

December 21, 2006

OIL AND GAS DOCKET NO. 04-0249455

APPLICATION OF SANCHEZ OIL & GAS CORPORATION TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED WEST TIGER (7980) FIELD, DUVAL COUNTY, TEXAS

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

DATE OF HEARING: December 15, 2006

APPEARANCES:

REPRESENTING:

Mimi Winetroub

Sanchez Oil & Gas Corp.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Sanchez Oil & Gas Corp. for a new field designation and field rules for the proposed West Tiger (7980) Field which provide for:

1. The entire combined correlative interval from 7,980' to 8,237' as shown on the Baker Atlas High Definition Induction log of the Sanchez Oil & Gas Corp., Peters "A" Lease Well No. 1 (API No. 42-131-38864), Section 33, GB & CNG RR Co. Survey, A-724, Duval County, Texas should be designated as the West Tiger (7980) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

It is also requested that any over production be canceled. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The proposed West Tiger (7980) Field was discovered on July 19, 2006, by completion of the Sanchez Oil & Gas Corp., Peters "A" Lease Well No. 1 through perforations from 8,220' to 8,237' subsurface depth. The well potentialized at 975 MCFD and produces only dry gas. The calculated bottomhole pressure was 4,216 psig. A second set of perforations are located behind a packer from 7,980' to 7,994' subsurface depth.

The proposed West Tiger (7980) Field is a new field designation as there are no other wells within 2.5 miles that are productive in the specific stratigraphic member that are not fault separated. The entire combined correlative interval from 7,980' to 8,237' as shown on the Baker Atlas High Definition Induction log of the Sanchez Oil & Gas Corp., Peters "A" Lease Well No. 1 (API No. 42-131-38864), Section 33, GB & CNG RR Co. Survey, A-724, Duval County, Texas should be designated as the West Tiger (7980) Field. The proposed interval is comprised of two members of

the Hinnant Sand.

Because the proposed new field is combining multiple productive zones, a 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. Cancellation of overproduction will not harm correlative rights as there are no other wells within the fault block.

FINDINGS OF FACT

1. Notice of this hearing was sent to all affected persons in the subject area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The proposed West Tiger (7980) Field was discovered on July 19, 2006, by completion of the Sanchez Oil & Gas Corp., Peters "A" Lease Well No. 1 through perforations from 8,220' to 8,237' subsurface depth. A second set of perforations are located behind a packer from 7,980' to 7,994' subsurface depth.
4. The proposed West Tiger (7980) Field is a new field designation as there are no other wells within 2.5 miles that are productive in the specific stratigraphic member that are not fault separated.
5. The entire combined correlative interval from 7,980' to 8,237' as shown on the Baker Atlas High Definition Induction log of the Sanchez Oil & Gas Corp., Peters "A" Lease Well No. 1 (API No. 42-131-38864), Section 33, GB & CNG RR Co. Survey, A-724, Duval County, Texas should be designated as the West Tiger (7980) Field. The proposed interval is comprised of two members of the Hinnant Sand.
6. Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

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. Adoption of the proposed new field designation and field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed new field designation and field rules for the West Tiger (7980) Field.

Respectfully submitted,

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