

Case No. 11982
Order No. R-11046
Page 3

Delaware being a deep water sand environment;

(b) the main producing zone, identified by Pogo as the Lower Brushy Canyon "BC-4" interval, is continuous across the project area, and all of the wells in the proposed project area are currently producing from this zone; and

(c) there are numerous productive or potentially productive intervals in the Delaware in this area.

(7) Further, Pogo presented engineering evidence which shows that:

(a) the producing rates of the wells in the project area vary, but overall are not in the "stripper" category;

(b) although the injection well has perforations in the Cherry Canyon and the Brushy Canyon intervals, the vast bulk of the injected water will be injected into the lower Brushy Canyon "BC-4" interval, because that zone has been fracture treated, while the other zones have only been acidized;

(c) because of the fracture treatments of the Brushy Canyon "BC-4" zone in each producing well, and because the wells are on pump, the bottomhole pressure will be less than the reservoir pressure, and cross-flow between different Delaware zones will not occur;

(d) the injection of water into the Delaware formation should retard the dissipation of reservoir energy;

(e) all Delaware zones should serve to