

OIL AND GAS DOCKET NO. 09-0248371

THE APPLICATION OF WINSTON LAND & CATTLE I, LTD. TO INJECT FLUID INTO A RESERVOIR NOT PRODUCTIVE OF OIL OR GAS, PARKER SALTY LEASE WELL NO. 1, NEWARK, EAST (BARNETT SHALE) FIELD, PARKER COUNTY, TEXAS

HEARD BY: Donna K. Chandler, Technical Examiner
James M. Doherty, Hearings Examiner

APPEARANCES:

APPLICANT:

Stephen Fenoglio
Kerry Pollard
Joe Gonzalez
Dustin Bailey

REPRESENTING:

Winston Land & Cattle I, LTD

PROTESTANTS:

Mr. and Mrs. Jerry Simmons Themselves

Mr. and Mrs. John Imperiale Themselves

PROCEDURAL HISTORY

Application Filed:	July 3, 2006
Request for Hearing:	July 18, 2006
Notice of Hearing:	August 3, 2006
Date of Hearing:	September 25, 2006
Transcript Received:	October 2, 2006
Proposal For Decision Issued:	October 23, 2006

EXAMINERS' REPORT AND PROPOSAL FOR DECISION

STATEMENT OF THE CASE

Winston Land & Cattle I, Ltd. ("Winston") requests authority pursuant to Statewide Rule 9 to operate Well No. 1 on its Parker Salty Lease in Parker County as a commercial

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

DISCUSSION OF THE EVIDENCE

Applicant's Evidence

The subject well has not yet been drilled but a permit to drill was issued by the Commission on May 4, 2006. It is proposed that the well be drilled through the Ellenburger to a maximum depth of 10,000 feet. It is proposed that the well have 1,000 feet of 9⁵/₈" surface casing with cement circulated from the casing shoe to the ground surface, and 7" casing set at the base of the Ellenburger, estimated to occur no deeper than 10,000 feet. The top of cement behind the longstring casing is estimated to be 5,900 feet. (See Winston Exh. No. 12 Wellbore Diagram attachment). The Texas Commission on Environmental Quality recommends that usable-quality ground water be protected to a depth 20 feet below the base of the Cretaceous-age beds, which is expected to occur at 550 feet. TCEQ therefore recommends that surface casing be set no higher than 570 feet.

The proposed injection will be through 3¹/₂" tubing set on a packer at approximately 6,700 feet, but no higher than 100 feet above the top of the injection interval. The proposed injection interval is the Ellenburger formation, the top of which is expected to occur at about 6,800 feet. The proposed injection interval is between 6,800 and 10,000 feet. This estimated depth of the Ellenburger is based on the log of the Mitchell Energy Corporation - G. J. Lavender No. 3 well. This well is approximately 4 miles to the northwest of the proposed well and is the closest well which penetrated the Ellenburger. In the Lavender No. 3, the top of the Ellenburger is at 6,730 feet and the top of the Barnett Shale is at 6,360 feet. The proposed maximum injection volume is 25,000 BWPD, with an estimated average of 20,000 BWPD. The proposed maximum injection pressure is 3,400 psig.

There are no oil or gas wellbores within a ¼ mile radius of the proposed disposal well. However, there are eight water wells within a ½ mile radius of the proposed disposal well. The depths of these water wells range from 140 feet to 254 feet. The surface casing recommended by the TCEQ will protect these water wells. Also within a ½ mile radius, there are six wellbores, four of which are properly plugged. None of the six wells penetrated the Ellenburger.

Winston plans to use the well to dispose of produced water and frac water generated as a result of the active and ongoing development of the Barnett Shale in this area. Winston believes that additional disposal facilities are necessary to accommodate the active drilling. In Parker County alone, the number of producing wells has increased from less than 20 wells in 2003 to over 200 wells currently. Winston operates five commercial facilities currently, two of which are in Johnson County, adjacent to Parker County. At its Johnson County facilities, wait time is sometimes several hours for trucks to unload. Winston submitted letters from five trucking companies which operate a total of over 120 trucks. The letters indicate that these companies have a need for additional disposal

facilities in the area.

Winston has an active P-5 on file with the Commission, with \$25,000 financial assurance. There are no pending enforcement actions against Winston.

Notice of the subject application was published in *The Springtown Epigraph*, a newspaper of general circulation in Parker County, on June 14, 2006. A copy of the application was mailed on June 29, 2006 to the Parker County Clerk's Office and the offsetting surface owners and operators within ½ mile of the proposed well. Winston owns the surface of the 10 acre tract on which the well is proposed.

Protestants' Evidence

Mr. and Mrs. Simmons own property adjoining the Winston tract to the east. The Simmons' have concerns about whether the facility can be safely operated and whether there will be adequate security to restrict access to the facility, i.e., whether children will be able to enter the facility. They also have concerns about possible run-off of fluids from the disposal site to a nearby creek and stock tank. The Simmons' believe that the site for the facility is unsuitable due to the close proximity of several homes and a busy FM highway. They also feel that the presence of the facility will decrease their property value. Mr. and Mrs. Simmons have leased the mineral rights under their property.

Mr. and Mrs. Imperiale own property adjoining the site to the north and have five tenants who live on the property. The Imperiales are concerned about traffic safety due to the increased number of trucks on the road going to the facility. They are also concerned that noise from the facility will cause their tenants to move. They submitted a list of several other nearby residents who object to the proposed disposal well. The Imperiales do not own the mineral rights beneath their property.

EXAMINERS' OPINION

The examiners believe that this application should be approved. The Parker Salty No. 1 will be completed in a manner which will confine disposal fluids to the proposed disposal interval in the Ellenburger. Surface casing will be set and cemented through the base of usable quality water. The longstring production casing will also be cemented up through the top of the Barnett Shale to prevent migration from the injection interval. There are no oil or gas wells within the one-quarter mile radius of review and the water wells in the area will be protected by surface casing as recommended by the TCEQ.

Approval of the requested permit is in the public interest given the number of wells being drilled to the Barnett Shale in the area. With the large fracture treatments necessary to stimulate production of the Barnett Shale and the accompanying produced frac water, sufficient commercial disposal facilities like the proposed well are needed. Winston has commercial disposal facilities in Johnson County at which waiting time for trucks to unload is often several hours.

The Commission does not have jurisdiction over issues regarding traffic safety and property values. These concerns raised by protestants must be addressed in another forum. The requirements in the recommended commercial disposal permit address concerns as to security and the surface handling of fluids. The evidence indicates that the operation of the subject disposal well and facility will not adversely impact any surface or subsurface useable quality water.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten (10) days prior to the hearing. Notice of the application was published in *The Springtown Epigraph*, a newspaper of general circulation in Parker County, on June 14, 2006.
2. The Parker Salty No. 1 has not been drilled. Winston Land & Cattle I, Ltd. plans to drill the well to a maximum depth of approximately 10,000 feet. The top of the Ellenburger is expected to occur at approximately 6,800 feet.
3. The maximum requested injection volume is 25,000 barrels of water per day and the maximum requested surface injection pressure is 3,400 psi. The requested disposal interval is the Ellenburger formation between approximately 6,800 and 10,000 feet.
4. The Parker Salty No. 1 will be cased and cemented in a manner to protect usable quality water and injection will be confined to the injection interval.
 - a. The subject well will have 1,000 feet of 9⁵/₈" surface casing cemented to surface.
 - b. The subject well will have approximately 10,000 feet of 7" casing with top of cement at approximately 5,900 feet, which is above the top of the Barnett Shale.
 - c. Injection will be through tubing set on a packer no higher than 100 feet above the top of the injection interval.
 - d. The Texas Commission on Environmental Quality recommends that usable-quality water be protected to 570 feet in the area of the proposed well.
5. There are no wellbores within one-quarter mile of the proposed disposal well.
6. Due to active development of the Barnett Shale in this area, large quantities of produced water must be disposed of. Use of the Parker Salty No. 1 Well as a commercial disposal well is in the public interest to promote this development by providing a safe means of disposal of the fluids associated with production.
7. Winston Land & Cattle I, Ltd. has an active P-5 on file with the Commission, with

\$25,000 financial assurance.

CONCLUSIONS OF LAW

1. Proper notice was issued in accordance with the applicable statutory and regulatory requirements.
2. All things have occurred to give the Railroad Commission jurisdiction to consider this matter.
3. The use or installation of the proposed injection well is in the public interest.
4. The use or installation of the proposed injection well will not endanger or injure any oil, gas, or other mineral formation.
5. With proper safeguards, as provided by terms and conditions in the attached final order which are incorporated herein by reference, both ground and surface fresh water can be adequately protected from pollution.
6. Winston Land & Cattle I, Ltd. has made a satisfactory showing of financial responsibility to the extent required by Section 27.073 of the Texas Water Code.
7. Winston Land & Cattle I, Ltd. has met its burden of proof and satisfied 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 and conclusions, the examiners recommend that the application be approved as set out in the attached Final Order.

Respectfully submitted,

Donna K. Chandler
Technical Examiner

James M. Doherty
Hearings Examiner