

**OIL AND GAS DOCKET NO. 09-0268533**

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**THE APPLICATION OF CHARLES HOLSTON, INC. TO AMEND ITS COMMERCIAL DISPOSAL PERMIT PURSUANT TO STATEWIDE RULE 9 FOR THE BYAS LEASE, WELL NO. 1, MONTAGUE COUNTY REGULAR FIELD, MONTAGUE COUNTY, TEXAS**

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**HEARD BY:** Richard D. Atkins, P.E. - Technical Examiner  
Christopher Hotchkiss - Legal Examiner

**APPEARANCES:**

**APPLICANT:**

James M. Clark  
Dan and Lynn Hall  
Lisa B. Hunter  
Frank J. Muser  
Mark Stipe  
Charles Latiuats  
Teddy Blassingame

**REPRESENTING:**

Charles Holston, Inc.

**PROCEDURAL HISTORY**

Application Filed:	October 28, 2009
Request for Hearing:	November 3, 2010
Notice of Hearing:	December 16, 2010
Date of Hearing:	January 28, 2011
Record Closed:	January 28, 2011
Proposal For Decision Issued:	February 15, 2011

**EXAMINERS' REPORT AND PROPOSAL FOR DECISION**

**STATEMENT OF THE CASE**

Charles Holston, Inc. ("Holston") requests to amend its commercial disposal authority pursuant to Statewide Rule 9 for the Byas Lease, Well No. 1 (Permit No. 11988), in the Montague County Regular Field, Montague County, Texas. Holston proposes to increase the daily injection volume from 4,000 BWPD to 6,500 BWPD and update the injection interval to reflect the actual depths of the Strawn Sand formation to be from 3,430 feet to 3,624 feet, as shown on the log of the Byas Lease, Well No. 1.

Notice of the application was not required, as Holston is a wholly owned subsidiary of OMNI Energy Services Corp., which owns the 5.49 acre disposal tract, and there are no offset operators within ½ mile.

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On October 26, 2010 Commission staff administratively denied an amended commercial disposal permit pursuant to Statewide Rule 9 because the application violated the staff's permitting policy. Since the requested injection was in an interval above the Barnett Shale formation, the volume on a commercial disposal permit cannot exceed 5,000 BWPD. The Commission staff did not appear at the hearing to oppose the application.

The examiners recommend that the application for an amended commercial disposal permit pursuant to Statewide Rule 9 be approved.

### **DISCUSSION OF THE EVIDENCE**

#### **Applicant's Evidence**

The Byas Lease, Well No. 1, was drilled to a total depth of 4,200 feet in June 2005 and completed as a commercial disposal well in a Strawn Sand formation from 3,496 feet to 3,618 feet. The well is located on a 5.49 acre tract adjacent to and southwest of State Highway 101. The tract is situated approximately 1.5 miles southeast of the town of Bowie, Texas.

The well has 8 5/8" surface casing set at 683 feet and is cemented to the surface with 350 sacks. The 5 1/2" production casing is set at 4,200 feet and is cemented to 670 feet with 700 sacks. The well is equipped with 2 7/8" tubing with a packer set at 3,382 feet (See attached Holston Exhibit No. 2 - Wellbore Schematic).

The permitted disposal interval is a Strawn Sand formation between 3,570 feet and 3,640 feet. The permitted disposal volume is 4,000 BWPD with a maximum injection pressure of 1,500 psig. Holston requests to increase the daily injection volume to 6,500 BWPD and update the injection interval to reflect the actual depths of the Strawn Sand formation to be from 3,430 feet to 3,624 feet, as shown on the log of the Byas Lease, Well No. 1. The maximum injection pressure would remain at 1,500 psig.

The Texas Commission on Environmental Quality ("TCEQ") recommends that usable-quality ground water be protected to a depth of 500 feet below the land surface. There is over 2,000 feet of impermeable shale and clay between the top of the proposed injection interval at 3,430 feet and the base of usable quality water at 500 feet. Holston submitted a TCEQ letter dated September 10, 2004, which stated that injection into the proposed injection interval will not harm the usable quality water.

There are three wells located within a 1/2 mile radius of review for the Byas Lease, Well No. 1, disposal well. All of the wells have surface casing set and cemented to surface below the usable quality water at 500 feet and are properly plugged in such a manner to protect the fresh water resources and prevent the migration of fluids from the injection interval.

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Holston submitted a map which included Montague County and the surrounding counties of Jack and Wise. The map depicted eleven active commercial disposal wells that have been approved by the Commission since 2003 and are injecting into formations above the Barnett Shale. All of the disposal wells had been granted injection rates between 5,000 BWPD and 10,500 BWPD and have injection pressure gradients between 0.24 psi per foot and 0.45 psi per foot. Holston opined that its requested injection rate of 6,500 BWPD was near the lower end of the range of injection rates that had already been granted and would not materially affect the current operations at the Byas Lease, Well No. 1, disposal facility.

In July 2003, one of the eleven shallow injection wells, the Coffman Tank Trucks, Inc. - Kenneth Brunson Lease, Well No. 1WD, caused bradenhead pressure to occur in two offset producing wells. The two wells were plugged in September 2003. Since 2003, over 7.4 MMBW has been injected into the Brunson Lease, Well No. 1WD, and no other problems have been observed in any of the remaining offset wells. With the exception of Well No. 1WD, all of the other shallow injection wells have been on injection between 4 to 7 years and there have been no reported issues.

Holston also owns and operates saltwater disposal trucks and submitted a tabulation of over 100 wells from which it hauls produced saltwater. Holston believes that additional disposal capacity is necessary at its facility to accommodate the Barnett Shale development that is ongoing in the area. When the Byas facility is at capacity, Holston's saltwater disposal trucks have to travel to other facilities located to the north, resulting in a 30 to 50 mile round trip. The proposed increased injection capacity will eliminate the additional travel on public highways by the saltwater disposal trucks.

Holston has a current approved Form P-5 (Organization Report), a posted \$25,000 financial assurance bond and no pending Commission enforcement actions.

### **EXAMINERS' OPINION**

The examiners recommend approval of the amended application for commercial disposal authority. There are three plugged wells located within the ½ mile radius of review. All of the wells have surface casing set and cemented to surface below the usable quality water at 500 feet and are properly plugged in such a manner to protect the fresh water resources and prevent the migration of fluids from the injection interval.

Approval of the amended application is in the public interest. The Barnett Shale development area encompasses Montague County and the surrounding counties of Jack and Wise and disposal wells are the best means for disposing of produced frac and salt water. Holston has shown that the proposed disposal well is necessary to provide needed capacity for disposal of produced water from numerous wells drilled and produced within hauling distance of the Byas Lease, Well No. 1.

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Additional disposal capacity is necessary to accommodate the Barnett Shale development that is ongoing in the area. When the Byas injection facility is at capacity, Holston's saltwater disposal trucks have to travel to other facilities located to the north, resulting in a 30 to 50 mile round trip. The proposed increased injection capacity will eliminate the additional mileage traveled on public highways by the saltwater disposal trucks.

The examiners recommend that the amended application for a commercial disposal permit pursuant to Statewide Rule 9 be approved and that the Commission adopt the following Findings of Fact and Conclusions of Law.

### **FINDINGS OF FACT**

1. Notice of this application and hearing was provided to all persons entitled to notice.
2. The proposed injection into the Byas Lease, Well No. 1, will not endanger useable quality water.
  - a. The Texas Commission on Environmental Quality ("TCEQ") recommends that usable-quality ground water be protected to a depth of 500 feet below the land surface.
  - b. The Byas Lease, Well No. 1, was drilled to a total depth of 4,200 feet in June 2005 and completed as a commercial disposal well in a Strawn Sand formation from 3,496 feet to 3,618 feet.
  - c. The well has 8 5/8" surface casing set at 683 feet and is cemented to the surface with 350 sacks.
  - d. There is over 2,000 feet of impermeable shale and clay between the top of the proposed injection interval at 3,430 feet and the base of usable quality water at 500 feet.
3. The proposed injection into the Byas Lease, Well No. 1, will not endanger production from other oil, gas or mineral bearing formations.
  - a. The 5 1/2" production casing is set at 4,200 feet and is cemented to 670 feet with 700 sacks.
  - b. The well is equipped with 2 7/8" tubing with a packer set at 3,382 feet.

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- c. There are three wells located within a ½ mile radius of review for the Byas Lease, Well No. 1, disposal well. All of the wells have surface casing set and cemented to surface below the usable quality water at 500 feet and are properly plugged in such a manner to protect the fresh water resources and prevent the migration of fluids from the injection interval.
- 4. Amending the commercial disposal permit for the Byas Lease, Well No. 1, is in the public interest because it will provide needed commercial disposal capacity for wells being drilled, completed and produced in the area of the proposed facility.
  - a. The Barnett Shale development area encompasses Montague County and the surrounding counties of Jack and Wise.
  - b. There are eleven active commercial disposal wells that have been approved by the Commission since 2003 and are injecting into formations above the Barnett Shale. All of the disposal wells have been granted injection rates between 5,000 BWPd and 10,500 BWPd and have injection pressure gradients between 0.24 psi per foot and 0.45 psi per foot.
  - c. The requested injection rate of 6,500 BWPd is near the lower end of the range of injection rates that have already been granted and would not materially affect the current operations at the Byas Lease, Well No. 1, facility.
  - d. Additional disposal capacity is necessary to accommodate the Barnett Shale development that is ongoing in the area.
  - e. When the Byas injection facility is at capacity, Holston's saltwater disposal trucks have to travel to other facilities located to the north, resulting in a 30 to 50 mile round trip. The proposed increased injection capacity will eliminate the additional travel on public highways by the saltwater disposal trucks.
- 5. Holston has a current approved Form P-5 (Organization Report), a posted \$25,000 financial assurance bond and no pending Commission enforcement actions.

**CONCLUSIONS OF LAW**

1. Proper notice was issued in accordance with the applicable statutory and regulatory requirements.
2. All things necessary to give the Railroad Commission jurisdiction to consider this matter have occurred.
3. Approval of the application will not harm useable quality water resources, will not endanger oil, gas, or geothermal resources, will promote further development in the area of Montague County and is in the public interest pursuant to Sec. 27.051 of the Texas Water Code.
4. Charles Holston, Inc. has met its burden of proof and its application satisfies the requirements of Chapter 27 of the Texas Water Code and the Railroad Commission's Statewide Rule 9.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the amended application of Charles Holston, Inc. for commercial disposal authority in its Byas Lease, Well No. 1, be approved, as set out in the attached Final Order.

Respectfully submitted,

Christopher Hotchkiss  
Legal Examiner

Richard D. Atkins, P.E.  
Technical Examiner