

**THE APPLICATION OF ROSETTA RESOURCES OPERATING LP TO ADOPT
TEMPORARY FIELD RULES FOR THE GATES RANCH (EAGLE FORD SHALE) FIELD,
WEBB COUNTY, TEXAS**

Heard by: Andres J. Trevino, P.E. on November 16, 2010.

Appearances:

Steve Towns
Nguyen "Nick" Ngoc
Debra Gordon
Shawn Hildreth

John McFarland

Bill Spencer

Representing:

Rosetta Resources Operating LP

Gates Mineral Co.,
Y-Bar Ranch, et al

Chesapeake Operating Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Rosetta Resources Operating LP requests that the following temporary field rules be adopted for the Gates Ranch (Eagle Ford Shale) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 8,241 feet to 8,504 feet as shown on the log of the Gates 05D Well No. 2015;
2. 330'-0' well spacing; 100' take point rules for horizontal wells;
3. 80 acre density for gas wells;
4. Allocation based on 100% acreage with AOF status for gas field.

This application was unopposed and the examiner recommends adoption of the field rules proposed by Rosetta on a temporary basis, subject to review in 18 months.

DISCUSSION OF THE EVIDENCE

The Gates Ranch (Eagle Ford Shale) Field was discovered in August 2010 at a

depth of approximately 9,067 feet. The field is classified as a non-associated, with no wells listed on the current proration schedule, however, Rosetta has completed 22 gas wells of which 15 are currently producing. There are no oil wells producing from the field. Rosetta operates all of the wells in the field and has approximately 25,000 acres under lease. The subject field is south of the Briscoe Ranch (Eagleford) Field which is also undergoing significant horizontal development.

The Eagle Ford Shale at the Gates Ranch area is located in the Maverick Basin and is in a back-reef depositional environment. The Eagle Ford Shale in this area is very uniform in thickness and does not contain natural fractures. In contrast, the Briscoe Ranch, is in the front-reef depositional environment with varying thickness and contains natural faulting and fractures. The rock at Gates Ranch is deeper and more mature than the Briscoe Ranch field to the north, resulting in produced gas with retrograde condensate and no oil. Both the Upper and Lower Eagle Ford are productive in the Gates area.

Rosetta requests that the Gates Ranch (Eagle Ford Shale) Field be designated as the correlative interval from 8,241 feet and 8,504 feet as shown on the log of the Gates 05D Well No. 2015. This interval is from the top of the Eagle Ford to the top of the Buda.

Rosetta believes that the spacing rule for the field requires only 100 feet from lease lines for take points perpendicular to property lines and 330 feet from lease lines for take points parallel to property lines. It is estimated that 10-20% of reserves will be unrecovered if the take points perpendicular are required to be 330 feet from lease lines.

Density rules for shale fields vary significantly. Rosetta wishes to adopt 80 acre density for gas wells similar to the Briscoe Ranch (Eagleford) Field located immediately to the north that has 80 acre density for gas wells. There is not sufficient data available at the present time to make any determination of actual drainage area. Rosetta believes that 80 acre density is appropriate as the area affected by fracture stimulation is approximately 80 acres in a vertical well. Additional acres will be assigned based lateral length and on Rule 86.

Rosetta requests that the allocation formula in the field be based on 100% acreage allocation and that the allocation formula be suspended as there is 100% market demand for the gas.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Gates Ranch (Eagle Ford Shale) Field was discovered in August 2010 at a depth of approximately 9,067 feet and is undergoing rapid development with horizontal wells. The field is classified as non-associated, there are currently no wells classified as oil wells.

3. The Gates Ranch (Eagle Ford Shale) Field should be designated as the correlative interval from 8,241 feet and 8,504 feet as shown on the log of the Gates 05D Well No. 2015. This interval is from the top of the Eagle Ford to the top of the Buda.
4. The Eagle Ford rock at Gates Ranch is deeper and more mature than the Briscoe Ranch field to the north, resulting in produced gas with retrograde condensate and no oil. The Eagle Ford rock in the Gates area also has no natural fracturing and faulting as it does in the Briscoe Ranch Field.
5. Development of the field on 80 acre density for gas wells is appropriate on a temporary basis.
 - a. The Briscoe Ranch (Eagle Ford) Field is found immediately to the north and has 80 acre density field rules for gas wells.
 - b. There is not sufficient production data available at the present time to make any determination of actual drainage area for wells in the field.
 - c. The approximate area affected by fracture stimulation in a vertical well is 80 acres.
6. The proposed spacing rule requiring 100 feet from the lease lines for take points perpendicular to property lines and 330 feet from lease lines for take points parallel to property lines will maximize wellbore length and reserves.
7. There is market demand for all gas produced from the field.
8. Allocation based on 100% acreage is a reasonable formula which will protect correlative rights of mineral owners in the 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. Adopting temporary field rules for the Gates Ranch (Eagle Ford Shale) Field as proposed by Rosetta Resources Operating LP is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that field rules be adopted for the Gates Ranch (Eagle Ford Shale) Field on a temporary basis, subject to review in 18 months.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner