

BEFORE THE  
**Oil Conservation Commission**

SANTA FE, NEW MEXICO

May 19, 1955

IN THE MATTER OF:

CASE NO. 870

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**

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ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

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IN THE MATTER OF:

Application of E. F. Cesinger for approval of  
160-acre unorthodox gas proration unit in the  
West Kutz-Pictured Cliffs Gas Pool: S/2 SW/4  
and S/2 SE/4 of (Fractional) Section 11, Town-  
ship 28 North, Range 13 West, San Juan County,  
New Mexico; and for approval of an unorthodox  
well location on unit for his proposed Phillips  
No. 1, to be located 1650' FWL and 990' FSL of  
said Section 11.

Case No. 870

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BEFORE:

Governor John F. Simms  
Mr. E. S. (Johnny) Walker  
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 870.

MR. GREER: Albert R. Greer, for Mr. Cesinger. Mr. Cesinger has made an application for 160-acre proration unit for his No. 1 Phillips Well, 1650 feet from the west line and 990 feet from the south line of Section 11, Township 28 North, Range 13 West, in the West Kutz Pool. Mr. Cesinger feels that he would like to have 320 acres allocated to this well in the event the Commission establishes 320-acre proration units in this pool.

In the meantime, he would like to have this unorthodox 160-acre proration unit assigned to the well, and recommends that it be a temporary unit until such time as the Commission makes its decision on 320-acre proration units in the West Kutz Pool.

I have here a plat which shows the well location and the temporary 160-acre unit which Mr. Cesinger requests, which I would like to offer to the Commission.

MR. MACEY: Without objection it will be received. Do you have anything further, Mr. Greer?

MR. GREER: Nothing, other than after the Commission makes its decision relative to 320-acre proration, Mr. Cesinger would like to review this unit.

MR. MACEY: Any questions of Mr. Greer about this matter?

MR. REIDER: What is the purpose for deviating from the basic Commission concept of proration unit being essentially square in nature?

MR. GREER: He thought it was simpler to get the full 160-acre allowable, whereas, if he took the west, southwest quarter of that section, he would have less than 160 acres.

MR. REIDER: It will, in no way, alleviate the necessity to drill a well on 160 acres, assuming 160-acre spacing?

MR. GREER: It would be up to Mr. Cesinger to determine if he has to drill another well. If there is not 320-acre proration units established for the field, I do not believe that he would be forced to drill the other wells unless his royalty owners, or someone like that required him to. His offset wells are on 320 acres, and he may decide to drill additional wells or not to.

MR. REIDER: In the event of 320-acre proration, you are going to have to return and amend this application anyhow.

MR. GREER: Yes, that is what we are asking for, temporary proration unit.

MR. REIDER: In view of 160-acre spacing, it would be far more practical and desirable to maintain the uniform, or at least an attempt toward the square, or essentially square unit.

MR. GREER: Well, he would suffer the fact that he would have less than 160 acres assigned to him if it were square. It is a partial section, perhaps you understand.

MR. REIDER: Yes, sir. We are aware it is a partial section.

MR. GREER: Of course, he has, under his lease -- I don't know what it is, but it is approximately 320, or 300 acres, which are reasonably productive. So, certainly he is entitled to a full 160 acre allowable.

MR. REIDER: Our only objection at this point is the Commission would be placing itself in a position of granting an elongated 160 acre proration unit, which is not necessitated by ownership or anything, but the desire of the operator to just have an elongated section.

MR. GREER: I believe the Commission has approved other proration units approximating 160 acres, which are not exactly in the form of a square, have they not?

MR. REIDER: Yes, but in those cases there was very little opportunity left open to the operator that had the acreage, and if he could not pool it or communitize with another operator, he would be deprived of his opportunity to recover his just and equitable share of the gas under the property. Here Mr. Cesinger is being deprived of nothing. He is choosing to set up an irregular proration unit which constitutes your regular drainage for no other reason other than the fact it is more desirable to have higher proration

unit. In the event of 160, isn't it correct that you are going to have to drill another well? In the event of 320, the entire acreage would be dedicated to the well anyhow.

MR. GREER: If there is not 320-acre proration units he may have to drill another well. He may not have to, but he probably will. Up until that time, if we assign only the west half of the partial section, then he will have less than the full 160-acre proration unit, and he is entitled, certainly, in this area to have 160-acre allowable, when he has at least 300 acres productive.

MR. REIDER: Assume that we find 160-acre spacing. What would be the effect of drainage from this well?

MR. GREER: If you find that you are not going to establish 320-acre proration units, then we have asked that you reconsider this particular unit.

MR. REIDER: In other words, you want this granted temporarily until something is decided?

MR. GREER: In other words, he needs an allowable from now until the time that the Commission decides whether or not it will permit 320-acre allowables in this field.

MR. REIDER: Again --

MR. GREER: (Interrupting) He wants full 160 acres to that time.

MR. REIDER: That is the only basis for it?

MR. GREER: I believe it is a fair basis. He has 300 productive acres and asking credit for only 160.

MR. REIDER: On 300, 150 would be just as equitable, would it not? My point is this. Mr. Cesinger, requesting a deviation, he

wants us to approve, whether temporarily or not, a proration unit which, basically, to the Commission's Rules and Regulations, is not desirable. No matter whether it is temporary or not, it would seem like an unreasonable request.

MR. GREER: It was my understanding that the Commission established a rather non-uniform proration units along the partial sections in, I believe, the Aztec Pool in the last hearing, didn't they?

MR. REIDER: The question is not that the non-uniform proration units have been formed, they have.

MR. GREER: The purpose --

MR. REIDER: The purpose of them was clear.

MR. GREER: To get at least 160-acres for those wells. They could have done the same thing you suggest here, and take less than 160 acres, but they didn't do it. They wanted full 160 acres.

MR. REIDER: They had very little other course left open to them. They were not surrounded by their own acreage to which they could dedicate a uniform tract. Would you agree with -- the well located as it is, the dedication of -- I don't know the tract number, I can't tell it from here, but what would amount to the west half, west half, drainagewise would be more practical, would it not?

MR. GREER: If you will not confine it to just the legal west half of the section, but will give Mr. Cesinger 160 acres, on a temporary basis until you have your decision on the 320-acre proration, I think that would be all right.

MR. REIDER: In other words, you would be willing to amend

your application to include west half 160 acres?

MR. GREER: Of course, you realize that is not a legal subdivision?

MR. REIDER: That is right.

MR. GREER: On a temporary basis, yes, sir.

MR. REIDER: I don't have the acreage figures here. What would the west half legally amount to?

MR. UTZ: Approximately 144 acres.

MR. REIDER: The Commission is undoubtedly going to find in this case, in a matter of a month, the difference of a 20-acre allowable can't effect Mr. Cesinger that much.

MR. MACEY: What is the status of the well?

MR. GREER: It is producing.

MR. UTZ: It is over produced about twice.

MR. GREER: I didn't know that.

MR. UTZ: 80 acres at the present time.

MR. GREER: Mr. Cesinger understands that he will not have an allowable until the proration unit is established for the well.

MR. UTZ: We allowed him 80 acres March 1st.

MR. REIDER: He was notified that it would require administrative action, or hearing, and this was on hearing. The point is this, all three of Mr. Cesinger's applications run one with the other.

MR. GREER: Perhaps I should have --

MR. REIDER: The granting of this proration unit in size and shape indicated in the application would then make necessary the granting of the other two?

MR. GREER: I see your line of thinking. That is the reason we suggested the temporary order, in the event additional wells are requested to be drilled by Mr. Cesinger, or in the event of this establishing 320-acre proration units, then this unit would be reconsidered.

MR. McGRATH: I think it is very similar to the Southern Union applications that we took in April. Mr. Cesinger owns 10 and 12, which could be split in three proration units.

MR. MACEY: Do you think all the acreage is productive, Mr. McGrath?

MR. McGRATH: Possibly part of Section 10 is not.

MR. REIDER: Yes, that is our feeling in the matter, exactly.

MR. GREER: We are only taking what is reasonably proven 300 productive acreage right now.

MR. REIDER: Yes, but the granting of the first one makes necessary the granting of all the others.

MR. GREER: Not if you make it a temporary order which must be revised at the time that additional wells are drilled, or we have the 320 proration established. All he wants is an allowable until the Commission makes a decision and then we can go back into the whole thing again.

MR. UTZ: Who owns the well in Section 12?

MR. GREER: I believe that is in the Gallegos Canyon Unit. I believe all the other wells in that area immediately surrounding have been drilled on 320 acres.

MR. UTZ: That is Gallegos Canyon No. 42.

MR. MACEY: Does anyone have anything further in this case?

If not we will take the case under advisement.

