required that I travel out of State,
at no expense to the State, ~~but~~ I nevertheless would be
away from the position for two days at a time for each of
those lectures, ^{so} I wrote to the Governor, sent him a letter
of the request from the American Geological Institute and
explained to him that all costs for these talks would be
taken care of by the National Science Foundation. The
talks will be "The Southeast^a Frontier of the Nation's
Resources - Alabama's Resources," and the~~s~~ other two items^{listed.}
~~and~~ ^{he} wrote back "permission granted," ~~and~~ I thought you
needed to know that because of some of the early discussions
we had regarding my activities.

MR. HANBY: I'm in thorough accord on that. I think
it's a great help to the State for you to do that. The
next item of business is:

"New Letterhead."

MR. LaMOREAUX: The new letterhead and envelopes have

been sent out. Have you read them? Are they okay?

MR. HANBY: Yes.

MR. LaMOREAUX: We changed. We showed the town locations for each of the Members.

MR. HANBY: The next item on the agenda is:

"Newspaper Coverage - Ed Brown, Irving Beiman, John Chadwick."

MR. LaMOREAUX: John Chadwich represents the South in his magazine of "Dixie" and they are going to start a series on the activities of the Geological Survey, Oil and Gas Board. We are supplying them the information. I thought you'd be interested to know that. Irving Beiman of the Birmingham News is also preparing a Sunday supplement story of the activities of the Oil and Gas Board and Geological Survey, and Ed Brown of the University News Service and UP, ~~I believe it's United Press that he releases to,~~ is starting a series on the activities of the Survey and the Oil and Gas Board. ~~They~~^{are} are three good sources of newspaper publicity and they are in the development stage.

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MR. HANBY: The next item is:

"Multilith Drilling - Production Reports."

MR. LaMOREAUX: Gene got a very nice letter from the Sunnyland Contracting Company regarding our drilling reports and our production reports. I don't know whether you gentlemen have noticed, but they are now being put out on multilith on a better grade paper and also the printing is much nicer. ~~and~~ Mr. Daniel E. Lelieu (phon.) from Sunnyland writes ~~and says~~ "We're in the market for a duplicating machine and would greatly appreciate your advising us of what make machine you use to put out your weekly drilling report. We feel this is one of the nicest reports we have seen." So the printing of the Drilling and Production Report on the multilith machine, I think, has improved the looks of the reports substantially. That's all we have.

MR. HANBY: Well, that covers the items on the agenda. Are there any other matters that the Board Members want to bring up or discuss?

CHMN. BONEY: No.

MR. BRITTON: No.

MR. HANBY: Any of the Staff Members?

MR. WHITE: No.

MR. HERBERT: Mr. Hanby, may I say something?

MR. HANBY: Yes sir.

MR. HERBERT: I talked to Gene and Gus about this well plugging in North Alabama. Mr. Morris is meeting this morning with a man to discuss plugging some of the wells. It seems like they're going to move ahead with it to try and work out a contract with this man to plug some of his wells. Now, this particular person is afraid of certain operators up there and one in particular that has never given us anything but trouble that he may come out there and try to stop... of course, I don't see how he can because actually he no longer holds the lease on the thing, but I wonder if we should reinject any authority into that or should we just let the bonding company? I talked to Gene about it and I...

MR. WHITE: My advice was this, that the Board has gone on record as recommending that these wells be plugged, directing the Staff to pursue the plugging. Now, we've put notice on the bonding company that they are to be plugged, so it appears to me that the bonding company is the proper person, if they want to go out there and plug those wells... they have our letter stating that we want those wells plugged.

MR. HANBY: That's right.

MR. HERBERT: I might add this. This just came into my mind a minute ago. The reason I brought this up again is most of your standard leases, if you'll read in Section 7, says that the lessor has the right at anytime during or after the ~~exp~~iration of this lease to return to said lease and remove all casing or pipes left on the lease. Now, what's going to happen to one particular well -- Mr. Schindler's in Walker County -- he has about 400 feet of 10-3/4 surface casing which is more than sufficient for that well. He also has 1280 feet of 8-inch casing which the cable tool used to cut off water but they don't cement the strings. Now, Mr. Morris and Mr. Alexander, who he's going to get to plug this well, intend to go out there and pull that 8-inch casing to recover some of the monies to pay for the plugging of this well, and the minute they do, I know Schindler is going to hear about it and out he'll come raising Cain.

MR. HANBY: How long has it been since that well was dry?

MR. HERBERT: Well, he hasn't done anything on the well toward deepening it or drilling it since I've been in

North Alabama. In 1959 he logged it and refused to give us a copy. However, I did obtain a copy. That's the only thing he has ever done to the well.

MR. HANBY: Well, I personally think that's between the bonding company and parties involved. Well, gentlemen, are there any other items we should discuss -- by anybody?

(No response)

MR. HANBY: If not, I'll entertain a motion that the executive session adjourn.

MR. BRITTON: I make a motion that we adjourn.

CHMN. BONEY: I second it.

MR. HANBY: It's been moved and seconded that the executive session be adjourned. All in favor, say "aye." All against, "no."

(All Board Members voted "aye")

MR. HANBY: The "ayes" have it. We are ordered adjourned.

(Whereupon, at 11:00 A.M., 15 March 1963, the executive session of the Board was adjourned.)

* * *

I HEREBY CERTIFY that the foregoing transcript
is a true and accurate account of the proceedings
of the Executive Session of the State Oil and Gas
Board of Alabama on 15 March 1963 in Tuscaloosa,
Alabama, to the best of my knowledge and belief.

Lou M. Chambers
LOU M. CHAMBERS
Hearings Reporter
State of Alabama