

**OIL AND GAS DOCKET NO. 03-0262485**

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**THE APPLICATION OF SANDHAWK ENERGY, LLC TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED MORIAN, SE (WILCOX) FIELD, SAN JACINTO COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 03-0262486**

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**THE APPLICATION OF SANDHAWK ENERGY, LLC TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED MORIAN, NE (WILCOX) FIELD, SAN JACINTO COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 03-0262487**

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**THE APPLICATION OF SANDHAWK ENERGY, LLC TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED MORIAN, NW (WILCOX) FIELD, SAN JACINTO COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 03-0262488**

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**THE APPLICATION OF SANDHAWK ENERGY, LLC TO AMEND FIELD RULE NO. 1 FOR THE DREWS LANDING (WILCOX CONS) FIELD, SAN JACINTO COUNTY, TEXAS**

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**HEARD BY:** Richard D. Atkins, P.E. - Technical Examiner

**DATE OF HEARING:** August 13, 2009

**APPEARANCES:**

H. Philip Whitworth  
D. Davin McGinnis  
Peder Hobbesland  
G. J. (Bud) Wilson

**REPRESENTING:**

Sandhawk Energy, LLC

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Sandhawk Energy, LLC ("Sandhawk") requests that the Drews Landing (Wilcox Cons) Field be divided into three additional Morian Fields. Sandhawk also requests that the field correlative interval for the Drews Landing (Wilcox Cons) Field be amended and the following Field Rules be adopted for the new Morian, NW (Wilcox) and Morian, NE (Wilcox) Fields:

1. Designation of a field correlative interval;
2. Well spacing of 467'-933' with retention of the Statewide density rule of 40 acres;
3. Allocation based on 95% deliverability and 5% per well and that the formula be suspended.

Sandhawk finally requests that the following Field Rules be adopted for the new Morian, SE (Wilcox) Field:

1. Designation of a field correlative interval;
2. Retention of the Statewide spacing and density rules;
3. Allocation based on 95% deliverability and 5% per well and that the formula be suspended.

There were no protests to this application, the evidence supports the four applications and the examiner recommends approval of the Drews Landing (Wilcox Cons) Field amended correlative interval, new field designations and Field Rules for the three proposed Morian Fields.

**DISCUSSION OF EVIDENCE**

The Drews Landing (Wilcox Cons) Field was created in May 2007 when the Drews Landing (Wilcox) and Drews Landing (Wilcox 10,600) Fields were consolidated. The field is classified as a non-associated gas field and Sandhawk is the only operator in the field. There are 11 wells carried on the current proration schedule. Cumulative production from the field through July 2009 is 10.3 BCFG and 198.8 MBC.

Sandhawk has drilled seven additional wells since the field was consolidated. The new field designation should be approved for the proposed Morian SE, NW and NE (Wilcox) Fields. The 2 ½ Mile Radius from each fields discovery well does not include any other wells that produce from the proposed correlative intervals. Sandhawk submitted a structure map for the field showing that the area is highly faulted with major northeast to southwest and northwest to southeast trending faults that geologically separate each of the fault blocks into separate fields that are not in communication with each other or with any other existing field.

The proposed correlative interval for each of the four fields contains many Wilcox sand accumulations. Sandhawk requests that the correlative interval be designated for each field as listed below:

1. The entire correlative interval from 9,563 feet TVD to 11,590 feet TVD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 7 (API No. 42-407-30663), J.D. Martinez Survey, A-34, San Jacinto County, Texas, be designated as the Morian, SE (Wilcox) Field.
2. The entire correlative interval from 9,450 feet TVD to 11,415 feet TVD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 6 (API No. 42-407-30652), W.G. Logan Survey, A-24, San Jacinto County, Texas, be designated as the Morian, NE (Wilcox) Field.
3. The entire correlative interval from 9,397 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 4 (API No. 42-407-30638), to 12,268 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 8 (API No. 42-407-30662), W.G. Logan Survey, A-24, San Jacinto County, Texas, be designated as the Morian, NW (Wilcox) Field.
4. The entire correlative interval from 9,524 feet MD to 11,578 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 9 (API No. 42-407-30665), J.D. Martinez Survey, A-34, San Jacinto County, Texas, be designated as the Drews Landing (Wilcox Cons) Field.

Sandhawk is requesting the large correlative interval for each field as a result of the high initial drilling and completion costs and the limited reserves contributed by each of the individual reservoirs. In addition, the delay in the recovery of the reserves from each reservoir would result in the wells becoming less economic, thereby reducing the ultimate recovery. Sandhawk stated that producing all of the Wilcox reservoirs simultaneously would reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs.

The cumulative production since January 2006 from wells in each of the four fields is shown below:

<u>FIELD</u>	<u>BCFG</u>	<u>MBC</u>
Morian, SE (Wilcox)	0.9	22.2
Morian, NE (Wilcox)	2.8	48.2
Morian, NW (Wilcox)	4.2	99.5
Drews Landing (Wilcox Cons)	0.7	11.5

Sandhawk requests that wells be transferred from the Drews Landing (Wilcox Cons) Field into the appropriate field as listed below, without requiring new drilling permits.

<u>FIELD NAME</u>	<u>WELL NAME</u>	<u>GAS ID NO.</u>	<u>API NO.</u>
Morian, SE (Wilcox)	Morian No. 7	233276	42-407-30663
Morian, NE (Wilcox)	Morian No. 6	232614	42-407-30652
	Morian No. 10	244395	42-407-30674
Morian, NW (Wilcox)	Morian No. 3	229931	42-407-30639
	Morian No. 4	225870	42-407-30638
	Morian No. 5	234041	42-407-30644
	Morian No. 8	235136	42-407-30662
	Lazy M No. 2	248043	42-407-30676

Because of the multiple reservoirs included within the proposed designated intervals, a two factor allocation formula is necessary. Allocation based on 95% deliverability and 5% per well will satisfy statutory requirements. Sandhawk also requests the suspension of the allocation formula for the fields, since a market exists for 100% of the gas produced and that the filing of P-15's and plats not be required.

**FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Drews Landing (Wilcox Cons) Field was created in May 2007 when the Drews Landing (Wilcox) and Drews Landing (Wilcox 10,600) Fields were consolidated. The field is classified as a non-associated gas field and Sandhawk is the only operator in the field.

3. Sandhawk is entitled to the new field designations.
  - a. The 2 ½ Mile Radius from each fields discovery well does not include any other wells that produce from the proposed correlative intervals.
  - b. The area is highly faulted with major northeast to southwest and northwest to southeast trending faults that geologically separate each of the fault blocks into separate fields that are not in communication with each other or with any other existing field.
4. The proposed correlative interval for each of the fields contains many Wilcox sand accumulations. The correlative interval should be designated for each field as listed below:
  - a. The entire correlative interval from 9,563 feet TVD to 11,590 feet TVD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 7 (API No. 42-407-30663), J.D. Martinez Survey, A-34, San Jacinto County, Texas, be designated as the Morian, SE (Wilcox) Field.
  - b. The entire correlative interval from 9,450 feet TVD to 11,415 feet TVD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 6 (API No. 42-407-30652), W.G. Logan Survey, A-24, San Jacinto County, Texas, be designated as the Morian, NE (Wilcox) Field.
  - c. The entire correlative interval from 9,397 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 4 (API No. 42-407-30638), to 12,268 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 8 (API No. 42-407-30662), W.G. Logan Survey, A-24, San Jacinto County, Texas, be designated as the Morian, NW (Wilcox) Field.
  - d. The entire correlative interval from 9,524 feet MD to 11,578 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 9 (API No. 42-407-30665), J.D. Martinez Survey, A-34, San Jacinto County, Texas, be designated as the Drews Landing (Wilcox Cons) Field.
5. The large correlative interval for each field is appropriate because of the high initial drilling and completion costs and the limited reserves contributed by each of the individual reservoirs. In addition, the delay in the recovery of the reserves from each reservoir would result in the wells becoming less economic, thereby reducing the ultimate recovery.

6. Producing all of the Wilcox reservoirs simultaneously in each of the subject fields will reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs.
7. Allocation based on 95% deliverability and 5% per well will protect correlative rights. Suspending the allocation formula is appropriate, as there is a 100% market for all the gas produced.

**CONCLUSIONS OF LAW**

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the Drews Landing (Wilcox Cons) Field amended correlative interval, new field designations and Field Rules for the three proposed Morian Fields will prevent waste and protect correlative rights.

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiner recommends approval of the Drews Landing (Wilcox Cons) Field amended correlative interval, new field designations and Field Rules for the three proposed Morian Fields, as proposed by Sandhawk Energy, LLC.

Respectfully submitted,

Richard D. Atkins, P.E.  
Technical Examiner