

0256327, to reflect the current status of the same correlative interval from 4,528' to 4,892', the same spacing of 467'/933', and:

- Gas well density of 320 acres and 10 percent tolerance with optional 160-acre gas units
- Oil well density of 40 acres
- Gas well allowable of 100 percent acreage Associated - prorated field classification
- Oil allowable of 1965 Yardstick, acreage adjusted

There are six wells completed in the field, only two of which are currently active. Cumulative production from the wells in the Stockyard (San Andres) Field to date is 2.84 million cubic feet (BCF) of gas and 4.01 thousand barrels of oil (MBO). Well No. 3, API 42-165-35523, is responsible for the bulk of the production from the Field, with 2.53 BCF of the total 2.84 BCF of gas produced to date. On February 10, 2009, the Commission issued a Final Order under the Oil and Gas Docket No. 8A-260203 for permanent gas classification for all wells in the Field.

Fortuna has filed a drilling application for two new horizontal wells in this field, API 42-165-38665 and 42-165-38733. In order to develop these two wells in a way that would prevent waste Fortuna is requesting the following field rule amendments:

- Correlative Interval from 4,528' to 4,892' (No Change)
- Spacing of 467'/0', with a take point Rule with 100' first and last take point provision, Drill Box Rule of 50', and off lease penetration point
- Gas well density of 320-acre gas units (No Change) with optional 160-acre gas units
- Oil well density of 40-acre oil units with optional 20-acre oil units and no maximum diagonal
- Gas well allowable of 100 percent acreage (No Change)
- Oil allowable of 1965 Yardstick, acreage adjusted (No Change)

The requested Drill Box Rule of 50' is addressed in SWR 86(b)(5)(A) and as such will not be part of the field rule amendments. Similarly, the request for off lease penetration point is addressed in SWR 86(g)(1) and does not warrant a field rule amendment. The rest of the requested rule changes will be protective of correlative rights, increase recovery of resources and prevent waste. The Examiners recommend granting the application.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing.
2. The Stockyard (San Andres) Field (86252600) was discovered November 11, 2005, with the completion from 4,528 feet to 4,559 feet.

3. The field produced under primary conditions from its discovery until the adoption of special field rules adopted on December 19, 2006, Oil and Gas Docket 8A-0249022.
4. The field rules were amended on August 12, 2008, Oil and Gas docket 8A-0256327.
5. Fortuna requests adoption of Spacing of 467'/0', with a take point Rule with 100' first and last take point provision, Drill Box 50', and off lease penetration point.
6. Fortuna requests the adoption of an optional 160-acre gas units in addition to the existing gas well density of 320-acre gas units.
7. Fortuna requests adoption of oil well density of 40-acre oil units with an optional 20-acre oil units and no maximum diagonal.
8. Fortuna agreed in writing or on the record that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and effective on the date a Master Order relating to this Final Order is signed.


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. Amending the field rules for the Stockyard (San Andres) Field as requested by Fortuna will prevent waste.
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and by agreement of the parties in writing or on the record, the Final Order can be final and effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the field rules the Stockyard (San Andres) Field (86252600), as proposed by Fortuna Resources Development, LLC.

Respectfully submitted,


Petar Buva
Technical Examiner


Kristi M. Reeve
Administrative Law Judge