

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET  
NO. 04-0284934**

**IN THE PAPALOTE, SOUTH  
(CATAHOULA) FIELD, SAN PATRICIO  
COUNTY, TEXAS.**

**FINAL ORDER  
APPROVING THE APPLICATION OF SANDALWOOD EXPLORATION LP  
FOR A NEW FIELD DESIGNATION FOR THE PAPPY UNIT NO. 1 WELL NO. 1,  
AND TO ADOPT FIELD RULES FOR THE PROPOSED  
PAPALOTE, SOUTH (CATAHOULA) FIELD,  
SAN PATRICIO COUNTY, TEXAS.**

The Commission finds that after statutory notice in the above-numbered docket heard on December 6, 2013, the presiding examiners have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Sandalwood Exploration LP for a new field designation for its Pappy Unit 1 Well No. 1 is hereby approved. The new field shall be known as the Papalote, South (Catahoula) Field, ID No. 69047 500, San Patricio County, Texas.

It is further **ORDERED** that the following Field Rules are hereby adopted for the Papalote, South (Catahoula) Field, San Patricio County, Texas:

**RULE 1:** The Papalote, South (Catahoula) Field is defined as the correlative interval from 3,372 feet to 3,395 feet as shown on the gamma ray log of the Sandalwood Exploration, L.P. Pappy Unit 1 Well no. 1 (API No. 42-409-33000), located in the D&J Oboyle Survey, Abstract 21, San Patricio County, Texas.

**RULE 2:** No well for oil or gas shall hereafter be drilled nearer than **THREE HUNDRED THIRTY (330)** feet to any property line, lease line, or subdivision line. No oil or gas well shall hereafter be drilled nearer than **SIX HUNDRED SIXTY (660)** feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distances in the above rule are minimum

distances to allow an operator flexibility in locating a well; and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed, whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

**RULE 3:** The acreage assigned to the individual oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil. No double assignment of acreage will be accepted.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

**RULE 4:** Allocation will be based on 100% acreage. The 1965 Yardstick maximum daily oil allowable shall apply for wells in the subject field. The maximum daily oil allowable for a well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for proration purposes, exclusive of tolerance acreage.

It is further **ORDERED** that the Pappy Unit No. 1 Well No. 1 be transferred into the new Papalote, South (Catahoula) Field without the need for a drilling permit.

Done this 4<sup>th</sup> day of February, 2014.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
Hearings Divisions' Unprotested Master  
Order dated February 4, 2014)**