



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0293716

THE APPLICATION OF SANDALWOOD EXPLORATION, LP FOR A NEW FIELD DESIGNATION FOR THE NORMAN HURD (WILCOX 3) FIELD AND TO ADOPT FIELD RULES FOR THE PROPOSED NORMAN HURD (WILCOX 3) FIELD TYLER COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Terry Johnson – Legal Examiner

HEARING DATE: December 1, 2014
CONFERENCE DATE: March 24, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Sandalwood Exploration, LP

Doug Dashiell
Michael Franciso
David Swenson

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandalwood Exploration, LP (Sandalwood) requests a new field designation for the proposed Norman Hurd (Wilcox 3) Field and to adopt temporary field rules for the proposed field. Sandalwood proposes to adopt the following temporary field rules:

1. A correlative interval from 8,045 feet to 8,068 feet as shown on the High Definition Induction Log of the BP A-22 Lease, Well No. 1 (API No. 42-457-30858) to be designated as a single reservoir for proration purposes and be designated as the Norman Hurd (Wilcox 3) Field;
2. 200'-400' well spacing (lease line, between well spacing);

3. 40 acre proration units, with no requirement to file individual well proration plats.
4. MER allowable of 500 BOPD.

Notice of the application was sent to all operators with active wells within 2.5 miles of the discovery well. The application is not protested. The examiners recommend approval of a new field designation for the Norman Hurd (Wilcox 3) Field and to adopt temporary field rules as proposed by Sandalwood.

DISCUSSION OF THE EVIDENCE

Sandalwood has recently drilled and completed the BP A-22 Lease, Well No. 1 (BP A-22 No. 1) in a new field and seeks a new field designation. A review of all wells within a 2.5 mile radius of the discovery well revealed that the BP A-22 No. 1 is producing from a reservoir that is not productive in any other wells within this radius. There are other Wilcox intervals that are productive in the area, namely the Wilcox 1 and Wilcox 2 sands. A log cross-section of wells in the area revealed that the top of the productive sand in the proposed field is 35 feet below the water contact in the Joe's Lake Field, the nearest field in the area. This indicated that the proposed new field is producing from a separate reservoir than the existing nearby field. The properties of the Wilcox 3 interval for the proposed new field were calculated from a petrophysical log along with formation testing data for the BP A-22 No. 1. Results indicated a porosity of approximately 23%, 26% water saturation, permeability of 125 millidarcies, and an initial reservoir pressure of 3,468 psi.

Sandalwood is requesting 400 feet between well spacing, as drilling wells any further apart increases the risk of drilling an uneconomic well or a dry hole. Sandalwood's geologist testified that 200' – 400' spacing is necessary for further development of the field in targeting the productive interval. Sandalwood anticipates that the new field will be developed with wells drilled from a single surface location as the surrounding area is considered timberland and contains numerous creeks.

Sandalwood tested the discovery well between October 26, 2014 and November 28, 2014 to determine maximum efficient rate (MER) for the well. Flowing tubing pressure was fairly steady on all choke sizes. Analysis of both the flowing tubing pressure and gas:oil ratio (GOR) indicated the reservoir pressure would not be wasted by producing the discovery well at a higher rate. Sandalwood proposed a 500 BOPD MER based on the test results.

FINDINGS OF FACT

1. Notice of the application was sent to all operators with active wells within 2.5 miles of the discovery well at least ten days prior to the date of hearing and no protests were received.
2. Sandalwood requests a new field designation for the proposed Norman Hurd (Wilcox 3) Field and to adopt temporary field rules for the field.
3. The discovery well for the proposed Norman Hurd (Wilcox 3) Field is the BP A-22 Lease, Well No. 1 (API No. 42-457-30858) Tyler County, Texas.
4. A log cross section indicated that the proposed new field is producing from a separate reservoir than existing nearby fields.
5. Drilling wells in the subject field greater than 400 feet apart increases the risk of drilling an uneconomic well or a dry hole.
6. The subject field was discovered in an area considered to be timberland which contains numerous creeks that pose a challenge for finding suitable surface locations to drill wells in the field.
7. Analysis of both the flowing tubing pressure and GOR indicated reservoir pressure in the subject field would not be wasted by producing the discovery well at a MER of 500 BOPD.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Granting a new field designation for the Norman Hurd (Wilcox 3) Field and adopting special field rules will prevent waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the new field designation and adopt temporary field rules for the proposed Norman Hurd (Wilcox 3) Field, Tyler County, Texas as requested by Sandalwood Exploration, LP.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Terry Johnson
Legal Examiner