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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. OG-19-00001689

APPLICATION OF SANDALWOOD EXPLORATION, L.P. (747194) TO CONSIDER AMENDING THE FIELD RULES FOR THE WHITE POINT, E. (GRETA 4900 NW) FIELD, SAN PATRICIO COUNTY, TEXAS, DISTRICT 04

HEARD BY: Austin Gaskamp – Technical Examiner
Ezra A. Johnson – Administrative Law Judge

HEARING DATE: January 8, 2020

CONFERENCE DATE: March 4, 2020

APPEARANCES:

Doug J. Dashiell, Attorney
Michael Francisco

REPRESENTING:

Sandalwood Exploration, L.P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandalwood Exploration, L.P. ("Sandalwood") seeks to adopt special field rules for the White Point, E. (Greta 4900 NW) Field ("Field"). Statewide rules for this field were adopted by New Field Discovery dated April 12, 1966, after hearing on March 28, 1966.

Sandalwood seeks to amend the statewide rules established by New Field Discovery to the following permanent special field rules for the White Point, E (Greta 4900 NW) Field:

Rule 1: The geological interval of the Field is as follows: White Point, E. (Greta 4900 NW) Field: 4912'-5013' as seen on the Electrical Log for the Houston Oil Co. Baldwin Well No. 2 (API No. 42-409-03072).

Rule 2: 330' minimum property, lease or subdivision line spacing and 0' minimum between-well spacing.

Rule 3: 40-acre standard drilling and proration units for oil wells, with up to 20 acres-tolerance for the last well on a lease or pooled unit (Unchanged from Statewide Rules). Proration unit plats not required to be filed but permitted at the operator's option.

Rule 4: Oil allowable of 10 barrels of oil per day ("BOPD") per acre assigned.

Notice was provided to the operators in the Field. The application is unopposed. The Technical Examiner and Administrative Law Judge ("Examiners") recommend the requested amendments to the Field Rules as proposed by Sandalwood.

DISCUSSION OF THE EVIDENCE

Mr. Michael Francisco testified as an expert petroleum engineer on behalf of Sandalwood. Mr. Francisco is a consulting engineer at Sandalwood who is familiar with the Field.

Sandalwood submitted exhibits showing the Field produces from the Greta Formation located stratigraphically above the Frio Formation of the Oligocene series. The Field is among a group of Greta and other similar fields along the central Gulf Coast that were previously developed with vertical wells, but are now the focus of potential horizontal redevelopment. The Field is encountered within a closed anticlinal structure. Numerous vertical completions were made in the Field.

Sandalwood seeks to drill horizontal wells to recover oil reserves that cannot be economically recovered by vertical wells. Water encroachment in these water drive reservoirs results in high operating costs and low ultimate recoveries. Mr. Francisco testified that horizontal drilling is necessary to recover additional recoverable oil and prevent waste.

Sandalwood presented copies of Examiners' Reports and Final Orders from eight recent dockets whereby the Railroad Commission of Texas ("Commission") adopted comparable rules to facilitate horizontal drilling within other comparable oil fields with multiple existing vertical wells (O&G Docket Nos. 02-0308631, 02-0308635, 02-0308635, 04-0309350, 04-0310416, 02-0310417, 04-0319702 and 04-0319703). In each field the Commission adopted zero between well spacing, and an oil allowable of 10 BOPD per acre assigned. Based on W-2 tests from the wells in these fields, horizontal wells have tested at initial rates averaging 603.7 BOPD based on a 66 well sample. Mr. Francisco testified that Sandalwood seeks to obtain similar production rates to these other fields. He further testified that an allowable of 10 BOPD per acre can be produced in this Field without causing waste.

Sandalwood proposes to use modern horizontal well technology to re-develop the Field that technology allows Sandalwood to drill horizontal wells in the relatively thin targeted interval. The targeted interval in the subject field is the Greta Sand between

4912'-5013' in the definition well. The sand has good porosity, permeability and productivity.

Mr. Francisco testified the proposed spacing and density rules are appropriate for further development with horizontal wells in the Field. The requested between-well spacing rules (0') will facilitate horizontal drilling and is the rule in many fields in Texas being developed with horizontal wells. The requested lease-line spacing rule (330') is also common in many fields in Texas being developed with horizontal wells. The requested standard unit size (40 acres) is unchanged from statewide rules applicable in the Field. The requested allowable of 10 barrels of oil per acre assigned will cover most of the expected initial production from Sandalwood's future horizontal wells. As the wells decline and no longer need as much allowable, the acreage will be reassigned to other more recently drilled horizontal wells.

Acreage will be assigned for allowable purposes using the Form P-16. Consistent with Statewide Rule 86 and special field rules in other fields being developed with horizontal wells, Sandalwood requests that proration unit plats not be required, but that operators be permitted to file such plats at the operator's option.

In summary, Sandalwood seeks amended rules that are appropriate for development with horizontal wells. At the hearing, Sandalwood agreed on the record that the Final Order for the Field will be effective on the date the Master Order is Signed.

FINDINGS OF FACT

1. On December 6, 2019, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of January 8, 2020. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on January 8, 2020, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
2. Sandalwood Exploration, L.P. ("Sandalwood") seeks to adopt permanent field rules for the White Point, E. (Greta 4900 NW) Field ("Field"), San Patricio County, Texas
3. Sandalwood seeks the following special field rules for the Field:
 - a. A designated interval for the White Point, E. (Greta 4900 NW) Field: 4912'-5013' as seen on the Electrical Log for the Houston Oil Co. Baldwin Well No. 2 (API No. 42-409-03072)

- b. 330' minimum property, lease or subdivision line spacing and 0' minimum between-well spacing.
 - c. 40-acre oil drilling and proration units with up to 20-acres tolerance for the last well on a lease or pooled unit. The filing of proration unit plats permitted, but not required. Form P-16 or its successor used to identify the number of acres assigned to each well for allowable purpose.
 - d. Oil allowable of 10 barrels of oil per day per acre assigned.
4. Adopting field rules for the Field, as proposed by Sandalwood, is appropriate and will provide for additional development of the Field with horizontal wells.
 5. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order relating to the Final Order is signed.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.42 and 1.45.
3. Approval of the application will prevent waste, protect correlative rights and promote development of the White Point, E. (Greta 4900 NW) Field.
4. Pursuant to § 2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order in this case is effective when a Master Order relating to the Final Order is signed on March 4, 2020.

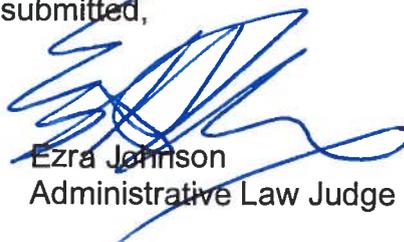
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the approval of the application of Sandalwood Exploration, L.P. to amend field rules for the White Point, E. (Greta 4900 NW) Field, San Patricio County, Texas.

Respectfully submitted,



Austin Gaskamp
Technical Examiner



Ezra Johnson
Administrative Law Judge