

THE APPLICATION OF SANDALWOOD EXPLORATION, LP FOR A NEW FIELD DESIGNATION AND ADOPTING FIELD RULES FOR THE RACCOON BEND (UWX CONS. FBB) FIELD, AUSTIN COUNTY, TEXAS

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

DATE OF HEARING: September 28, 2009

APPEARANCES:

REPRESENTING:

Doug Dashiell
David Swenson
Michael Francisco

Sandalwood Exploration, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandalwood Exploration, LP ("Sandalwood") requests a new field designation for the Raccoon Bend (UWX Cons. FBB) Field and that the following Field Rules be adopted for the Raccoon Bend (UWX Cons. FBB) Field:

1. Designation of the field as the entire combined correlative interval from 6,280 feet (TVD) as shown on the log of the Raccoon Bend UWX Oil Unit No.3, Well No. 1, to 7,355 feet (TVD) as shown on the log of the Raccoon Bend Oil Unit No. 27, Well No. 1, W. C. White Survey, A-101, Austin County, Texas;
2. 200'-400' well spacing with 40 acre units;
3. Allocation based on 95% acreage and 5% per well.

At the hearing, Sandalwood amended its request to consider allocation based on 95% potential and 5% per well and changed the lease name of the discovery well to the Raccoon Bend UWX Oil Unit No.3, Well No. 1.

This application was unopposed and the examiner recommends approval of the requested new field designation and adoption of Field Rules.

DISCUSSION OF THE EVIDENCE

The Raccoon Bend (UWX Cons. FBB) Field was discovered in August 2009 upon completion of the Raccoon Bend UWX Oil Unit No.3, Well No. 1, by Sandalwood Exploration, LP. The well is perforated in a Wilcox Sand between 6,459 feet (TVD) and 6,487 feet (TVD) and potentialized flowing on a 15/64" choke at the rate of 380 BOPD, 217 MCFGPD and 0 BWPD.

Sandalwood requests that a new field be designated as the Raccoon Bend (UWX Cons. FBB) Field. The proposed correlative interval is the entire combined interval from 6,280 feet (TVD) as shown on the log of the Sandalwood Exploration, LP - Raccoon Bend UWX Oil Unit No.3, Well No. 1 (API No. 42-015-30989), to 7,355 feet (TVD) as shown on the log of the Sandalwood Exploration, LP - Raccoon Bend Oil Unit No. 27, Well No. 1 (API No. 42-015-30952), W. C. White Survey, A-101, Austin County, Texas.

A new field designation is appropriate as there are no active or inactive wells in this fault block within 2.5 miles of the discovery well. This field is located over a known salt dome and was discovered based on 3-D seismic data, which shows the discovery well to be in a separate fault block from the previous two wells that were drilled and completed by Sandalwood. These two wells are located approximately 1,500 feet to the northwest and produce from Fault Block A. The proposed new field is in Fault Block B and includes 14 Upper Wilcox sands which are potentially productive. Within the 2.5 mile radius, thirteen other wells penetrated the Upper Wilcox sands but did not produce from the correlative interval and approximately 330 shallow wells did not penetrate the correlative interval.

Sandalwood submitted a cross section depicting a well in Fault Block A and the discovery well in Fault Block B. All of the sands within the proposed correlative interval are Wilcox sands with similar reservoir and fluid properties. Formation tests indicate similar pressures in the various sands. It is estimated that incremental oil can be recovered as a result of commingling the Upper Wilcox sands, as this will result in a lower combined economic limit. Single completions in many of the separate Wilcox sands within the correlative interval would not be economic.

Sandalwood requests a 200'-400' spacing rule be adopted for the Raccoon Bend (UWX Cons. FBA) Field in conjunction with 40 acre drilling units. This spacing will allow flexibility in locating wells at optimum locations in this fault block. Wells in the field are directionally drilled to encounter the most individual productive sands in this highly faulted area.

Sandalwood proposes a two-factor allocation formula based on 95% potential and 5% per well. A two factor allocation formula is necessary to meet statutory requirements.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Raccoon Bend (UWX Cons. FBB) Field was discovered in August 2009 upon completion of the Raccoon Bend UWX Oil Unit No.3, Well No. 1, by Sandalwood Exploration, LP.
3. The well is perforated in a Wilcox Sand between 6,459 feet (TVD) and 6,487 feet (TVD) and potentialed flowing on a 15/64" choke at the rate of 380 BOPD, 217 MCFGPD and 0 BWPD.
4. The consolidated Raccoon Bend (UWX Cons. FBB) Field should be designated as the entire combined interval from 6,280 feet (TVD) as shown on the log of the Sandalwood Exploration, LP - Raccoon Bend UWX Oil Unit No.3, Well No. 1 (API No. 42-015-30989), to 7,355 feet (TVD) as shown on the log of the Sandalwood Exploration, LP - Raccoon Bend Oil Unit No. 27, Well No. 1 (API No. 42-015-30952), W. C. White Survey, A-101, Austin County, Texas.
5. A new field designation is appropriate as there are no active or inactive wells in this fault block within 2.5 miles of the discovery well.
 - a. This field is located over a known salt dome and was discovered based on 3-D seismic data, which shows the discovery well to be in a separate fault block from the previous two wells that were drilled and completed by Sandalwood.
 - b. The proposed new field is in Fault Block B and includes 14 Upper Wilcox sands which are potentially productive.
 - c. Two wells are located approximately 1,500 feet to the northwest and produce from Fault Block A.
 - d. Within the 2.5 mile radius, thirteen other wells penetrated the Upper Wilcox sands but did not produce from the correlative interval and approximately 330 shallow wells did not penetrate the correlative interval.
6. The various Upper Wilcox sands within the proposed correlative interval have similar reservoir and fluid properties. Single completions in many of the separate Wilcox sands within the correlative interval would not be economic.

7. The proposed well spacing of 200'-400' will provide flexibility in developing this field, which is in a highly faulted area.
8. Allocation based on 95% potential and 5% per well will meet statutory requirements for combining multiple intervals into a single field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Approval of a new field designation for the Raccoon Bend (UWX Cons. FBB) Field and adoption of Field Rules will prevent waste, protect correlative rights and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that a new field be designated as the Raccoon Bend (UWX Cons. FBB) Field and that Field Rules be adopted for the new field, as requested by Sandalwood.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Hearings Examiner