

**THE APPLICATION OF SANDALWOOD EXPLORATION, L.P. TO CONSOLIDATE THE
RACCOON BEND (WILCOX C) FIELD INTO A NEW FIELD CALLED THE RACCOON
BEND (UWX CONS. FBA) FIELD, AUSTIN COUNTY, TEXAS**

Heard by: Donna K. Chandler on February 2, 2009

Appearances:

Doug Dashiell
David Swenson
Michael Francisco

Representing:

Sandalwood Exploration, L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandalwood Exploration, L.P. requests that the Raccoon Bend (Wilcox C) Field be consolidated into a new field called the Raccoon Bend (UWX Cons. FBA) Field and that the following rules be adopted for the Raccoon Bend (UWX Cons. FBA) Field:

1. Designation of the field as the correlative interval from 6,407 feet (TVD) to 7,355 feet (TVD) as shown on the log of the Raccoon Bend Oil Unit No. 27 Well No. 1;
2. 200'-400' well spacing with 40 acre drilling units;
3. Allocation based on 95% potential and 5% per well.

This application was unopposed and the examiner recommends approval of the requested field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The Raccoon Bend (Wilcox C) Field was discovered on April 11, 2008 upon completion of the Raccoon Bend Oil Unit No. 27 Well No. 1 by Sandalwood Exploration, LP. The field was designated as the correlative interval from 6,550 feet (TVD) to 6,585 feet (TVD), which is the Wilcox C Sand. The field operates under Statewide Rules with a top allowable of 200 BOPD.

Sandalwood completed the Bellville ISD Well No. 1 in October 2008, updip to the Raccoon Bend Oil Unit No. 27 Well No. 1. This well is perforated in the Wilcox F and G Sands between 6,425 feet (TVD) and 6,486 feet (TVD). This well currently produces at a rate of 175 BOPD.

Sandalwood requests that a new field be designated as the Raccoon Bend (UWX Cons. FBA) Field and that the Raccoon Bend (Wilcox C) Field be consolidated into this new field. The proposed new field would include 14 Upper Wilcox sands which are potentially productive. The proposed correlative interval is from 6,407 feet (TVD) to 7,355 feet (TVD) as shown on the log of the Raccoon Bend Oil Unit No. 27 Well No. 1. Single completions in many of the separate Wilcox sands within the correlative interval would not be economic. It is estimated that an incremental 12,100 BO can be recovered as a result of combining only 2 intervals. This increase is due to a lower combined economic limit.

All of the sands within the proposed correlative interval are Wilcox sands with similar reservoir and fluid properties. Formation tests indicate similar pressures in the various sands.

The Raccoon Bend Oil Unit 27 No. 1 is currently producing only 15-20 BOPD with about 60-70% water cut. Sandalwood plans to squeeze the Wilcox C perforations in this well and recomplete to other Wilcox sands in the consolidated field. Additionally, the Bellville ISD will be completed in the Wilcox C, as it is updip and is expected to produce much less water in the Wilcox C than the Raccoon Bend Oil Unit 27 No. 1.

Sandalwood requests a 200'-400' spacing rule be adopted for the Raccoon Bend (UWX Cons. FBA) Field in conjunction with 40 acre drilling units. This spacing will allow flexibility in locating wells at optimum locations in this fault block. Wells in the field are directionally drilled to encounter the most individual productive sands in this highly faulted area.

Sandalwood proposes a two-factor allocation formula based on 95% potential and 5% per well. A two factor allocation formula is necessary to meet statutory requirements.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Raccoon Bend (Wilcox C) Field was discovered on April 11, 2008 upon completion of the Raccoon Bend Oil Unit No. 27 Well No. 1 by Sandalwood Exploration, LP. The field was designated as the correlative interval from 6,550 feet (TVD) to 6,585 feet (TVD), which is the Wilcox C Sand.

3. The Bellville ISD Well No. 1 was completed in October 2008, updip to the Raccoon Bend Oil Unit No. 27 Well No. 1. This well is perforated in the Wilcox F and G Sands.
4. Consolidation of the Raccoon Bend (Wilcox C) Field into the Raccoon Bend (UWX Cons. FBA) Field will allow operators to produce up to 14 individual Upper Wilcox sands as a single completion. Many of these sands would not be economic as single completions.
5. The various Upper Wilcox sands within the proposed correlative interval have similar reservoir and fluid properties.
6. The consolidated Raccoon Bend (UWX Cons. FBA) Field should be designated as the correlative interval from 6,407 feet (TVD) to 7,355 feet (TVD) as shown on the log of the Raccoon Bend Oil Unit No. 27 Well No. 1.
7. The proposed well spacing of 200'-400' will provide flexibility in developing this field, which is in a highly faulted area.
8. Allocation based on 95% potential and 5% per well will meet statutory requirements for combining multiple intervals into a single field.

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 and adoption of the field rules as proposed by Sandalwood Exploration, L.P. is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Raccoon Bend (Wilcox C) Field be consolidated into a new field called the Raccoon Bend (UWX Cons. FBA) Field and that field rules be adopted for the new field.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner