

**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. 9718  
Order No. R-9045

APPLICATION OF MERIDIAN OIL INC. FOR  
THE VERTICAL CONTRACTION AND  
REDESIGNATION OF AN EXISTING DELAWARE  
OIL POOL AND FOR A NEW POOL CREATION,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 23, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of November, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-8455, dated June 15, 1987, the Division created the Parkway-Delaware Pool, whose vertical limits encompass the entire Delaware formation, and whose current horizontal limits comprise all of Section 35 and the W/2 of Section 36, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico.

(3) The applicant, Meridian Oil, Inc. (Meridian), seeks to contract the vertical limits of said Parkway-Delaware Pool by excluding the upper portion of the Delaware formation identified by the applicant as the "B" Sand interval, and to redesignate said pool as the Parkway-Delaware "A" Sand Pool or the Parkway-Lower Delaware Pool. The applicant further seeks the concomitant creation of a new oil pool for Upper Delaware production designated as the Parkway-Delaware "B" Sand Pool or Parkway-Upper Delaware Pool with its horizontal limits comprising all of Section 35, Township 19 South, Range 29 East, NMPM.

(4) The applicant further requests that the effective date for such an order issued in this matter be June 16, 1989.

(5) The applicant has proposed that the vertical limits of the proposed Parkway "A" or Lower Delaware Pool comprise the equivalent stratigraphic interval from approximately 4110 feet to 4220 feet, and that the Parkway "B" or Upper Delaware Pool comprise the equivalent stratigraphic interval from approximately 3945 feet to 4015 feet, both as found on the Gamma Ray/Density Log run on Meridian Oil, Inc.'s Apache Federal Well No. 1A located 990 feet from the North line and 2310 feet from the West line (Unit C) of said Section 35.

(6) Santa Fe Energy Operating Partners, L.P (Santa Fe), and Siete Oil and Gas Corporation (Siete), the only other operators in the Parkway-Delaware Pool, appeared at the hearing in support of the application, but in opposition to Meridian's proposed "B" reservoir vertical limits.

(7) The discovery well for the Parkway-Delaware Pool was the Santa Fe Energy Operating Partners, L.P. Parkway "36" State Well No. 1 located in Unit F of said Section 36.

(8) There are currently fourteen wells completed in and producing from the interval identified by the applicant as the "A" or Lower Sand interval, and of these fourteen wells, ten are currently capable of producing in excess of top unit allowable for the Parkway-Delaware Pool, which is 80 barrels of oil per day.

(9) The evidence indicates that the applicant has completed its Apache Federal Well No. 1A in the "B" or Upper Sand interval, as described above, and that said well is currently capable of producing approximately 289 barrels of oil per day.

(10) The applicant contends that said Apache Federal Well No. 1 has discovered a separate common source of supply in the Delaware formation, and that the reserves in said "B" Sand are sufficient to economically justify the drilling of an additional well on each of seven 40-acre proration units within the Parkway-Delaware Pool.

(11) The applicant further contends that due to differences in permeability which may in turn cause crossflow to occur, the "A" and "B" Sand intervals may not be effectively produced by utilizing a single wellbore.

(12) The geologic and engineering evidence presented by the applicant is insufficient to conclusively demonstrate that the subject "A" and "B" Sand intervals are effectively isolated from one another.

(13) The evidence presented is insufficient to support the contention that the "A" and "B" Sand intervals may not be efficiently and effectively produced by a single wellbore.

(14) The evidence does not demonstrate that the additional reserves within the "B" Sand interval will not ultimately be recovered by the existing wells, or that waste would occur if the subject application is denied.

(15) While approval of the application may allow the applicant to recover the additional reserves within the "B" Sand interval in an accelerated time period, said approval may actually force offset operators to drill unnecessary wells in order to protect their correlative rights.

(16) Approval of the subject application will tend to cause the drilling of unnecessary wells within the Parkway-Delaware Pool, will not serve to prevent waste, and may in fact impair the correlative rights of the operators in the subject pool.

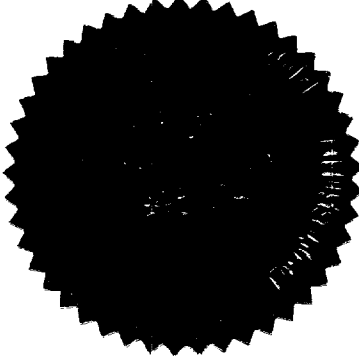
(17) The application should be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil, Inc., for the contraction of the vertical limits of the Parkway-Delaware Pool to include only the Lower Delaware interval, and for the concomitant creation of a new Delaware pool for Upper Delaware interval production, all located in Sections 35 and 36, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, is hereby denied.

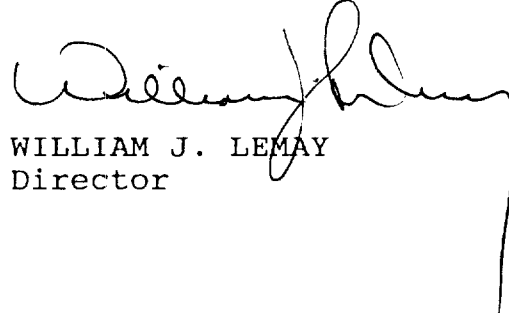
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director