

August 7, 2007

OIL AND GAS DOCKET NO. 04-0252597

**APPLICATION OF SANCHEZ OIL & GAS CORPORATION TO CONSOLIDATE
VARIOUS WILCOX FIELDS INTO THE PROPOSED WEST TIGER (WILCOX CONS.)
FIELD, DUVAL AND WEBB COUNTIES, TEXAS**

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: July 31, 2007

APPEARANCES:

Mimi Winetroub

REPRESENTING:

Sanchez Oil & Gas Corp.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Sanchez Oil & Gas Corp. for the Commission to consider consolidating the West Tiger (7980), West Tiger (Hinnant One), Peters (Wilcox 8700) and Wildcat Fields into a new field, the West Tiger (Wilcox Cons.) Field. The following rules are proposed:

1. The entire correlative interval from 7,880' to 11,000' as shown on the SP/Resistivity log of the Humble Oil & Refining Company, V. Kohler A Lease Well No. 100, (API No. 42-131-10771), NB Gussett Survey, A-400, Duval County, Texas should be designated as the West Tiger (Wilcox Cons.) Field.
2. An allocation formula based on 95% deliverability and 5% per well. It is proposed that the allocation formula be suspended.

It is further requested that the Sanchez Oil & Gas, Peters A 1721 Well No. 4 (225820) should be transferred from the Lopez, SE. (Consolidated) Field to the proposed West Tiger (Wilcox Cons.) Field. At the hearing, Sanchez Oil & Gas requested that the type well and interval designation be changed from the Sanchez Oil & Gas, Peters A 724 Lease Well No. 1 (proposed interval from 7,910' to 11,000') to the Humble Oil & Refining Company, V. Kohler A Lease Well No. 100 (proposed interval from 7,880' to 11,000'). As Sanchez Oil & Gas is the only operator in the fields, there are no notice issues. The examiner recommends approval of the field consolidation, proposed field rules and well transfer.

DISCUSSION OF THE EVIDENCE

The Peters (Wilcox 8700) Field was discovered in 1955 at 8,712' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated and there are no wells in the field.

The West Tiger (Hinnant One) Field was discovered in 2006 at 7,838' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated and there are three wells in the field. The allocation formula is suspended.

The West Tiger (7980) Field was discovered in 2006 at 9,725' subsurface depth. The field is governed by Special Field Rules that provide for a correlative interval and a 2-factor allocation formula (95% deliverability and 5% per well). The field is classified as Non-Associated and there is one well in the field.

Consolidation of the West Tiger (7980), West Tiger (Hinnant One), Peters (Wilcox 8700) and Wildcat Fields will provide for the orderly development of the fields and the efficient and effective depletion of the reservoirs. Incremental gas reserves will be recovered per completion as the economic producing limit is effectively lowered for each zone. The additional re-completion cost per zone is avoided. The estimated additional recovery is 88 MMCF per well.

The entire correlative interval from 7,880' to 11,000' as shown on the SP/Resistivity log of the Humble Oil & Refining Company, V. Kohler A Lease Well No. 100, (API No. 42-131-10771), NB Gussett Survey, A-400, Duval County, Texas should be designated as the West Tiger (Wilcox Cons.) Field. The vertical interval encompasses a correlative package of similar Wilcox sands sequences that are not necessarily uniform and continuous over short distances.

The proposed two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended as the allocation formula is currently suspended in each of the three fields.

The Sanchez Oil & Gas, Peters A 1721 Well No. 4 (225820) should be transferred from the Lopez, SE. (Consolidated) Field to the proposed West Tiger (Wilcox Cons.) Field. The well is located within the area of other wells that will be prorated in the West Tiger (Wilcox Cons.) Field and within the designated interval.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Peters (Wilcox 8700) Field was discovered in 1955 at 8,712' subsurface depth. The field is governed by Statewide Rules, classified as Non-Associated and there are no wells in the field.

4. The West Tiger (Hinnant One) Field was discovered in 2006 at 7,838' subsurface depth. The field is governed by Statewide Rules, classified as Non-Associated and there are three wells in the field. The allocation formula is suspended.
5. The West Tiger (7980) Field was discovered in 2006 at 9,725' subsurface depth. The field is governed by Special Field Rules. The field is classified as Non-Associated and there is one well in the field.
6. The entire correlative interval from 7,880' to 11,000' as shown on the SP/Resistivity log of the Humble Oil & Refining Company, V. Kohler A Lease Well No. 100, (API No. 42-131-10771), NB Gussett Survey, A-400, Duval County, Texas should be designated as the West Tiger (Wilcox Cons.) Field.
7. Consolidation of the West Tiger (7980), West Tiger (Hinnant One), Peters (Wilcox 8700) and Wildcat Fields will provide for the orderly development of the fields and the efficient and effective depletion of the reservoirs.
 - a. Incremental gas reserves will be recovered per completion as the economic producing limit is effectively lowered for each zone.
 - b. The additional re-completion cost per zone is avoided.
 - c. The estimated additional recovery is 88 MMCF per well.
8. The proposed two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.
9. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.
10. The Sanchez Oil & Gas, Peters A 1721 Well No. 4 (225820) should be transferred from the Lopez, SE. (Consolidated) Field to the proposed West Tiger (Wilcox Cons.) Field as the well is located within the area of other wells that will be prorated in the West Tiger (Wilcox Cons.) Field and within the designated interval.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

3. Consideration for consolidation of fields and the proposed field rules are a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and field rules will prevent waste, foster conservation and protect correlative rights.
5. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed consolidation of the West Tiger (7980), West Tiger (Hinnant One), Peters (Wilcox 8700) and Wildcat Fields into a new field, the West Tiger (Wilcox Cons.) Field, adoption of the proposed field rules and transfer of the Peters A 1721 Well No. 4.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel