

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 8A-0315420**

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**APPLICATION OF FORTUNA RESOURCES DEVELOPMENT, LLC (278793) TO  
AMEND FIELD RULES FOR THE STOCKYARD (SAN ANDRES) FIELD, GAINES  
COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice of the application made by Fortuna Resources Development, LLC (Operator No. 278793) in the above-numbered docket heard on November 7, 2018, the Technical Examiner and Administrative Law Judge (collectively "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 Fortuna Resources Development, LLC is hereby granted an amendment of the field rules for the Stockyard (San Andres) Field (86252600), Gaines County, Texas. The field rules for Stockyard (San Andres) Field are hereby amended as follows:

**RULE 1:** The entire correlative interval from 4,528 feet to 4,892 feet as shown on the log of the E. Cook Estate No. 3, API 165 35523, Section 9, Block A-10, PSL Survey, Gaines County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Stockyard (San Andres) Field.

**RULE 2:** No gas or oil well shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line, or subdivision line. There will be no minimum spacing requirement (0' between well) to any applied for, permitted, or completed vertical or horizontal 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 therefore 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.

Provided, however, that for purposes of spacing for horizontal wells, the following shall apply:

- a. No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take point are nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.
- b. For each horizontal drainhole well, the perpendicular distance from any take point on such horizontal drainhole between the first take point and the last take point to any point or any property line, lease line or subdivision line shall be a minimum of than FOUR HUNDRED SIXTY SEVEN (467) feet.

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

**RULE 3a:** The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each standard proration unit so that an amount not to exceed a maximum of THREE HUNDRED FIFTY TWO (352) acres may be assigned. For vertical wells the two farthestmost points in any proration unit shall not be in excess of SIX THOUSAND FIVE HUNDRED (6,500) feet removed from each other. Each proration unit containing less than THREE HUNDRED TWENTY (320) acres shall be a fractional proration unit. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas. No double assignment of acreage will be accepted.

An operator, at his option, shall be permitted to form optional drilling units of ONE HUNDRED SIXTY (160) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. For vertical wells the two farthestmost points OF A ONE HUNDRED SIXTY (160) acre fractional proration unit shall not be greater than FOUR THOUSAND FIVE HUNDRED (4,500) feet removed from each other.

**RULE 3b:** 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 establish hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. For vertical wells the two furthermost points on any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other; provided however, that in the case of long and narrow leases or in cases where because of the shape of the lease such is necessary to permit the utilization of tolerance acreage, the Commission may after proper showing grant exceptions to limitations as to the shape of proration units as herein contained. All proration units shall consist of continuous and

contiguous acreage which can reasonably be considered to be productive of oil. Horizontal oil wells do not have a maximum diagonal limitation in this field. 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 proscribed by the Commission.

For the determination of acreage credit in this field, operators shall file for each well in this field a Form P-16 Acreage Designation with a plat of the entire lease and no requirement to file individual proration plats. However, an operator may file those individual proration plats if they choose to do so.

**RULE 4a:** The Stockyard (San Sndres) Field shall be classified as associated-prorated. The daily allowable production of gas from individual wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all proratable wells producing from the same reservoir.

**RULE 4b:** The maximum daily oil allowable for a well in the filed shall be determined by multiplying the applicable yardstick allowable for a well in the field, 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. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

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 parties have waived right to file a motion for rehearing and this Final Order is effective on the date the Master Order relating to the Final Order is signed.

Signed on May 21, 2019.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
Hearings Division's Unprotested Master  
Order dated May 21, 2019)**