



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0298756

THE APPLICATION OF ROSETTA RESOURCES OPERATING LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CALAMITY JANE AND DEACON JIM 16 LEASES, WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: December 17, 2015
RECORD CLOSED: December 22, 2015
SUBMISSION DATE: February 1, 2016
CONFERENCE DATE: February 23, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelly Kenney
Rickey Rackley
Melissa Flack
Vicki Frederick
Jason Munson

Rosetta Resources Operating, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, Rosetta Resources Operating, LP (Rosetta) seeks an exception to flare casinghead gas at its Calamity Jane and Deacon Jim 16 Leases ("Subject Leases"), which handle production from the Subject Field through three wellbores. Rosetta requests to flare up to 10,000 MCFGD from one flare stack on the Calamity Jane Lease (MCFGD represents 1,000 cubic feet of gas per day) for two years, effective October 15, 2015, and 2,000 MCFGD from one flare stack on the Deacon Jim 16 Lease for two years, effective December 1, 2015.

At the December 17th hearing, the examiners requested further clarification from Rosetta with regard to the subject application. On December 22, 2015, Rosetta submitted its late-filed

Exhibit No. 17, effectively closing the record in this case. The application is unopposed. The Examiners recommend that it be approved.

DISCUSSION OF THE EVIDENCE

Applicable Rule

16 Tex. Admin. Code §3.32 (“SWR 32”) governs flaring of natural gas produced under the jurisdiction of the Railroad Commission. Titled “Exceptions,” SWR 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

Application Background

Melissa Flack, a former Senior Regulatory Analyst with Rosetta¹, and Jason Munson, a Senior Production and Construction Foreman with Rosetta², testified on behalf of Rosetta.

Notice of hearing for the subject application was sent by U.S. mail directed to operators of record that immediately offset the Calamity Jane and Deacon Jim 16 Leases (“Subject Leases”), as well as the Oil & Gas Division (Staff) on November 10, 2015.³ Rosetta was the only party to appear at the December 17th hearing. Rosetta submitted its hearing request for the subject application on October 15, 2015.⁴

The Subject Leases are composed of three existing production wells – (1) Calamity Jane Lease, Well No. 2201H (“2201H”); (2) Calamity Jane Lease, Well No. 1301H (“1301H”); and (3) Deacon Jim 16 Lease, Well No. 1H (“1H”) (collectively “Subject Wells”). Those wells were completed on the following dates: (1) July 5, 2014; (2) June 26, 2015; and (3) September 8, 2014, respectively.

Upon completion, the Subject Wells were tested for initial potential. Their IP tests resulted as follows:⁵

	<u>Oil</u>	<u>Gas</u>	<u>GOR</u>
2201H:	1,321	3,406	2,578
1301H:	652	1,526	2,340
1H:	403	1,490	3,697

¹ Rosetta Exh. No. 1.

² Rosetta Exh. No. 2

³ Rosetta Exh. No. 3.

⁴ Rosetta Exh. No. 4.

⁵ Rosetta Exh. Nos. 6, 7 and 8 – oil is measured in barrels per day, gas is measured in thousand cubic feet of gas per day, and GOR is short for gas to oil ratio measured in standard cubic feet per stock tank barrel.

Rosetta applied for and received administrative permits to flare casinghead gas from the Calamity Jane Lease, effective December 1, 2014 through May 31, 2015 (Flare Permit No. 20802).⁶ Rosetta submitted additional administrative applications to flare casinghead gas at the Calamity Jane Lease, effective June 1, 2015 through November 30, 2015; however, those additional applications remain pending with Staff.

Rosetta applied for and received administrative permits to flare casinghead gas from the Deacon Jim 16 Lease, effective March 1, 2015 through April 30, 2015 (Flare Permit No. 21935).⁷ Rosetta submitted additional administrative applications to flare casinghead gas at the Calamity Jane Lease, effective May 1, 2015 through November 30, 2015; however, those additional applications remain pending with Staff.

Applicant's Argument

The Subject Wells are connected to a gas sales line that is operated by a third party company named Energy Transfer Company ("ETC"). Ms. Flack indicated that the Subject Wells intermittently flare casinghead gas due to operational difficulties encountered in ETC's sales pipeline that lead to its periodic shut.⁸ Thus, Rosetta argues that periodic shutin of ETC's pipeline results in insufficient gas pipeline capacity. Representatives on behalf of Rosetta indicated that ETC is in the process of building an additional processing plant that should provide additional capacity in the future. However, ETC is in the early phases of building that additional plant.

As a result, Rosetta seeks its requested relief in the interim. Rosetta requests 2,000 MCFGD from the Deacon Jim 16 Lease because of the casinghead gas volumes produced by the 1H. Rosetta also requests 10,000 MCFGD from the Calamity Jane Lease because of the casinghead gas volumes produced by the 2201H and 1301H, and three additional wells that have been drilled on that lease but have not yet been completed.⁹ Rosetta believes those additional three wells that have not yet been completed will produce casinghead gas volumes similar to the 2201H and 1301H wells, and that 10,000 MCFGD would satisfy the relief requested regarding the Calamity Jane Lease.

Rosetta submitted evidence that shows the status and estimated ultimate recovery ("EUR") of gas from the additional wells it plans to complete on the Calamity Jane Lease.¹⁰ That exhibit shows that Rosetta anticipates between 1.58 to 1.73 BCFG from three wells awaiting completion, and 1.73 BCF of gas from six additional wells that have yet to be drilled. In other words, Rosetta expects anywhere from 1.58 to 1.73 BCF of gas, per well, to be produced from nine additional wells on the Calamity Jane Lease. Therefore, based on the record evidence, Rosetta contends that its requested relief is appropriate due to the intermittent lack of capacity in ETC's gas pipeline.

⁶ Rosetta Exh. No. 9.

⁷ *Id.*

⁸ Testimony at 23:11 on audio recording.

⁹ Testimony at 26:40.

¹⁰ Rosetta Exh. No. 17.

FINDINGS OF FACT

1. Rosetta Resources Operating, LP (“Rosetta”) seeks an exception to flare casinghead gas derived from the Wolfbone (Trend Area) Field (“Subject Field”) at its Calamity Jane and Deacon Jim 16 Leases (“Subject Leases”), Reeves County, Texas (“Subject Application”).
2. Notice of the Subject Application was made on November 10, 2015.
3. Rosetta was the only party that attended the hearing held for the Subject Application.
4. Rosetta requests to flare up to 10,000 MCFGD (MCFGD represents 1,000 cubic feet of gas per day) from one flare stack at the Calamity Jane Lease for two years, effective October 15, 2015, and 2,000 MCFGD from one flare stack at the Deacon Jim 16 Lease for two years, effective December 1, 2015.
5. The Calamity Jane consists of two existing production wells, which include Well Nos. 2201H and 1301H.
6. Rosetta evidenced that it plans to drill and complete nine additional wells on the Calamity Jane Lease, and that each of the nine additional wells will produced an estimated ultimate recovery of up to 1.73 billion cubic feet of gas per well.
7. Rosetta evidenced that the nine additional wells that it plans to drill and complete on the Calamity Jane Lease will produce casinghead gas in similar volumes as seen in the Calamity Jane Lease, Well Nos. 2201H and 1301H.
8. The Deacon Jim 16 Lease consists of one existing production well, which includes Well No. 1H.
9. Rosetta received administrative authority to flare from the Calamity Jane Lease, effective December 1, 2014, through November 30, 2014 (Flare Permit No. 20802).
10. Rosetta received administrative authority to flare from the Deacon Jim 16 Lease, effective March 1, 2015, through April 30, 2014 (Flare Permit No. 21935).
11. On October 15, 2015, Rosetta submitted its written request for a hearing on the Subject Application.
12. All casinghead gas production from the Subject Leases is routed to a gas sales pipeline operated by Energy Transfer Company (“ETC”).
13. The necessity for flaring casinghead gas from the Subject Wells is due to the intermittent shut-in of ETC’s gas sales pipeline that serves the Subject Leases.

14. Approval of the subject application is reasonable and appropriate, in accordance with 16 Tex. Admin. Code §3.32(h).

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. The requested authority to flare up to 10,000 MCFGD from one flare stack at the Calamity Jane Lease for two years, effective October 15, 2015, and 2,000 MCFGD from one flare stack at the Deacon Jim 16 Lease for two years, effective December 1, 2015, satisfies the requirements of Title 16 TAC §3.32.

EXAMINERS' RECOMMENDATION

The Examiners recommend that the Commission grant Rosetta Resources Operating, LP an exception to collectively flare up to 10,000 MCFGD from one flare stack at the Calamity Jane Lease for two years, effective October 15, 2015, and 2,000 MCFGD from one flare stack at the Deacon Jim 16 Lease for two years, effective December 1, 2015.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Marshall F. Enquist
Administrative Law Judge