



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0281168

THE APPLICATION OF MCDONNOLD OPERATING, INC. FOR COMMERCIAL DISPOSAL AUTHORITY PURSUANT TO STATEWIDE RULE 9 FOR THE SHAW SWD LEASE, WELL NO. 1, SPEARY (WILCOX 9400) FIELD, KARNES COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
 Michael Crnich - Legal Examiner

PFD PREPARED BY: Richard D. Atkins, P.E. - Technical Examiner

APPEARANCES:

REPRESENTING:

APPLICANT:

George C. Neale
Greg Cloud
Craig M. McDonnold
Richard Parker

McDonnold Operating, Inc.

PROTESTANTS:

Will Jones
Gregory M. Klipp
Blake Steward

Stingray Wells, LLC

Don Rhodes

BES Environmental Services, Inc.

PROCEDURAL HISTORY

Application Filed:	October 11, 2012
Protest Received:	October 16, 2012
Request for Hearing:	February 19, 2013
Notice of Hearing:	March 8, 2013
Hearing Held:	April 29, 2013
Transcript Received:	May 7, 2013
Proposal for Decision Issued:	November 1, 2013

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

McDonnold Operating, Inc. ("McDonnold") requests commercial disposal authority pursuant to Statewide Rule 9 for the Shaw SWD Lease, Well No. 1, Speary (Wilcox 9400) Field, Karnes County, Texas.

Notice of the application was published in the *Karnes Countywide*, a newspaper of general circulation in Karnes County, on October 3, 2012. Notice of the application was sent to the Karnes County Clerk, offset operators within 1/2 mile and to the surface owners of the disposal tract and each tract which adjoins the disposal tract on October 2, 2012.

The application was determined to be administratively complete by Commission staff, but is protested by Stingray Wells, LLC ("Stingray") and BES Environmental Services, Inc. ("BES"). Both companies operate a commercial disposal facility located approximately one-half mile to the north and east of the proposed disposal well, respectively.

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

The subject well has not yet been drilled, but will be located on an 8 acre tract which is part of a larger 29 acre tract that is adjacent to and west of State Highway 72. The tract is located in a rural area approximately one mile southwest of the town of Runge, Texas. McDonnold plans to drill a new injection well down to 7,100 feet. The well will have 9 5/8" surface casing set at 810 feet that will be cemented to the surface with 350 sacks of cement. McDonnold proposes to run 7" production casing to 7,000 feet that will be cemented up to the surface with 1,200 sacks of cement. The well will be equipped with 3 1/2" tubing and packer set at 5,950 feet (See attached McDonnold - Wellbore Diagram).

The proposed disposal interval is the Upper Wilcox formation between 6,000 feet and 7,000 feet. The disposal interval is used for disposal in other area wells and is continuous and suitable for disposal, with over 600 feet of porous sand. In addition, there is over 1,000 feet of impermeable shale above the proposed disposal interval, which will serve to prevent the migration of injected fluids out of the disposal interval. McDonnold requests authority to dispose of a maximum of 20,000 barrels of saltwater and RCRA¹ exempt waste per day with a maximum surface injection pressure of 3,000 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 groundwater be protected down to a depth of 800 feet below the land surface. The base of the Useable Source of Drinking Water ("USDW") is at 2,100 feet. McDonnold submitted a GAU letter dated October 3, 2012, which stated that injection into the proposed disposal interval will not endanger the freshwater strata in the area. There are one producing and two shut-in wells located within the 1/4 mile radius of review and there are three producing, one plugged and two commercial disposal wells located within the 1/2 mile radius of review. All of the producing wells are operated by Talisman Energy USA, Inc. or Finley Resources, Inc. and the two commercial disposal wells inject into the Upper Wilcox formation. All of the producing, shut-in and plugged wells are completed below the Upper Wilcox formation and are cased and cemented to protect usable-quality groundwater.

The proposed disposal facility is located in the eastern portion of Karnes County. The Eagle Ford formation development core area encompasses Karnes County and the two adjoining counties of De Witt and Gonzales. McDonnold submitted a RRC map dated April 15, 2013, that showed that in the Eagle Ford trend there were 5,484 drilling permits and 3,138 oil wells and 1,277 gas wells carried on the proration schedules. McDonnold also submitted an area map depicting approximately four hundred permitted or drilled Eagle Ford formation horizontal drainhole wells in the area of the proposed disposal well. McDonnold opined that the Eagle Ford formation trend wells will produce significant volumes of frac and produced water.

The Operations Manager for DCW Transport Company ("DCW") believes that additional disposal facilities are necessary to accommodate the Eagle Ford formation development that is ongoing in Karnes County. DCW currently operates 28 saltwater hauling trucks within a 100 mile radius of the town of Runge and is having difficulty disposing of produced saltwater in the area. The two disposal facilities that are approximately one-half mile from the proposed facility have poor truck access and, when the existing facilities in the area are full, DCW's trucks have to make a 50 mile one way trip to another facility. The Operations Manager stated that their trucks are experiencing wait times at the other disposal facilities in the area and contends that the use of the proposed disposal well will reduce travel time and miles traveled by its waste hauling trucks, resulting in reduced costs to operators.

The Facility

The area surrounding the proposed disposal facility is rural farm and ranch land. Access to the disposal facility will be off of State Highway 72, which is a paved two lane public highway with shoulders on both sides. At an average injection rate of 12,000 BWPD, there will be approximately 90 trucks per day accessing the facility and there is over 1/4 of a mile of site distance in both directions off of State Highway 72. The facility can accommodate many trucks at any one time and is of sufficient size to allow trucks access without having to wait on the highway. The facility will be manned 24 hours per

day, have a firewall built around the entire facility and have high water level switches to prevent the tanks from overflowing onto the ground. In addition, the surface facility will comply with all of the permit conditions requested by the Commission staff.

McDonnold submits that it has the expertise to build and manage the proposed facility, as it currently operates other disposal facilities in Texas. McDonnold has a current approved Form P-5 (Organization Report), a \$50,000 bond for financial assurance and no pending Commission enforcement actions.

Protestants' Evidence

The application is protested by Stingray and BES. Each company operates a commercial disposal facility located approximately one-half mile to the north and east of the proposed disposal well, respectively. The Protestants believe that the application for the proposed commercial disposal well and facility should be denied. Collectively, the Protestants' concerns fell into two general categories; 1) the additional truck traffic that would affect people in the area; and 2) the lack of industry need for another disposal facility in the area. Stingray stated that its facility had additional disposal capacity, as it was only disposing of between 1,600 and 2,300 barrels of saltwater per day. BES stated that it had just placed its disposal facility into operation and was not turning down any trucks that needed to unload for disposal. Both companies felt that the existing disposal facilities could handle the current demand.

EXAMINERS' OPINION

The examiners recommend that the application for commercial disposal authority pursuant to Statewide Rule 9 for the Shaw SWD Lease, Well No. 1, be approved. McDonnold has established:

1. The water resources (surface and sub-surface) 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;
4. A satisfactory showing of financial responsibility, as required under Texas Statutes and Commission Rules.

The proposed disposal well will be completed in a manner which will protect useable-quality water resources and will confine the injected fluids to the disposal interval. The proposed disposal well will have cement behind the production casing up to the surface and injection will be through tubing set on a packer to confine injected fluids to the Upper Wilcox formation. The disposal interval is used for disposal in other area wells and

is continuous and suitable for disposal, with over 600 feet of porous sand. In addition, there is over 1,000 feet of impermeable shale above the proposed disposal interval, which will serve to prevent the migration of injected fluids out of the disposal interval. All of the producing, shut-in and plugged wells within a 1/2 mile radius of the proposed disposal well are completed below the Upper Wilcox formation and are cased and cemented to protect usable-quality groundwater.

Approval of the application is in the public interest. The proposed disposal facility is located in the eastern portion of Karnes County. The Eagle Ford formation development core area encompasses Karnes County and the two adjoining counties of De Witt and Gonzales. A RRC map dated April 15, 2013, shows that in the Eagle Ford trend there were 5,484 drilling permits and 3,138 oil wells and 1,277 gas wells carried on the proration schedules. An area map depicts approximately four hundred permitted or drilled Eagle Ford formation horizontal drainhole wells in the area of the proposed disposal well and the Eagle Ford formation trend wells will produce significant volumes of frac and produced water.

Additional disposal facilities are necessary to accommodate the Eagle Ford formation development that is ongoing in Karnes County. DCW currently operates 28 saltwater hauling trucks within a 100 mile radius of the town of Runge and is having difficulty disposing of produced saltwater in the area. The two disposal facilities that are approximately one-half mile from the proposed facility have poor truck access and, when the existing facilities in the area are full, DCW's trucks have to make a 50 mile one way trip to another facility. The Operations Manager stated that their trucks are experiencing wait times at the other disposal facilities in the area and contends that the use of the proposed disposal well will reduce travel time and miles traveled by its waste hauling trucks, resulting in reduced costs to operators.

The area surrounding the proposed disposal facility is rural farming and ranching land. Access to the proposed disposal facility will be off of State Highway 72, which is a paved two lane public highway with shoulders on both sides. There is over 1/4 of a mile of site distance in both directions off of State Highway 72. The surface facility will be newly constructed and is of sufficient size to accommodate trucks hauling water to the facility without having to wait on the highway. 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 ground and surface water.

FINDINGS OF FACT

1. Notice of the application and hearing was provided to all persons entitled to notice. Notice of the application was published in the *Karnes Countywide*, a newspaper of general circulation in Karnes County, on October 3, 2012.
2. Notice of the application was sent to the Karnes County Clerk, offset operators within 1/2 mile and to the surface owners of the disposal tract and each tract which adjoins the disposal tract on October 2, 2012.

3. The proposed injection into the Shaw SWD Lease, Well No. 1, will not endanger useable quality water.
 - a. The Commission Groundwater Advisory Unit recommends that usable-quality groundwater be protected down to a depth of 800 feet below the land surface.
 - b. The base of the Useable Source of Drinking Water is at 2,100 feet.
 - c. The well will have 9 5/8" surface casing set at 810 feet that will be cemented to the surface with 350 sacks of cement.
 - d. There are one producing and two shut-in wells located within the 1/4 mile radius of review and there are three producing, one plugged and two commercial disposal wells located within the 1/2 mile radius of review. All of the producing, shut-in and plugged wells are completed below the Upper Wilcox formation and are cased and cemented to protect usable-quality groundwater.
4. The proposed injection into the Shaw SWD Lease, Well No. 1, will not endanger production from other oil, gas or mineral bearing formations.
 - a. McDonnold Operating, Inc. ("McDonnold") plans to drill a new disposal well down to 7,100 feet.
 - b. McDonnold proposes to run 7" production casing to 7,000 feet that will be cemented up to the surface with 1,200 sacks of cement.
 - c. The well will be equipped with 3 1/2" tubing and packer set at 5,950 feet.
 - d. The disposal interval is used for disposal in other area wells and is continuous and suitable for disposal, with over 600 feet of porous sand.
 - e. There is over 1,000 feet of impermeable shale above the proposed disposal interval, which will serve to prevent the migration of injected fluids out of the disposal interval.
5. Use of the Shaw SWD Lease, Well No. 1, as a 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 disposal facility is located in the eastern portion of Karnes County and the Eagle Ford formation development core area encompasses Karnes County and the two adjoining counties of De Witt and Gonzales.
 - b. A RRC map dated April 15, 2013, shows that in the Eagle Ford trend there were 5,484 drilling permits and 3,138 oil wells and 1,277 gas wells carried on the proration schedules.
 - c. An area map depicts approximately four hundred permitted or drilled Eagle Ford formation horizontal drainhole wells in the area of the proposed disposal well.
 - d. The Eagle Ford formation trend wells will produce significant volumes of frac and produced water.
 - e. Additional disposal facilities are necessary to accommodate the Eagle Ford formation development that is ongoing in Karnes County.
 - f. DCW Transport Company ("DCW") currently operates 28 saltwater hauling trucks within a 100 mile radius of the town of Runge and is having difficulty disposing of produced saltwater in the area.
 - g. The two disposal facilities that are approximately one-half mile from the proposed facility have poor truck access and, when the existing facilities in the area are full, DCW's trucks have to make a 50 mile one way trip to another facility.
 - f. DCW's trucks are experiencing wait times at the other disposal facilities in the area and the use of the proposed disposal well will reduce travel time and miles traveled by waste hauling trucks, resulting in reduced costs to operators.
6. McDonnold has a current approved Form P-5 (Organization Report), a \$50,000 bond for financial assurance and no pending Commission enforcement actions.

CONCLUSIONS OF LAW

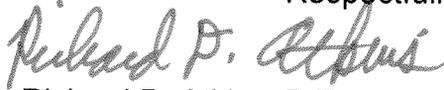
1. Proper notice was issued in accordance with the applicable statutory and regulatory requirements.
2. All things necessary to give the Railroad Commission jurisdiction to consider this matter have occurred.

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 Karnes County and is in the public interest pursuant to Sec. 27.051 of the Texas Water Code.
4. McDonnold Operating, Inc. 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 9.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the application of McDonnold Operating, Inc. for commercial disposal authority pursuant to Statewide Rule 9 for the Shaw SWD Lease, Well No. 1, be approved, as set out in the attached Final Order.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Michael Crnich
Legal Examiner

McDonnold Operating, Inc.
Proposed Shaw SWD No. 1

