

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0284130

THE APPLICATION OF RBD GROUP, LLC, FOR COMMERCIAL DISPOSAL
AUTHORITY PURSUANT TO STATEWIDE RULE 46 FOR ITS MACK SIEGENTHALER
SWD LEASE NO. 1 WELL, WEGER (SAN ANDRES) FIELD, CROCKETT COUNTY,
TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Hearings Examiner

APPEARANCES:

APPLICANT:

George C. Neale
Rick Johnston, P.E.
DeWitt Walcott

REPRESENTING:

RBD Group, LLC

PROTESTANT:

Bill Strauss

Self

PROCEDURAL HISTORY

Application Filed:	March 20, 2013
Protest Received:	April 11, 2013
Request for Hearing:	April 18, 2013
Notice of Hearing:	September 11, 2013
Date of Hearing:	October 11, 2013
Transcript Received:	October 15, 2013
Proposal For Decision Issued:	December 2, 2013

EXAMINERS' REPORT AND PROPOSAL FOR DECISION**STATEMENT OF THE CASE**

RBD Group, LLC (RBD) requests commercial injection authority pursuant to Statewide Rule 46 for the Mack Siegenthaler SWD No. 1 Well, Weger (San Andres) Field, Crockett County, Texas. Notice of the application was published in *The Ozona Stockman*, a newspaper of general circulation in Crockett County, Texas, on March 13, 2013. On March 28, 2013, notices of the application were sent to the Crockett County Clerk and to the surface owners of each tract adjoining the injection tract. There are two oil and gas wells within ½ mile of the proposed well; the operator of both wells was given notice by RBD on March 28, 2013. The application is protested by Bill Strauss, who owns land adjacent to the proposed well.

DISCUSSION OF THE EVIDENCE**Applicant's Evidence**

The proposed injection well is located on a 5-acre tract west of State Highway 137 in a rural area about 27 miles northwest of the city of Ozona, Texas. The subject well has not yet been drilled, but a drilling permit was issued by the Commission on May 29, 2013. The proposed well will be completed as follows:

- The well will be drilled to a total depth of 3,800 feet.
- 9 5/8-inch surface casing will be set at 850 feet and cemented to the surface.
- 7-inch casing will be set at approximately 3,750 feet and cemented to the surface.
- The injection interval will be 2,700 to 3,700 feet, in the San Andres Formation.
- 4 1/2-inch injection tubing will be set on a packer at approximately 2,650 feet, within 100-feet of the top of the injection interval.

The proposed well will be operated as follows:

- The proposed maximum injection volume will be 25,000 BWPD.
- The estimated average injection volume will be 15,000 BWPD.
- The proposed maximum surface injection pressure will be 1,250 psig.

The Commission's Groundwater Advisory Unit (GAU) recommends that usable-quality groundwater be protected down to a depth of 800 feet below the land surface. Further, the GAU indicated that the base of the usable source of drinking water (USDW) is at 850 feet. RBD testified that the surface casing and cement will isolate both usable quality water and the USDW.

There are no oil or gas wells within the 1/4 mile area of review. There are two oil wells within a 1/2 mile radius of the proposed location. The depth of these two wells is 2,500 feet and they produce from the Weger (San Andres) Field. On its original application, RBD requested an injection interval from 2,500 to 3,700 feet in the San Andres Formation. In certain areas near the proposed location, the San Andres includes some hydrocarbon production from the Grayburg Formation (such as the two wells within the 1/2 mile radius). At the hearing, RBD requested the top of the injection interval be amended to 2,700 feet to provide for additional vertical separation between the injection interval and the nearby producing wells. Correspondingly, the packer depth will be set at about 2,650 feet. RBD's exhibits indicate that there is at least 100 feet of confining interval immediately above the proposed injection interval, preventing vertical migration of the disposal fluids into shallower hydrocarbon or freshwater-bearing zones. RBD asserts there are no artificial conduits for vertical migration within the 1/2 mile radius.

The proposed injection facility is located in the north central portion of Crockett County. There are four permitted commercial disposal wells within 10 miles of the proposed well. Three of these wells, however, RBD considers to be private wells, which are not available for the general waste-hauling public. According to RBD, the fourth well is inoperable and inactive. In addition, a nearby, recently-opened commercial disposal well, the D90 Energy LLC Crockett 401 Facility, is not reflected in current Commission records as active. A witness for RBD, the partner and general manager, testified that the facility is already extraordinarily busy, indicating a current need in the area for additional disposal capacity. There is significant horizontal development activity in the area, focusing on in the Wolfcamp Formation. The horizontal wells in the Wolfcamp Formation typically require multi-stage hydraulic fracturing resulting in hundreds of thousands of barrels of water requiring proper disposal.

RBD believes that the proposed well is necessary to accommodate the increasing drilling and hydraulic fracturing activity in the area. Use of the proposed facility will result in reduced tank truck miles traveled in Crockett and Reagan Counties, will decrease costs to operators for proper disposal of produced fluids, and will extend the economic life for oil and gas wells in the area.

The area surrounding the proposed injection facility is rural ranching and farmland. Access to the injection facility will be off State Highway 137, which is a paved two-lane public highway. The Texas Department of Transportation (TxDOT) performed a traffic study and issued a permit for a driveway for ingress and egress to the facility.

RBD has an active P-5 on file with the Commission, with \$25,000 in financial

assurance. RBD testified that its partners have the expertise to build and operate the subject facility in compliance with all Commission rules and regulations.

Protestant's Evidence

Mr. Bill Strauss protests the disposal well application. Mr. Strauss is an adjacent landowner to the proposed disposal tract. His primary concern was traffic safety on Highway 137. Mr. Strauss testified that the proposed facility is located near a bend in the highway that might interfere with sight lines and cause hazards from the truck traffic. He was also concerned with light pollution from the proposed facility. He indicated that he had constructive conversation with RBD, which agreed to try to redirect lighting away from Mr. Strauss' home to minimize the impact. Mr. Strauss also expressed a desire to not have a disposal well next to his home.

EXAMINERS' OPINION

The examiners recommend that RBD's application be approved. RBD has established:

1. The freshwater resources are adequately protected from pollution;
2. The proposed injection well will not endanger or injure any oil, gas, or mineral formations;
3. The proposed injection well is in the public interest; and
4. A satisfactory showing of financial responsibility, as required under Commission statutes and regulatory requirements.

The proposed injection well will be completed in a manner protective of usable-quality water and confine injected fluids to the proposed injection interval. The GAU recommends protection of the usable-quality groundwater to a depth of 800 feet. The GAU also indicated that the base of the USDW is at 850 feet. The proposed injection well will have 850 feet of 9 5/8-inch surface casing cemented to the surface and 3,750 feet of 7-inch casing, also cemented to the surface.

The proposed injection well will have at least 100 feet of contiguous impermeable geologic separation immediately above the injection zone, and sufficient geologic separation farther above the proposed injection interval and below the base of usable-quality groundwater. Injection will be through tubing set on a packer to confine injected fluids to the San Andres formation between 2,700 and 3,700 feet. There are two oil or gas wells within a ½ mile radius, but neither wellbore penetrated the proposed injection interval. Therefore, these wellbores will not act as conduits for the vertical migration of disposed fluids.

Approval of the requested permit is in the public interest. Use of the proposed

injection well will provide a facility in northern Crockett County for proper injection and disposal of produced fluids associated with the ongoing development of the Wolfcamp Formation in the area. Further, approval of the requested permit will result in reduced tank truck miles in Crockett and Reagan Counties.

The surface facility will be newly constructed. Compliance with permit conditions will minimize the risk of spills at the facility and will prevent migration of any spills that occur, thereby protecting both ground and surface water. The Railroad Commission does not have jurisdiction over traffic safety issues. TxDOT has determined the location of the entrance to the injection facility from State Highway 137 has sufficient sight distance in both directions to provide sufficient stopping distance for vehicles approaching the facility.

The examiners recommend adoption of the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Notice of the application was published in *The Ozona Stockman*, a newspaper of general circulation in Crockett County, Texas, on March 13, 2013. On March 28, 2013, Notice of the application was sent to the Crockett County Clerk, offset operators within ½ mile, and to the surface owners of each tract adjoining the disposal tract.
2. Notice of the hearing was mailed on September 11, 2013 to all persons entitled to notice.
3. The application was protested by offset landowner Mr. Bill Strauss.
4. RBD has been issued a drilling permit for the Mack Siegenthaler SWD No. 1 commercial disposal well, which will be completed as follows:
 - a. The well will be drilled to a total depth of 3,800 feet.
 - b. 9 5/8-inch surface casing will be set at 850 feet and cemented to the surface.
 - c. 7-inch casing will be set at approximately 3,750 feet and cemented to the surface.
 - d. The injection interval will be 2,700 to 3,700 feet, in the San Andres Formation.
 - e. 4 1/2-inch injection tubing will be set on a packer at approximately 2,650 feet, within 100-feet of the top of the injection interval.
5. The Groundwater Advisory Unit recommends that usable-quality water be protected to 800 feet in the area of the proposed well.

6. The Mack Siegenthaler SWD No. 1 commercial disposal well will be operated as follows:
 - a. A maximum daily injection volume of 25,000 BPD of saltwater and RCRA-exempt oil and gas waste.
 - b. An average daily injection volume of 15,000 BPD of saltwater and RCRA-exempt oil and gas waste.
 - c. A maximum surface injection pressure of 1,250 psig.
7. The GAU recommends that usable-quality groundwater be protected to a depth of 800 feet, and the GAU identified the base of USDW to be 850 feet.
8. There is more than 100 feet of contiguous confining strata immediately above the disposal interval.
9. The Mack Siegenthaler SWD No. 1 commercial disposal well will be cased, cemented and operated in a manner to protect usable quality water, and injection will be confined to the injection interval.
10. The Mack Siegenthaler SWD No. 1 commercial disposal well will be cased, cemented and operated in a manner to not endanger or injure any oil, gas, or other mineral formation.
11. There are no oil or gas wells—permitted, active, or plugged and abandoned—within 1/4 mile of the proposed disposal well.
12. There are two oil wells within 1/2 mile of the proposed disposal well.
13. The two oil wells within 1/2 mile are 2,500 feet deep and do not penetrate the disposal interval.
14. The RBD facility will incorporate all required standard containment design features for commercial disposal facilities designed to prevent pollution.
15. The proposed well is located in the an area of active hydrocarbon development driven by horizontal wells in the Wolfcamp Formation.
16. The active hydrocarbon development in the area will require disposal of salt water and RCRA-exempt oil and gas waste.
17. Commission records indicate that there are four commercial disposal wells within a 10 mile radius; three of the wells are not available for public disposal, and one is inoperative.

18. The nearby D90 commercial disposal well has recently become active but this status is not yet reflected on Commission records.
19. RBD has an active P-5 on file with the Commission, and \$50,000 letter of credit as financial assurance.


CONCLUSIONS OF LAW


1. Proper notice was issued in accordance with the applicable statutory and regulatory requirements.
2. All things have occurred to give the Railroad Commission jurisdiction to consider this matter.
3. The use or installation of the proposed injection well is in the public interest.
4. The use or installation of the proposed injection well will not endanger or injure any oil, gas, or other mineral formation.
5. With proper safeguards, as provided by terms and conditions in the attached final order, which are incorporated herein by reference, both ground and surface fresh water can be adequately protected from pollution.
6. RBD has made a satisfactory showing of financial responsibility to the extent required by Section 27.073 of the Texas Water Code.
7. RBD has met its burden of proof and satisfied the requirements of Chapter 27 of the Texas Water Code and the Railroad Commission's Statewide Rule 46.

EXAMINERS' RECOMMENDATION

Based on the above findings and conclusions, the examiners recommend that the application be approved as set out in the attached Final Order.

Respectfully submitted,


Paul Dubois
Technical Examiner


Marshall Enquist
Hearings Examiner

Mack Siegenthaler SWD # 1
(API # 42-105-41800)
RBD Group LLC
Crockett County, Texas

Proposed Disposal Configuration

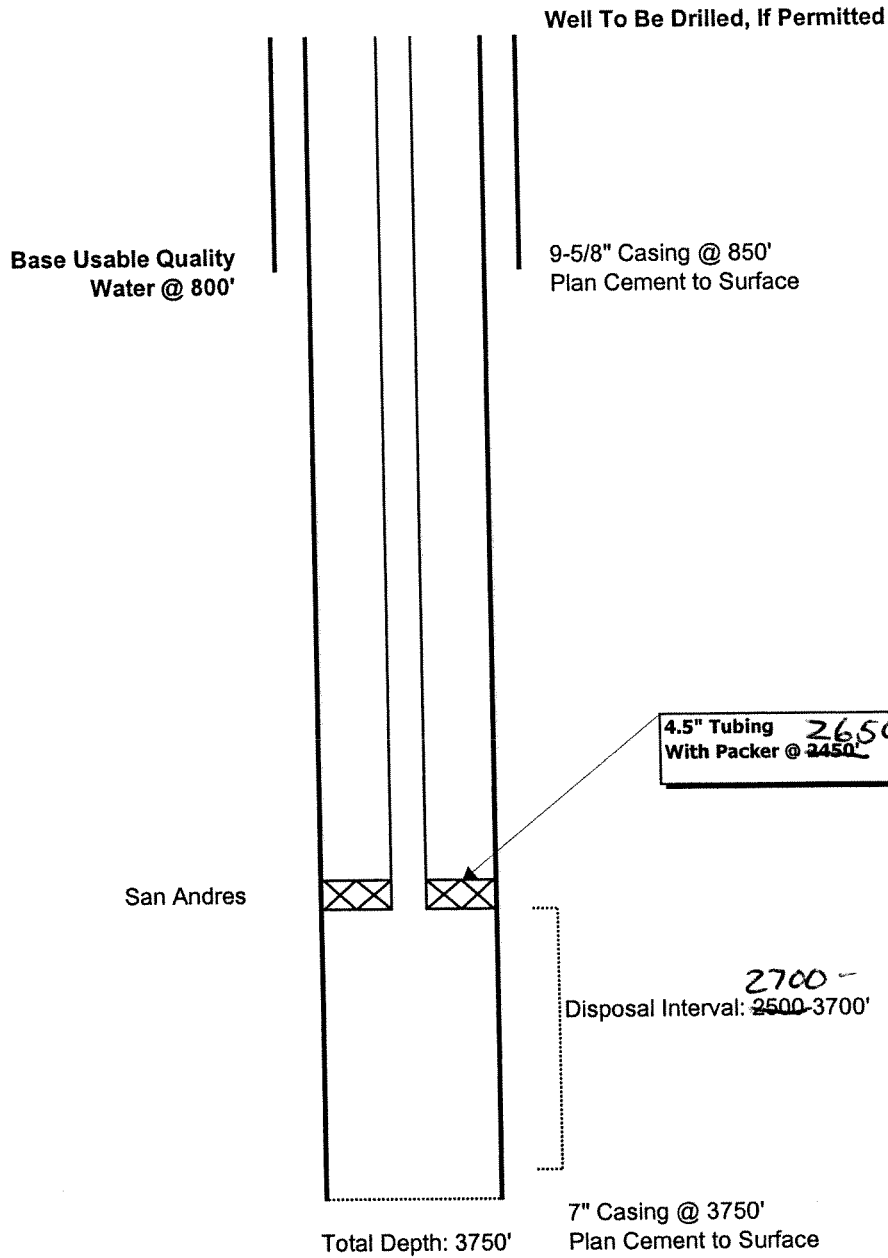


Exhibit No. 4
O&G Docket No. 7C-0284130
Date: October 4, 2013
RBD Group, LLC