



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0279264

THE APPLICATION OF BASIC ENERGY SERVICES, LP FOR COMMERCIAL DISPOSAL AUTHORITY PURSUANT TO STATEWIDE RULE 46 FOR THE TALCO SWD LEASE, WELL NO. 1, TALCO FIELD, TITUS COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Terry Johnson - Legal Examiner

APPEARANCES:

REPRESENTING:

APPLICANT:

George Neale
Rick Johnston
Mark A. Ehrlich
Paul Franklin
Cliff Packer

Basic Energy Services, LP

PROTESTANTS:

William E. Smith	Self
Robert R. Hollis	Self
Debora Mears	Self

PROCEDURAL HISTORY

Application Filed:	August 1, 2012
Protest Received:	August 13, 2012
Request for Hearing:	October 16, 2012
Notice of Hearing:	November 15, 2012
Hearing Held:	December 19, 2012
Transcript Received:	January 3, 2013
Proposal for Decision Issued:	February 26, 2013

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

Basic Energy Services, LP ("Basic") requests commercial disposal authority pursuant to Statewide Rule 46 for the Talco SWD Lease, Well No. 1, Talco Field, Titus County, Texas.

Notice of the subject application was published in the *Daily Tribune*, a newspaper of general circulation in Titus County, on July 26, 2012. Notice of the application was sent to the Titus County Clerk, offset operators within 1/2 mile, the surface owners of the disposal tract and of each tract which adjoins the disposal tract on October 19, 2012.

The application is protested by surface owners adjacent and nearby to the tract on which the proposed disposal well is located.

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

The proposed Talco SWD Lease, Well No. 1, and disposal facility are located on a five acre tract that is adjacent to, and west of, U.S. Highway 271. The five acre tract is part of a larger 35 acre tract and is situated in a rural area approximately two miles southeast of the town of Talco, Texas. Basic plans to drill a new injection well down to 5,000 feet. The well will have 10 3/4" surface casing set at 150 feet that will be cemented to the surface with 218 sacks of cement. Basic proposes to run 7" production casing down to 5,000 feet that will be cemented to the surface with 1,104 sacks of cement. The well will be equipped with 3 1/2" tubing and packer set at 3,100 feet (See attached Basic Exhibit No. 2 - Wellbore Diagram).

The proposed disposal interval is the Woodbine and Paluxy formations between 3,200 feet and 4,500 feet. The interval is suitable for disposal and is used for disposal in other area wells. There is over 1,000 feet of an impervious shale above the proposed disposal interval, which will serve to prevent the migration of injected fluids out of the Woodbine and Paluxy formations. Basic requests authority to dispose of a maximum of 25,000 barrels of saltwater and RCRA¹ exempt waste per day with a maximum surface injection pressure of 1,600 psig.

¹ Resource Conservation and Recovery Act: Examples of RCRA exempt oil and gas waste includes produced water, drilling fluids, frac flowback fluids, rigwash and workover wastes.

The Commission Groundwater Advisory Unit ("GAU") recommends that usable-quality ground water be protected down to a depth of 100 feet below the land surface. There is no underground source of drinking water ("USDW") in this area. There are no wells located within a 1/2 mile radius of review for the proposed disposal well.

The proposed Basic facility is located in the northwestern portion of Titus County. There is only one commercial disposal well, the James R. Via - Evans Lease, Well No. 1, located within a 15 mile radius of the proposed facility and it is at, or near, capacity and has wait times. When the facility is at capacity, Basic's trucks have to drive 60 miles to the southeast to their Walker Lease facility, which is located near the town of Harleton, Texas. Basic contends that the use of the proposed disposal well will reduce truck traffic, travel time and miles traveled, resulting in reduced costs to operators. In addition, Exxon Mobil Corporation, the largest operator in the nearby Talco Field, has committed to use the proposed facility.

The Facility

The area surrounding the proposed injection facility is rural ranching and farming land. Access to the disposal facility will be off of U.S. Highway 271, which is a paved two lane public highway with shoulders on both sides. The surface facility will comply with all permit conditions requested by the Commission staff. At an average injection rate of 15,000 BWPD, there will be approximately 120 trucks per day accessing the facility. The facility will have a circular driveway and will be of sufficient size to allow trucks access without having to wait on the highway. The proposed access to the facility will have adequate sight distance for entering and exiting trucks. Basic has already prepared and submitted to TXDOT an application for a driveway permit for the facility.

Basic submits that it has the expertise to build and manage the proposed facility. Basic has a current approved Form P-5 (Organization Report), a posted \$50,000 financial assurance bond and no pending Commission enforcement actions.

Protestants' Evidence

The protestants are surface owners adjacent and nearby to the proposed disposal tract. They believe that the application for the proposed commercial disposal well and facility should be denied. The protestants' evidence fell into several general categories: 1) potential of pollution to groundwater and surface waters, as some of the adjacent property is designated as federal wetlands and drains into White Oak Creek which empties into the Sulphur River; 2) noise, dust and odor nuisances which would result from the operation of the facility; and 3) increased heavy truck traffic on U.S. Highway 271, causing road deterioration and public safety issues. Collectively, the testimony and statements in opposition to the facility assert that the proposed commercial disposal facility will have adverse effects on traffic safety, property values and the quality of life in and around the area.

One of the protestants did not believe that there was an industry need for additional disposal capacity in this area at this time. He submitted an analysis for the Talco Field showing the permitted injection capacity was 64.5 MMBW per year and the total injection volume was only 29.7 MMBW per year for an excess injection capacity of 34.7 MMBW per year. He also submitted an analysis for the James R. Via - Evans Lease, Well No. 1, showing the permitted injection capacity was 3.6 MMBW per year and the total injection volume was only 223.7 MBW per year for an excess injection capacity of 3.4 MMBW per year. The protestant opined that the current active disposal capacity was more than sufficient to meet the current demand.

EXAMINERS' OPINION

The examiners recommend that the application for commercial disposal authority be approved. Basic has established:

1. The freshwater resources (surface and sub-surface) will be adequately protected from pollution;
2. The proposed injection well will not endanger or injure any oil, gas, or mineral formations;
3. The proposed injection is in the public interest; and
4. The applicant has made a satisfactory showing of financial responsibility, as required under Commission statutes and Commission regulatory requirements.

The well will be completed in a manner which will protect usable-quality water resources and injected fluids will be confined to the injection interval. The proposed disposal well will have cement behind the production casing to the surface and there is over 1,000 feet of an impervious shale above the proposed disposal interval, which will serve to prevent the migration of injected fluids out of the Woodbine and Paluxy formations. Injection will be through tubing set on a packer to confine injected fluids to the Woodbine and Paluxy formations between 3,200 feet and 4,500 feet. Finally, there are no wells located within a 1/2 mile radius of review for the proposed disposal well.

Approval of the application is in the public interest. The proposed Basic facility is located in the northwestern portion of Titus County. There is only one commercial disposal well, the James R. Via - Evans Lease, Well No. 1, located within a 15 mile radius of the proposed facility and it is at, or near, capacity and has wait times. When the Evans Lease facility is at capacity, Basic's trucks have to drive 60 miles to the southeast to their Walker Lease facility, which is located near the town of Harleton, Texas. In addition, Exxon Mobil Corporation, the largest operator in the nearby Talco Field, has committed to use the proposed facility. Accordingly, due to mechanical or pressure limitations, permitted

injection capacity does not equal actual injection capacity. Use of the proposed disposal well will reduce truck traffic, travel time and miles traveled, resulting in reduced disposal costs to operators. The reduced disposal costs will lower the economic limit of the producing wells and, thereby, ultimately increase total production.

The surface facility will be newly constructed and is of sufficient size to accommodate trucks hauling water to the facility without backing up onto the highway that provides access to the facility. The proposed access to the facility will have adequate sight distance for entering and exiting trucks. The protestants' traffic safety, property value and nuisance concerns are not within the Commission's jurisdiction to address. Compliance with permit conditions will minimize the risk of spills at the facility and will prevent the migration of any spills that occur, thereby protecting both groundwater and surface waters.

FINDINGS OF FACT

1. Notice of the application and hearing was provided to all persons entitled to notice. Notice of the application was sent to the Titus County Clerk, offset operators within 1/2 mile, the surface owners of the disposal tract and of each tract which adjoins the disposal tract on October 19, 2012.
2. Notice of the subject application was published in the *Daily Tribune*, a newspaper of general circulation in Titus County, on July 26, 2012.
3. The proposed injection into the Talco SWD Lease, Well No. 1, will not endanger useable quality water.
 - a. The Commission Groundwater Advisory Unit ("GAU") recommends that usable-quality ground water be protected to a depth of 100 feet below the land surface. There is no underground source of drinking water ("USDW") in this area.
 - b. The well will have 10 3/4" surface casing set at 150 feet that will be cemented to the surface with 218 sacks of cement.
 - c. There is over 1,000 feet of an impervious shale above the proposed disposal interval, which will serve to prevent the migration of injected fluids out of the Woodbine and Paluxy formations.
4. The proposed injection into the Talco SWD Lease, Well No. 1, will not endanger production from other oil, gas or mineral bearing formations.
 - a. Basic Energy Services, LP ("Basic") plans to drill a new injection well down to 5,000 feet.

- b. Basic proposes to run 7" production casing down to 5,000 feet that will be cemented up to the surface with 1,104 sacks of cement.
 - c. The well will be equipped with 3 1/2" tubing and packer set at 3,100 feet.
 - d. There are no wells located within a 1/2 mile radius of review for the proposed disposal well.
5. Use of the Talco SWD Lease, Well No. 1, as commercial disposal well is in the public interest because it will reduce hauling distances and will provide needed commercial disposal capacity for wells to be drilled, completed and produced in the area of the proposed facility.
 - a. The proposed Basic facility is located in the northwestern portion of Titus County.
 - b. There is only one commercial disposal well, the James R. Via - Evans Lease, Well No. 1, located within a 15 mile radius of the proposed facility and it is at, or near, capacity and has wait times.
 - c. When the Evans Lease facility is at capacity, Basic's trucks have to drive 60 miles to the southeast to their Walker Lease facility, which is located near the town of Harleton, Texas.
 - d. Exxon Mobil Corporation, the largest operator in the nearby Talco Field, has committed to use the proposed facility.
 - e. Use of the proposed disposal well will reduce truck traffic, travel time and miles traveled, resulting in reduced disposal costs to operators.
 - f. The reduced disposal costs will lower the economic limit of the producing wells and, thereby, ultimately increase total production.
6. Basic Energy Services, LP has a current approved Form P-5 (Organization Report), a posted \$50,000 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 this area of Titus County and is in the public interest pursuant to Sec. 27.051 of the Texas Water Code.
4. Basic Energy Services, LP 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 46.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the application of Basic Energy Services, LP for commercial disposal authority pursuant to Statewide Rule 46 for the Talco SWD Lease, Well No. 1, as set out in the attached Final Order.

Respectfully submitted,


Richard D. Atkins, P.E.
Technical Examiner


Terry Johnson
Legal Examiner

Talco SWD # 1
API # 42-449-30581
Basic Energy Services, L.P.
Titus County, Texas

Proposed Disposal Configuration

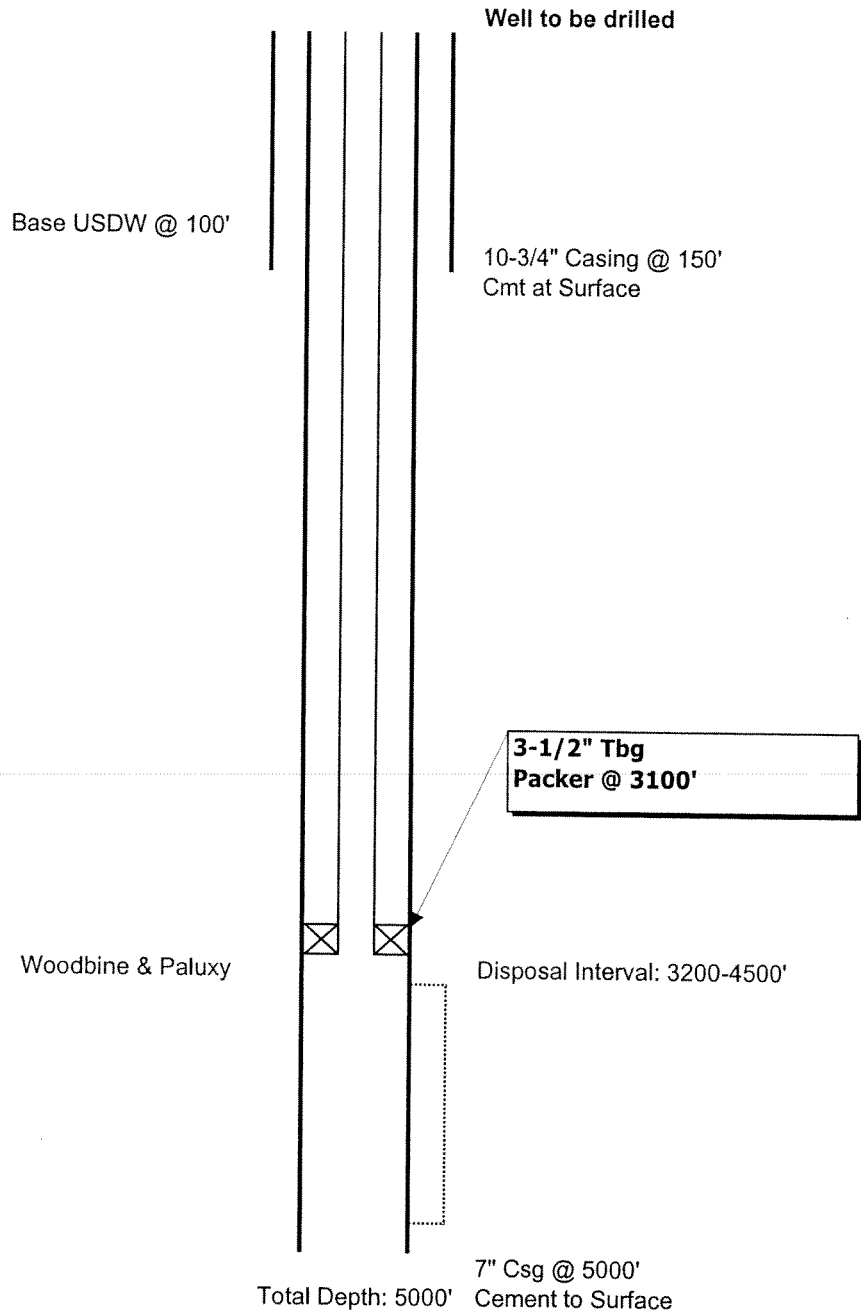


Exhibit No. 2
O & G Docket No. 06-0279264
Date: December 19, 2012
Basic Energy Services, L.P.