

# 'Black Gold' Bonanza Booms in Navajoland

## Oil, Gas Golconda Now Revealed as Silence Of Two Years Broken

By BILL NIXON  
Northern Arizona Bureau

TWO YEARS AGO a geologist stubbed his toe, so to speak, and uncovered what promises to be the largest, most significant oil and gas find in Arizona.

The strike is located in Apache County, at the extreme northeast corner of Arizona, and 5 miles from the New Mexico border.

The "discovery" well that sparked drilling and testing activity of an intensity never before seen in the state is located on the Navajo Indian reservation.

The story goes back to 1965, when one of the west's major mineral developers, Kerr-McGee Corp. of Oklahoma City, was seeking uranium deposits on leased ground in the Chuska Mountains, directly north of the Canyon de Chelly National Monument (see map below).

Drillers went to a depth of 3,800 feet before hitting basement — solid granite. Prior to that pursuit for uranium, a core analysis produced evidence of deposits other than uranium.

A cap promptly was placed on the well — Navajo No. 1 — and K-M drillers pulled out of the area.

### K-M Feint Led to Exodus

But it was only for a while. Other oil explorers-developers, who had leased nearby sections for exploration purposes, staged a mass exodus. They apparently swung and missed at a change-up delivery tossed by Kerr-McGee, believing the payload wasn't worth the time and money.

From the time Kerr-McGee "abandoned" its discovery well in 1965 until its re-entry of the same well in February this year, leases encompassing 26½ sections of exploration land in the area were forfeited by other oil companies.

Each section is comprised of 640 acres, a neatly teardrop in the 25,000 square-mile-ocean of Navajoland.

The 26½ sections' lease rights were not marketable again until this spring, according to Henry Pohlman, minerals supervisor for the Navajo tribe. Five of those coveted sections are presently up for bid in a sale advertised by the tribe, beginning last April 17.

### 215,000 Acres to Go on Block

The bids will be opened and examined on May 25 at Window Rock, the Navajo Indian capital. Those five sections are only 2½ and 5 miles from the "discovery" well, so they should bring a handsome price to the Navajo nation.

All told, 215,000-plus acres of exploration land are being offered in the newest sale. The previous top of \$104 per acre is considered high value for so-called wildcat acreage. Sixty per cent of the May 25 sale land is located in Apache County, the remainder in New Mexico and Utah.

The central portion of the new sale area is only 12 miles from Kerr-McGee's discovery well.

The realm of abandoned leases is much like the old nursery rhyme to the Navajo tribe. . . "He stuck in his thumb and pulled out a plum. . . twice."

Said one Navajo official, "It's almost like we wrote the script" for the sale and resale of the potentially rich oil and gas property.

And while many major oil companies are licking their chops over the May 25 sale, Kerr-McGee and Humble Oil and Refining Co. are nursing payloads. It's common knowledge in the Four Corners area that K-M has six producing wells and Humble has one.

### Locked Lips Guard Field Data

In the process of drilling or completed for testing are five wells claimed by K-M, Humble and Anadarko Production Co. of Fort Worth, Tex.

Meanwhile, official early production details are being kept an iron-barred secret. John Bannister, executive secretary of the State Oil and Gas Commission, said oil developers invoked an Arizona law prohibiting disclosure of production figures for six months.

The legal weapon obviously was employed because of the impending sales of exploration sections in the immediate area. In the highly competitive business of mineral research, the successful early-birds aren't about to reveal any information that will be helpful to competitors.

However, unofficial figures have been reported in the past



John C. Barwin, Kerr-McGee Geologist  
"I Just Can't Afford To Talk To You"

## THE ARIZONA REPUBLIC SPECIAL REPORT

two weeks. On April 24, Bannister told an Arizona Republic reporter that the first two Kerr-McGee wells produced 59,000 barrels — nearly half of last year's total production statewide — during March 1967.

That March total was matched favorably against the entire area's 1966 output of 132,000 barrels.

A national oil publication reported that the two K-M wells are pumping a minimum of 3,000 barrels per day.

"The most significant discovery in the Rocky Mountain area this year," Bannister called it.

The seven wells now producing in the Luka Pool field took an investment of nearly \$1 million before any of the crude was even brought to the surface.

But don't feel too concerned for the stockholders. Each full barrel represents \$2.80 . . . \$2 to the developers, 30 cents for handling and shipping and 50 cents per barrel royalty to the Navajos.

Oil firms that abandoned the scene after Kerr-McGee capped its No. 1 producer in 1965 are back in observation positions. It's a regular "I Spy" chapter from television.

Observers from those companies are attempting to collect information that would be used in bidding for adjacent lease land. Bids close at 10 A.M. May 25.

"It's the funniest thing you ever saw," said a resident of the Red Rock Trading Post. "They actually are equipped with field glasses and get as close to the drilling rigs as possible."

### Tribe, State Benefits Foreseen

The Navajos can afford to sit back, enjoy the activity and reap the harvest. The tribe will collect 16-23 per cent in production royalties, plus bonus payments for the leases.

The State of Arizona benefits too. It assesses a 1.5 per cent tax on gross remaining production. Even Apache County's government gets a share, from an ad valorem tax.

Although official production figures have not been released, a recent development indicates the oil companies must be sold on the Apache County discovery. The Republic learned that an application has been filed with the Navajos for permission to survey for a pipeline to carry the oil directly from the Chuska Mountain discovery sites.

Presently, the oil is transported via huge truck tankers to the Four Corners pipeline system at Shiprock, N.M., approximately 43 miles away. It's sped from there to Texas oil refineries.

The Permian Corp. of Midland, Tex., temporarily is hauling the black gold from the Apache County field, pending

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Texas-Based Drilling Crew Ready For Action  
Anticipation: Sweat, Maybe Oil

Republic Photos by Bill Nixon

## It's Just Not Supposed to be There New Northland Oil Find Tabbed 'Freak' by Baffled Geologists

Northern Arizona Bureau

RED ROCK—It was once written that the state of Arizona is a land of surprises and geological contrasts.

Geologists who have made a study of the Grand Canyon state, if polled, would render "Amen" to such a claim.

Arizona's newest and most important oil field, located on the Navajo Indian Reservation in Apache County, represents a geological puzzle to the experts.

SAID John C. McCaslin, exploration editor for the Oil & Gas Journal, "Arizona's new Luka Pool oil field is a freak. There's no other quite like it, so far as is known, in the United States—perhaps anywhere."

The oil deposits just weren't supposed to be there, according to geologic reasoning. "No other domestic field produces from this kind of volcanic pay," McCaslin wrote.

The journal's expert called the strike an eye-opener.

None of the geologists who have worked the terrain in Navajoland gave much thought to the area until the Kerr-McGee drilling operation succeeded, McCaslin wrote in a recent article.

THE so-called oil field in the Chuska mountains isn't a field at all. It's located approximately 5 miles west of the New Mexico border, and south of the Red Rock trading post. The reported seven producing wells are perched at elevations from 6,000 to 8,700 feet.

Present drilling and testing operations of K-M, Humble Oil, and Anadarko Co. are located in the high timber country of the reservation.

The contrast in landscape within the oil discovery perimeter is tremendous.

THE TRADING post at elevation 5,900 feet is only 13 miles from the highest drilling point of 8,700 ft. In those 13 miles the terrain begins with sand dunes and general desert features, and ends in aspen and ponderosa pine tree country. The rocky, heavily covered timber land is thick with wild bear and turkey.

The road system to the oil producers is typically Indian reservational except for the 23-mile stretch from U.S. 666 west to the trading post. It's

wider than most reservation roads, but equally as dusty.

With the oil production expected to promote heavier traffic, developers of the mineral deposits and the tribal government are considering a cooperative measure to at least pave the first 23 miles from U.S. 666.

THE miles from the trad-

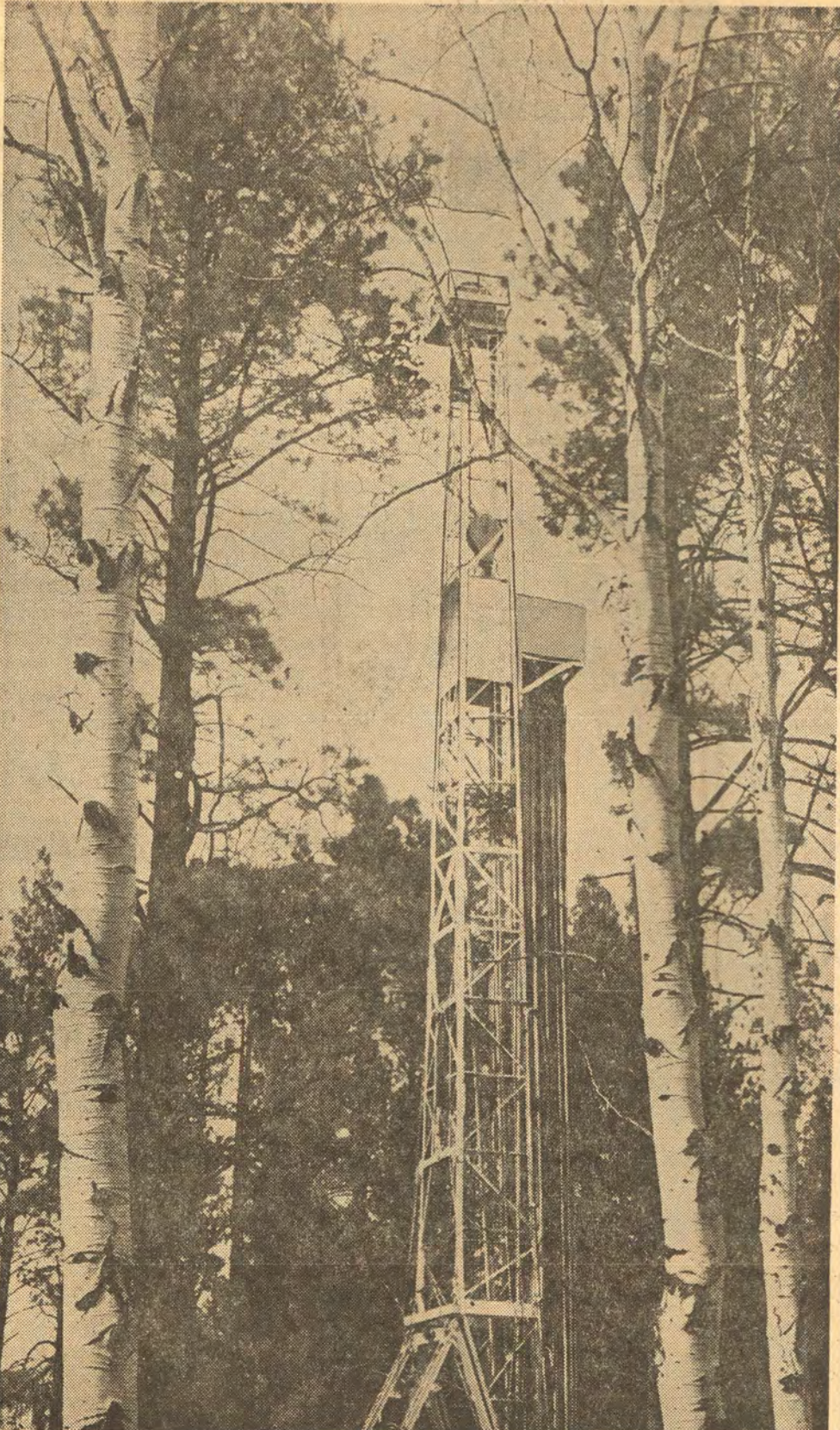
ing post, Bureau of Indian affairs office and the school area to the drilling sites are a test for any vehicle. Wind and sand erosion can change the road's condition in a matter of hours.

And then if it rains . . .

The truck tankers transporting the oil to nearby Shiprock,

N.M., and supply and service trucks using the sandy trail, send clouds of dust into the normally clear reservation air.

Anyone who attempts to pass another vehicle is playing vehicular Russian roulette. Visibility is practically zero behind one of the eight-wheel tankers.



Aspens Of Northland Frame Shining Tower  
Oil Is Found In Improbable Terrain

## Find Effects Draw Diverse Reactions

Northern Arizona Bureau

THE FIRST public indication that a major industrial development was imminent on the Navajo Indian reservation—the Apache County oil strike—came last fall from Secretary of the Interior Stewart Udall.

Udall was principal speaker at dedication ceremonies for the proposed B.V.D. plant at Winslow.

The secretary said that an announcement was forthcoming "that will boom the economy" of the area, meaning the Navajo Reservation.

Udall said he wasn't at liberty to say what or where the development would be, but stressed that in the next decade "well over" \$1 billion would be realized from Indian resources in Arizona.

THE realization within the past two weeks that major oil developers were planning extensive operations in the Chuska Mountains has sparked an air of excitement in the area.

"It can't help but boost the economy of our city," said

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Republic Map by Kearney Egerton

MODERN PROSPECTOR'S MAP—Chuska Mountains of northern Apache County are the site of the "Luka Pool," what may be Arizona's first major oil and gas field. Arrow indicates general area of oil exploration and development in relation to nearest geographical reference points.