RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0278850

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

FINAL ORDER
APPROVING THE APPLICATION OF CHARLES HOLSTON, INC. FOR COMMERCIAL DISPOSAL AUTHORITY PURSUANT TO STATEWIDE RULE 9 FOR THE DILLEY SWD LEASE, WELL NO. 1 PEARSALL (AUSTIN CHALK) FIELD FRIO COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on December 6, 2012, the presiding examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record; 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 thereto, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that Permit No. 13688 is hereby declared void ab initio. It is further **ORDERED** that the revised application of Charles Holston, Inc. is hereby granted and Charles Holston, Inc. is authorized to conduct commercial saltwater disposal operations in the Dilley SWD Lease, Well No. 1, Pearsall (Austin Chalk) Field, Frio County, Texas, subject to the following terms and conditions:

SPECIAL CONDITIONS:

1. Fluid shall be injected into the Edwards formation in the subsurface depth interval between 7,550 feet and 8,700 feet.

2. The injection volume shall not exceed 25,000 barrels per day.

3. The maximum operating surface injection pressure shall not exceed 3,775 psig.

4. Injected fluid shall be limited to produced saltwater and RCRA Exempt Waste.

STANDARD CONDITIONS:

1. Injection must be through tubing set on a packer. The packer must be set no higher than 100 feet above the top of the permitted interval.

2. The District Office must be notified 48 hours prior to:
   a. running tubing and setting packer;
   b. beginning any workover or remedial operation;
   c. conducting any required pressure tests or surveys.

3. The wellhead must be equipped with a pressure observation valve on the tubing and for each annulus.

4. Prior to beginning injection and subsequently after any workover, an annulus pressure test must be performed. The test pressure must equal the maximum authorized injection pressure or 500 psig, whichever is less, but must be at least 200 psig. The test must be performed annually and the results submitted in accordance with the instructions of Form H-5.

5. The injection pressure and injection volume must be monitored at least monthly and reported annually on Form H-10 to the Commission's Austin office.

6. Within 30 days after completion, conversion to disposal, or any workover which results in a change in well completion, a new Form W-2 or G-1 must be filed to show the current completion status of the well. The date of the disposal well permit and the permit number must be included on the new Form W-2 or G-1.

7. Written notice of intent to transfer the permit to another operator by filing Form P-4 must be submitted to the Commission at least 15 days prior to the date of the transfer.

8. Unless otherwise required by conditions of the permit, completion and operation of the well shall be in accordance with the information represented on the application (Forms W-14).

9. This permit will expire when the Form W-3, Plugging Record, is filed with the Commission. Furthermore, permits issued for wells to be drilled will expire three (3) years from the date of the permit unless drilling operations have commenced.

10. The operator shall be responsible for complying with the following requirements so as to assure that discharges of oil and gas waste will not occur:

    A. Prior to beginning operation, all collecting pits, skimming pits, or washout pits must be permitted under the requirements of Statewide Rule 8.

B. A catch basin constructed of concrete, steel, or fiberglass must be installed to catch oil and gas waste which may spill as a result of connecting and disconnecting hoses or other apparatus while transferring oil and gas waste from tank trucks to the disposal facility.

C. All fabricated waste storage and pretreatment facilities (tanks, separators, or flow lines) shall be constructed of steel, concrete, fiberglass, or other materials approved by the Director or Director's delegate and shall be maintained so as to prevent discharges of oil and gas waste.

D. Dikes shall be placed around all waste storage, pretreatment, or disposal facilities. The containment area shall be dewatered within 24 hours by being disposed of in an authorized disposal facility.

E. The facility shall have security to prevent unauthorized access. Access shall be secured by a 24-hour attendant, a fence and locked gate when unattended, or a key-controlled access system. For a facility without a 24-hour attendant, fencing shall be required unless terrain or vegetation prevents truck access except through entrances with lockable gates.

F. Each storage tank shall be equipped with a device (visual gauge or alarm) to alert drivers when each tank is within 130 barrels from being full.

G. Operators of commercial oil and gas waste disposal facilities must comply with Statewide Rule 56 in regard to the reporting of skim oil on Form P-18.

11. The permit number shall be 13688.

Provided further that, should it be determined that such injection fluid is not confined to the approved interval, then the permission given herein is suspended and the disposal operation must be stopped until the fluid migration from such interval is eliminated. Failure to comply with all of the conditions of this permit may result in the operator being referred to enforcement to consider assessment of administrative penalties and/or the cancellation of the permit.

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 18th day of June, 2013.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN BARRY T. SMITHERMAN

COMMISSIONER DAVID PORTER

COMMISSIONER CHRISTI CRADDICK

ATTEST:

SECRETARY