

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12916 (Reopened)
ORDER NO. R-11885-A**

**IN THE MATTER OF CASE NO. 12916 BEING REOPENED PURSUANT TO
THE PROVISIONS OF DIVISION ORDER NO. R-11885, WHICH ORDER
ESTABLISHED TEMPORARY SPECIAL POOL RULES FOR THE ALACRAN
HILLS-LOWER BONE SPRING POOL, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 18, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 3rd day of May, 2004, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Order No. R-11885, dated January 9, 2003, the Division, upon application of Ocean Energy, Inc., created a new pool in Eddy County, New Mexico, classified as an oil pool for lower Bone Spring production, designated the Alacran Hills-Lower Bone Spring Pool, with vertical limits comprising depths from the top of the Third Bone Spring Carbonate to the top of the Wolfcamp formation, corresponding to the depths from 7,510 feet to 8,746 feet subsurface in the Schlumberger Compensated Neutron-Formation Density Log dated September 27, 1976 for the Cerf Federal Well No. 2 (API No. 30-015-21884), located 1980 feet from the North and West lines (Unit F) of Section 10, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, and horizontal limits comprising the following-described area:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 10: NW/4.

(3) Also by Order No. R-11885, dated January 9, 2003, the Division established:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
ALACRAN HILLS-LOWER BONE SPRING POOL**

RULE 1: Each well completed or recompleted in the Alacran Hills-Lower Bone Spring Pool or in the lower Bone-Spring formation within one mile thereof, and not nearer to or within the limits of another Bone Spring pool, shall be spaced, drilled, operated and produced in accordance with these special rules.

RULE 2: Each well shall be located on a standard unit containing 160 acres, more or less, consisting of a governmental quarter section.

RULE 3: The Division Director may grant an exception to the requirements of Rule 2 above without notice and hearing when an application has been duly filed under the provisions of Division Rule 104.D (2).

RULE 4: Each well shall be located no closer than 660 feet to the outer boundary of a spacing and proration unit nor closer than 330 feet to any interior quarter-quarter section line or subdivision inner boundary, provided however there is no more than one well per quarter-quarter section.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

RULE 6: The Alacran Hills-Lower Bone Spring Pool shall be produced at a limiting gas/oil ratio of 4,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 1708 MCF per day.

(4) Pursuant to the provisions of Order No. R-11885, this case was reopened to allow the operators in the Alacran Hills-Lower Bone Spring Pool to appear and present evidence to support the continuation of special pool rules within the pool.

(5) The Alacran Hills-Lower Bone Spring Pool currently comprises the NW/4 of Section 10, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico.

(6) Legal counsel for Devon Energy Production Company, L.P. ("Devon"), the successor to Ocean Energy, Inc., stated that Devon's position is that the special pool rules for the Alacran Hills-Lower Bone Spring Pool are not needed and statewide rules should apply.

(7) No other operator and/or interest owner appeared at the hearing to present evidence in this case.

(8) In the absence of technical evidence to support continuation of special pool rules for the Alacran Hills-Lower Bone Spring Pool, these special pool rules should be rescinded, and the pool should be governed by statewide Division rules including Rules No. 104.B and No. 506.A.


IT IS THEREFORE ORDERED THAT:

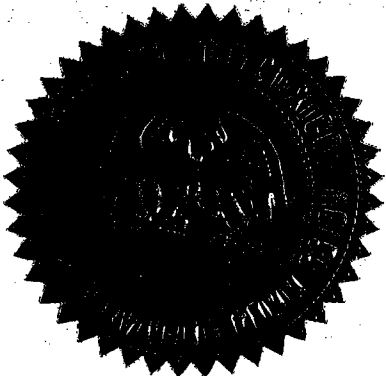
(1) The "*Temporary Special Pool Rules for the Alacran Hills-Lower Bone Spring Pool*," as established by Division Order No. R-11885, are hereby rescinded.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOANNA PRUKOP
Cabinet Secretary/Acting Director



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