



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

**OIL & GAS DOCKET NO. 01-0277106**

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**THE APPLICATION OF RICKAWAY ENERGY, CORP. FOR AUTHORITY TO DISCHARGE PRODUCED FRESHWATER INTO BORREGO CREEK PURSUANT TO STATEWIDE RULE 8 FOR VARIOUS LEASES, BOWMAN (CARRIZO) AND BOWMAN (REKLAW) FIELDS, WILSON COUNTY, TEXAS**

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

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Wayne Sheffield  
Ronald L. Rickaway

Rickaway Energy, Corp.

**PROTESTANT:**

Patrick F. Thompson  
Alejandro E. Villarreal  
David Moline

Margaret Cowen

**PROCEDURAL HISTORY:**

|                      |                   |
|----------------------|-------------------|
| Application filed:   | February 27, 2012 |
| Protest received:    | March 9, 2012     |
| Request for hearing: | June 12, 2012     |
| Notice of Hearing:   | July 3, 2012      |
| Hearing Held:        | August 10, 2012   |
| Transcript Received  | August 23, 2012   |
| PFD Issued:          | August 28, 2012   |

**EXAMINERS' REPORT AND PROPOSAL FOR DECISION**

**STATEMENT OF THE CASE**

Rickaway Energy, Corp. ("Rickaway") requests authority to discharge produced freshwater into Borrego Creek pursuant to Statewide Rule 8 for various leases in the

Bowman (Carrizo) and Bowman (Reklaw) Fields, Wilson County, Texas. The leases and wells are listed below:

| <u>LEASE NAME</u>              | <u>LEASE NO.</u> | <u>WELL NOS.</u> |
|--------------------------------|------------------|------------------|
| <b>Bowman (Carrizo) Field:</b> |                  |                  |
| W.C. Hasse                     | 00132            | 2, 3, 7, F4 & F5 |
| W.C. Hasse -A-                 | 02020            | 1A, 2A & 3A      |
| W.C. Hasse -B-                 | 02021            | 1B, 2B & 3B      |
| C. H. Hierholzer               | 02115            | 1 & 1A           |
| <b>Bowman (Reklaw) Field:</b>  |                  |                  |
| Hierholzer 7 BRS               | 14277            | 6 & 10           |
| Hierholzer 7 GMK               | 14278            | 21 & 22          |

The application is protested by Margaret Cowen, who is one of the owners of the Hasse property from which the freshwater will be produced and transported to the discharge point.

### DISCUSSION OF THE EVIDENCE

#### Applicant's Evidence

Rickaway requests authority to discharge produced freshwater into Borrego Creek pursuant to Statewide Rule 8 for various leases in the Bowman (Carrizo) and Bowman (Reklaw) Fields, Wilson County, Texas. Rickaway acquired the leases January 1, 2012, from the previous operator, Wen-Be, after the wells were ordered to be shut-in for discharging produced freshwater without a permit. The EPA also issued a cease and desist order to Wen-Be on January 30, 2012 for discharging produced freshwater without a permit. Prior to 2012, Rickaway has applied for and received six other permits to discharge produced freshwater.

The two fields produce from freshwater sands at an average depth of 1,000 feet. Rickaway is proposing to gather all of the produced freshwater onto the C. H. Hierholzer Lease where it will go through two 200 barrel and three 210 barrel settling tanks. Rickaway will not be maintaining any earthen pits and the only chemical that will be used on the lease is a water clarifier at a rate of 2 quarts per 500 barrels of water. The water will then be discharged into Borrego Creek on J. C. Hierholzer's property and will flow downstream approximately one half mile onto Alton Hierholzer's property.

Rickaway submitted letters from the two surface owners approving the discharge, as both landowners use the produced freshwater to water their wildlife and livestock. Mr. J. C. Hierholzer stated in his letter that he had been using this water for many years and had seen no adverse effects on any animals. Furthermore, Rickaway believes that the

produced freshwater is an asset to the landowners in the area, who have no objection to the water being released on their property. The producing wells are located in an arid area with little or no other surface water available for use by livestock and wild game.

Rickaway submitted two produced freshwater samples that were taken at an interval of 8 months beginning in April 2011. The samples showed similar water characteristics with an average Chloride content of 60 ppm. Rickaway believes that the water characteristics will remain fairly constant and agreed to the monthly testing required by Commission Staff in the permit. The two Hierholzer tracts cover over 3/4 of a mile of Borrego Creek and the area is not part of any city, town or village. The discharge point is 1,600 feet downstream from the Hasse property and the produced freshwater is not being discharged into any flood controlled waterway.

Rickaway stated that the water cut on the producing wells is 99%, as evidenced by past production information. If the produced freshwater is required to be injected into a subsurface zone, the additional expense would cause the wells to be uneconomical to produce. Rickaway opined that once the wells are abandoned, they will never be re-entered nor will any new wells ever be drilled to recover the oil left in place because of the poor prospects of payout. By disposing of the produced water on the surface, Rickaway can prolong the economic life of the field and recover additional oil that otherwise would never be produced.

### **Protestant's Evidence**

The application is opposed by Margaret Cowen, who is one of the owners of the Hasse property from which the freshwater will be produced and transported to the discharge point. Ms. Cowen is primarily concerned that the discharge will contaminate the surface water. She alleges that the previous operator caused an oil sheen to appear on the creek at the discharge point on her property, which ignited causing a fire on the surface water of the creek. She is also concerned that the new operator will not conform to the terms of the discharge permit or the EPA standards.

### **EXAMINERS' OPINION**

The examiners recommend that Rickaway's permit be approved. Rickaway has shown that discharge of produced freshwater into Borrego Creek will not cause pollution. Compliance with permit conditions recommended by Commission Technical Permitting Staff, which includes monthly produced freshwater testing requirements, will minimize the risk of pollution to both ground and surface water. Additionally, the produced freshwater is an asset to the landowners in the area, who have no objection to the water being released on their property. The producing wells are located in an arid area with little or no other surface water available for use by livestock and wild game.

Approval of the application is in the public interest. If the produced freshwater is required to be injected into a subsurface zone, the additional expense would cause the

wells to be uneconomical to produce. Once the producing wells are abandoned, they will never be re-entered nor will any new wells ever be drilled to recover the oil left in place because of the poor prospects of payout. By disposing of the produced freshwater on the surface, Rickaway can prolong the economic life of the field and recover additional oil that otherwise would never be produced. In addition, the proposed discharge will benefit livestock and wild game and the landowners where the discharge will occur have no objection to the proposal. The examiners believe that the discharge of produced freshwater into Borrego Creek will prevent waste of oil, gas and geothermal resources by providing a more economical means of disposal of produced freshwater in this area.

### FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The discharge of produced freshwater into Borrego Creek will not harm fresh water resources.
  - a. Compliance with permit conditions recommended by Commission Technical Permitting Staff, which includes monthly produced freshwater testing requirements, will minimize the risk of pollution to both ground and surface water.
  - b. The produced freshwater is an asset to the landowners in the area, who have no objection to the water being released on their property.
  - c. The producing wells are located in an arid area with little or no other surface water available for use by livestock and wild game.
  - d. Produced freshwater samples showed similar water characteristics with an average Chloride content of 60 ppm.
  - e. The two Hierholzer tracts cover over 3/4 of a mile of Borrego Creek and the area is not part of any city, town or village.
  - f. The discharge point is 1,600 feet downstream from the Hasse property and the produced freshwater is not being discharged into any flood controlled waterway.
  - g. No earthen pits will be maintained and the only chemical that will be used on the lease is a water clarifier.
3. Approval of the application is in the public interest.

- a. The water cut on the producing wells is 99%, as evidenced by past production information.
- b. If the produced freshwater is required to be injected into a subsurface zone, the additional expense would cause the wells to be uneconomical to produce.
- c. Once the producing wells are abandoned, they will never be re-entered nor will any new wells ever be drilled to recover the oil left in place because of the poor prospects of payout.
- d. By disposing of the produced freshwater on the surface, Rickaway can prolong the economic life of the field and recover additional oil that otherwise would never be produced.
- e. The proposed discharge will benefit livestock and wild game in this arid area of the state.

#### **CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction to decide this matter.
3. Rickaway Energy, Corp.'s application to discharge produced freshwater into Borrego Creek for various leases, Bowman (Carrizo) and Bowman (Reklaw) Fields, Wilson County, Texas, complies with Statewide Rule 8 and will not cause waste of oil, gas or geothermal resources or pollution of useable-quality surface and ground water.

#### **EXAMINERS' RECOMMENDATION**

The examiners recommend that the Commission approve Rickaway Energy, Corp.'s application to discharge produced freshwater into Borrego Creek pursuant to Statewide Rule 8 for various leases, Bowman (Carrizo) and Bowman (Reklaw) Fields, Wilson County, Texas, as set out in the attached Final Order.

Respectfully submitted,



Richard D. Atkins, P.E.  
Technical Examiner



Terry Johnson  
Legal Examiner