

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

NMOCD--07- 201

IN THE MATTER OF ROSETTA RESOURCES OPERATING, LP

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to ROSETTA RESOURCES OPERATING, LP ("**Rosetta**") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

I. FINDINGS & DETERMINATIONS BY THE OCD

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Rosetta is a corporation doing business in New Mexico, registered with Secretary of State as a foreign corporation as "Rosetta Resources, Inc." under number 2605038 . Rosetta is an active entity with a principal and mailing address at 717 Texas, Suite 2800, Houston, Tx, 77002. Its registered agent for service of process in New Mexico is "Corporation Service Company," 125 Lincoln Avenue, Suite 223, Santa Fe, NM 87501. Rosetta has been assigned OGRID # 239235.
3. Rosetta is the operator of record for the following wells;
 - a) Tsah Tah 34 #4, API #30-045-33711, S34, T25N, R10W, San Juan County, New Mexico
 - b) Tsah Tah 32 #2, API #30-045-33853, S32, T25N, R10W, San Juan County, New Mexico
 - c) Tsah Tah 36 #2, API #30-045-33753, S36, T25N, R10W, San Juan County, New Mexico
4. Production reports (form C-115) received by OCD indicate that the wells began producing before C-104 approval.

5. OCD Rule 1104 [19.15.13.1104 NMAC], *Request for Allowable and Authorization to Transport Oil and Natural Gas*, provides:
- A. The division may assign an allowable to a newly completed or re-completed well or a well completed in an additional pool, or issue an operator authorization to transport oil or natural gas from such a well if the operator:
 - 1. has filed a complete form C-104;
 - 2. has provided a sworn and notarized tabulation of all deviation tests run on the well ...;
 - B. The allowable the division assigns to an oil well shall be effective at 7:00 a.m. on the date of completion, provided the division receives form C-104 during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool rules, the allowable the division assigns to a gas well shall be effective at 7:00 a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the division, or the date of receipt of form C-104 by the division, whichever date is later.
6. On August 28, 2007, the OCD received “first delivery notices” regarding the following wells;
- a. Tsah Tah 34 #4, API #30-045-33711, S34, T25N, R10W, San Juan County, New Mexico
 - b. Tsah Tah 32 #2, API #30-045-33853, S32, T25N, R10W, San Juan County, New Mexico
 - c. Tsah Tah 36 #2, API #30-045-33753, S36, T25N, R10W, San Juan County, New Mexico
7. The “first delivery notices” indicate:
- d. The Tsah Tah 34 #4 was first delivered, meaning it was first produced, on November 28, 2006.
 - e. The Tsah Tah 32 #2 was first delivered, meaning it was first produced, on April 24, 2007.
 - f. The Tsah Tah 36 #2 was first delivered, meaning it was first produced, on January 16, 2007.
8. A further review of the referenced well files indicates that:
- a. The Tsah Tah 34 #4 C104 was approved December 07, 2006.

- b. The Tsah Tah 32 #2 C104 was approved May 29, 2007.
 - c. The Tsah Tah 36 #2 A C104 was approved August 27, 2007.
9. Rosetta knowingly and willfully violated OCD Rule 1104 by producing the Tsah Tah 36 #2, Tsah Tah 34 #4 and the Tsah Tah 32 #2 wells without an allowable being assigned by the OCD pursuant to an approved C-104 prior to such production occurring.
10. As a result of its investigation, the OCD issued *Notice of Violation (3-07-21)* to Rosetta, alleging that the submitted first delivery notices and C-104s (Request for Allowable and Authorization to Transport) show that Rosetta knowingly and willfully violated OCD Rule 1104 by producing the Tsah Tah 36 #2, Tsah Tah 34 #4 and the Tsah Tah 32 #2 wells without an allowable being assigned by the OCD pursuant to an approved C-104.

II. STATEMENTS OF THE OPERATOR, ROSETTA

11. During the administrative conference held on September 17, 2007 Rosetta presented the following;
- a) Communication between the office and the field employees contributed to the oversight of filing the paperwork before production was started.
 - b) Rosetta has instituted a process to ensure that C-104 (Request for Allowable and Authorization to Transport) has been approved before the wells are put on production.

III. CONCLUSIONS OF THE OCD

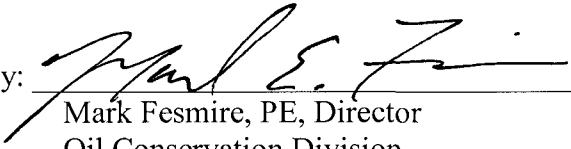
12. The OCD has jurisdiction over the parties and subject matter in this proceeding.
13. Rosetta is a person as defined by NMSA 1978, Section 70-2-33(A) and subject to civil penalties under NMSA 1978, Section 70-2-31(A) for knowing and willful violations of the Oil and Gas Act or OCD Rules.
14. NMSA 1978 Section 70-2-31(A) provides, in relevant part, that “[a]ny person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation.” NMSA 1978, section 70-2-33(A) defines “person” in relevant part as “any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity...”
15. Rosetta is subject to civil penalties under NMSA 1978, Section 70-2-31(A) by failing to submit required C-104s on each of the four subject wells, in violation of OCD Rule 1104.

16. Rosetta knowingly and willfully violated OCD Rule 1104 by producing the Tsah Tah 36 #2, Tsah Tah 34 #4 and the Tsah Tah 32 #2 without an allowable being assigned by the OCD, pursuant to an approved C-104.

IV. ORDER AND CIVIL PENALTY


17. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **Three Thousand Dollars (\$3,000.00)** against Rosetta.
18. The civil penalty is based on violations of OCD Rule 1104 by producing Tsah Tah 36 #2, Tsah Tah 34 #4 and the Tsah Tah 32 #2 prior to receiving an approved C-104
19. The civil penalty shall be paid at the time Rosetta executes this Order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505.
20. By signing this Order, Rosetta expressly:
- a. acknowledges the correctness of the Findings and Conclusions set forth in this order;
 - b. agrees to comply with Ordering Paragraphs as articulated, above;
 - c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
 - d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act;
 - e. agrees that if it fails to pay penalties assessed pursuant to this order, upon application by the OCD the district court may enter judgment against Rosetta in the amount of the penalties assessed and, in the discretion of the court, may impose additional penalties for Rosetta's violation of the penalty provisions of this Order.
21. Nothing in this Order relieves Rosetta of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Rosetta of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico, this 22nd day of Oct., 2007.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

V. ACCEPTANCE

Rosetta Resources Operating LP hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the order.

Rosetta Resources Operating LP
By: 
Title: Production Manager
Date 10.3.07