



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0295954

THE APPLICATION OF SANDALWOOD EXPLORATION, L.P. FOR A NEW FIELD DESIGNATION FOR THE LONGHORN, WEST (HOCKLEY) FIELD AND TO ADOPT TEMPORARY FIELD RULES FOR THE PROPOSED LONGHORN, WEST (HOCKLEY) FIELD, DUVAL COUNTY, TEXAS.

HEARD BY: Karl Caldwell – Technical Examiner
Laura Miles-Valdez – Legal Examiner

HEARING DATE: April 27, 2015
CONFERENCE DATE: June 9, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Sandalwood Exploration, LP

Doug Dashiell
Audrey Adams

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandalwood Exploration, LP (Sandalwood) requests a new field designation for the proposed Longhorn, West (Hockley) 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 4,646 feet to 4,656 feet as shown on the Baker Hughes High Definition Induction Log of the Crestonio Properties 'A' Lease, Well No. 1 (API No. 42-131-39519), Duval County, Texas, to be designated as a single reservoir for proration purposes and be designated as the Longhorn, West (Hockley) Field;
2. 330'-660' well spacing (lease line, between well spacing);
3. 40 acre oil proration units for the new field; and

4. Discovery allowable for the applicable depth (130 BOPD at the depth of the proposed correlative interval for the field).

Notice of the application was sent to all offset operators within 2.5 miles of the discovery well. The application is not protested. The Examiners recommend approval of a new field designation for the Longhorn, West (Hockley) Field and to adopt temporary field rules as proposed by Sandalwood.

DISCUSSION OF THE EVIDENCE

Sandalwood drilled and completed the Crestonio Properties "A" Lease, Well No. 1, API No. 42-131-39519, ("Crestonio Properties "A" No. 1") on January 23, 2015 and seeks a new field designation. The well is located approximately 3.5 miles northeast of Realitos, Texas. On the initial potential test over a 24-hour period, the well produced 120 BO, 62 Mcf of gas, and 0 barrels of water.

A review of all wells within a 2.5 mile radius the Crestonio Properties "A" No. 1 shows that this discovery well is producing from a reservoir that is not productive in any other wells within this radius. The Crestonio Properties "A" No. 1 was perforated from 4,647 feet to 4,651 feet and from 4,653 feet to 4,656 feet. The top of the reservoir in the discovery well is at 4,646 feet and the bottom of the reservoir is at 4,656 feet.

The nearest production to the Crestonio Properties "A" No. 1 is approximately 1,000 feet to the southwest, however, this well produces from the Middle Cole Sand from 3,981 feet to 3,987 feet. The nearest comparable production is at a distance of approximately one mile to the east. However, this is a gas reservoir, at a depth of 4,844 feet to 4,852 feet. Therefore, the nearest production one mile away is from a gas reservoir and at a greater depth than the Crestonio Properties "A" No. 1.

In reviewing a 2.5 mile radius structure map together with the location and completion depth of producing wells in this radius, the Crestonio Properties "A" No. 1 is producing from a reservoir located within a fault block that is structurally high. Sandalwood expects the size of the reservoir to be a minimum of 60 acres, with a maximum estimated size of 100 acres.

Sandalwood plans to drill at least one additional well in the proposed new field. The proposed well spacing in the new field is 330 foot lease line spacing with 660 feet between well spacing. In order to locate an additional well in the new field to target the productive reservoir, the additional well would need to be drilled behind a fault that is located approximately 700 feet away. Without adopting field rules to address well spacing, the statewide rule for well spacing of 1,200 feet would require the next well to be drilled on the other side of the fault. Lease line spacing of 330 feet would provide

flexibility in drilling a future well, enabling it to be located between 330 feet and 350 feet from lease lines and within the estimated extends of the field. Sandalwood also proposes to adopt 40 acre oil proration units, and to adopt the discovery allowable for the field.

FINDINGS OF FACT

1. Notice of the application was sent to all operators 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 Longhorn, West (Hockley) Field and to adopt temporary field rules for the field.
3. The discovery well for the proposed Longhorn, West (Hockley) Field is the Crestonio Properties "A" Lease, Well No. 1 (API No. 42-131-39519), Duval County, Texas.
4. The proposed new field is a separate reservoir that is not currently being produced in existing nearby fields.
5. A fault is located approximately 700 feet from the discovery well.
6. Well spacing less than 700 feet will allow an additional well to be drilled to target the reservoir in the new field.

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 Longhorn, West (Hockley) 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 Longhorn, West (Hockley) Field, Duval County, Texas as requested by Sandalwood Exploration, LP.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Laura Miles-Valdez
Hearings Examiner