

OIL AND GAS DOCKET NO. 03-0251159

THE APPLICATION OF SANDHAWK ENERGY, LLC TO CONSIDER FIELD CONSOLIDATION OF THE DREWS LANDING (WILCOX) AND DREWS LANDING (WILCOX 10,600) FIELDS, AND ESTABLISH FIELD RULES FOR THE PROPOSED DREWS LANDING (WILCOX CONS) FIELD, SAN JACINTO AND POLK COUNTIES, TEXAS

Heard by: Andres J. Trevino, P.E. on April 17, 2007

Appearances:

Philip Whitworth
William A. Burgett

Representing:

Sandhawk Energy, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandhawk Energy, LLC requests that the Drews Landing (Wilcox) Field and the Drews Landing (Wilcox 10600) Field be consolidated into a new field to be known as the Drews Landing (Wilcox Cons) Field.

Sandhawk also requests that the following rules be adopted for the field:

1. Designated interval from 7,655 feet to 12,650 feet as shown on the log of the Sandhawk's Morian No. 3;
2. 467'-0' spacing;
3. 40 acre drilling units;
4. Allocation based 5% per well and 95% on deliverability.
5. Suspension of the allocation formula for this field.

This application was unopposed and the examiner recommends approval of Sandhawk's request for field consolidation and field rules, as amended.

DISCUSSION OF THE EVIDENCE

The fields which are proposed for consolidation are both Wilcox fields which were discovered beginning in 1981. Both of the fields are non-associated gas fields.

There are a total of 3 completions in both fields on the current proration schedule. Sandhawk is the only operator in the field. Sandhawk has drilled 2 additional wells and is drilling a third well. Completion report filings are pending. The fields operate under Statewide Rules.

Cumulative production from both fields is over 985 MMCF of gas and over 20,885 BC. The highest recovery to date is from the Drews Landing (Wilcox 10600) Field, which has produced 773 MMCF of gas and 15,759 BC.

The proposed designated interval includes the entire Wilcox interval from 7,655 feet to 12,650 feet as shown on the log of the Morian No. 3 well. Consolidation of the fields will allow operators to complete and produce numerous Wilcox reservoirs as single completions, resulting in a lower economic limit and recovery of additional reserves. Many of the Wilcox zones would not be economic as single completions. Additionally Sandhawk believes the Lower Wilcox contains reserves which have been over looked. If the fields are consolidated, remaining reserves from the various fields are estimated to be a minimum of 200 MMCF to 2.0 BCF of gas. The wells are located in a wet pasture land adjacent to the Trinity river where drill pads may be difficult to construct and prepare at ideal locations. Elimination of a between-well spacing rule for the consolidated field will prevent the need for Rule 37 exceptions to recomplete numerous existing wellbores in many zones and to drill wells where surface conditions permit.

The proposed consolidated interval includes only Wilcox sands which have similar fluid properties. Sandhawk submitted gas analyses from ten wells from the New Ace (Wilcox Consol.) Field, indicating that the gas compositions are very similar. The New Ace (Wilcox Consol.) Field are producing from the same Wilcox sands and are separated from the Drews Landing field by a sealing fault. In addition, most zones are pressure depleted and cross-flow is not expected to occur.

Because of the multiple reservoirs included within the proposed designated interval, a two factor allocation formula is necessary. Allocation based 5% per well and 95% on deliverability will satisfy statutory requirements. Sandhawk requests the suspension of the allocation formula for the Drews Landing (Wilcox Cons) Field since a market exists for 100% of the gas produced.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons legally entitled to notice at least ten days prior to the date of hearing.

2. The 2 Drews Landing fields proposed for consolidation were discovered beginning in 1981. Both of the fields are non-associated gas fields.
3. There are 3 completions carried in the fields proposed for consolidation. Two of the wells are covered under 14b2 exceptions and one well is a disposal well.
4. Sandhawk has drilled 3 new wells not yet on the proration schedule and plans on drilling additional wells.
5. Cumulative production from the fields proposed for consolidation is over 985 MMCF of gas and 20,885 BC.
6. Consolidation of the various Wilcox fields will not harm any of the reservoirs because of the similar reservoir and fluid properties.
7. Consolidation of the two fields within the designated interval will result in the recovery of additional reserves due to a lower combined economic limit.
8. The Drews Landing (Wilcox Cons) Field should be designated as the correlative interval from 7,655 feet to 12,650 feet as shown on the log of the Sandhawk's Morian No. 3.
9. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
10. Minimum well spacing a minimum of 467 feet from lease lines with no between-well spacing limitation will provide maximum flexibility in use of existing wellbores to develop the various fields being consolidated.

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. Consolidation of the fields as proposed by Sandhawk Energy, LLC is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Drews Landing (Wilcox) Field and the Drews Landing (Wilcox 10600) Field be consolidated into a new field to be known as the Drews Landing (Wilcox Cons) Field and that the requested field rules be adopted.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Hearings Examiner