

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL**

**OIL AND GAS DOCKET
NO. 01-0246615**

**IN THE PEARSALL (AUSTIN CHALK)
FIELD, FRIO COUNTY, TEXAS**

**FINAL ORDER
DENYING THE APPLICATION OF SABINAL RESOURCES, INC.
TO DISPOSE OF OIL AND GAS WASTE
IN THE LENA BUERGER WELL NO. 2
PEARSALL (AUSTIN CHALK) FIELD
FRIO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 21, 2006, the presiding examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and proposal for decision, the findings of fact and conclusions of law contained therein, and any exceptions and replies filed thereto, hereby adopts as its own Findings of Fact Nos. 1-6 and 10 and Conclusions of Law Nos. 1 and 2. The Commission declines to adopt Findings of Fact Nos. 7-9 and 11-14 and Conclusions of Law Nos. 3-7. The Commission adopts Findings of Fact Nos. 15-19, and Conclusions of Law Nos. 8-14, as set out below.

Findings of Fact Nos. 15-19:

15. Mid Texas became the operator of the Buerger, Lena (05567) Lease by filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance) which was approved by the Commission as of October 6, 2004.
16. Sabinal became the operator of the Buerger, Lena (13860) Lease by filing a Commission Form P-4 which was approved by the Commission as of March 17, 2005.
17. A Commission inspection on March 2, 2005, found the subject well injecting salt water without a permit. The inspector observed the source of the salt water was the tank battery for the Buerger, Lena (05567) Lease operated by Mid Texas. The Commission inspector closed the tubing valve and sealed the subject well at the tubing valve, RRC Seal No. 18798. The inspector also contacted Curtis Boyles, Mid Texas' agent, and turned off the disposal pump.

18. A Commission inspection on April 27, 2005 indicated RRC Seal No. 18798 on the subject well at the tubing valve had been broken and the tubing valve was open.
19. Any injection or disposal of fluid down a wellbore without a valid permit approved by the Commission could be a potential source of pollution.

Conclusions of Law Nos. 8-14:

8. Sabinal has a history of noncompliance with Commission rules concerning safety and the prevention of pollution in its operations.
 - a. Sabinal is the respondent in an active Enforcement Docket, Oil & Gas Docket No. 03-0246035 for violations of Statewide Rule 14(b)(2).
 - b. Sabinal was the operator of record responsible for compliance with all Commission rules on the Buerger, Lena (13860) Lease at the time a Commission inspector observed that RRC Seal No. 18798 on the subject well at the tubing valve was broken and the tubing valve was open.
9. Sabinal's proposed disposal operation in the subject well is intended to benefit Mid Texas' continued production of the Buerger, Lena (05567) Lease.
10. Mid Texas disposed of produced water from its Buerger, Lena (05567) Lease in the subject well without a valid permit in violation of Commission Rules.
11. Mid Texas was notified on March 2, 2005 of the Commission action placing RRC Seal No. 18798 on the tubing valve of the subject well through the Commission inspector's contact with Mid Texas' authorized agent, Curtis Boyles.
12. Due to the history of noncompliance with Commission rules by Sabinal and Mid Texas the Commission cannot make the finding under Texas Water Code Section 27.051(b)(1) that the use or installation of the injection well is in the public interest as required for the issuance of the requested permit.
13. Due to the history of noncompliance with Commission rules by Sabinal and Mid Texas the Commission cannot make the finding under Texas Water Code Section 27.051(b)(2) that the use or installation of the injection well will not endanger or injure any oil, gas, or other mineral formation as required for the issuance of the requested permit.

14. Due to the history of noncompliance with Commission rules by Sabinal and Mid Texas the Commission cannot make the finding under Texas Water Code Section 27.051(b)(3) that, with proper safeguards, both ground and surface fresh water can be adequately protected from pollution as required for the issuance of the requested permit.

Therefore, it is ordered by the Railroad Commission of Texas that the application of Sabinal Resources, Inc. to conduct salt water disposal operations in the Lena Buerger Well No. 2, Pearsall (Austin Chalk) Field, Frio County, Texas, is hereby **DENIED**.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

This order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Done this 12th day of September, 2006

RAILROAD COMMISSION OF TEXAS

CHAIRMAN ELIZABETH A. JONES

COMMISSIONER MICHAEL L. WILLIAMS

COMMISSIONER VICTOR G. CARRILLO

ATTEST:

Secretary