MICHAEL L. WILLIAMS, CHAIRMAN
ELIZABETH A. JONES, COMMISSIONER
DAVID PORTER, COMMISSIONER

LINDIL C. FOWLER, JR., GENERAL COUNSEL
COLIN K. LINEBERRY, DIRECTOR
HEARINGS SECTION

RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

January 14, 2011

Re: **OIL AND GAS DOCKET NO. 08-0264011;** THE APPLICATION OF MONTANE INDUSTRIES, L.L.C. FOR A COMMERCIAL PERMIT FOR A BRINE MECHANICAL EVAPORATION DISPOSAL AND SALT RECYCLING FACILITY FOR THE REEVES UNIT NO. 1-408, STATIONARY TREATMENT FACILITY (STF) 026, PIT NOS. 011541A, 011541B, 011541C, 011541D & 011541E, REEVES COUNTY, TEXAS; **FINAL ORDER**

To the Parties:

The Railroad Commission of Texas has acted upon the above-referenced case. Please refer to the attached Final Order for the terms and date of such action.

This order will not be final and effective until at least 23 days after the date of this letter. If a Motion for Rehearing is timely filed, this order will not be final and effective until such Motion is overruled. A Motion for Rehearing should state the reasons you believe a rehearing should be granted, including any errors that you believe exist in the Commission's order. If the Motion is granted, the order will be set aside and the case will be subject to further action by the Commission at that time or at a later date.

To be timely, a Motion for Rehearing must be received by the Commission's Docket Services (see letterhead address) no later than 5:00 p.m. on the 20th day after you are notified of the entry of this order. You will be presumed to have been notified of this order three days after the date of this letter. This deadline cannot be extended by the Examiners. Fax transmissions will not be accepted without prior approval from the hearings examiner. **ORIGINAL PLUS THIRTEEN** copies of the Motion for Rehearing shall be submitted to the hearings examiner. **PLEASE DO NOT STAPLE COPIES.** One copy must be sent to each party. **In addition, if practicable, parties are requested to provide the examiners with a copy of the Motion for Rehearing on a diskette in Word or WordPerfect format. The diskette should be labeled with the docket number, the title of the document, and the format of the document.**

Sincerely,

Andrew J. Trevino (krj)

Andres J. Trevino
Technical Examiner
Office of General Counsel

AJT/krj
Attachment

cc:
Midland District Office - 08
Compliance Analyst - 08
Gil Bujano- RRC, Austin
Ramon Fernandez- RRC, Austin
Jill Hybner - RRC, Austin

Marcus Johnson
1220 N Main St Ste 200
Fort Worth TX 76164

Ryan Clark
109 S Oakland St
Denton TX 76201

Dennis Hudgens
1220 N Main St Ste 200
Fort Worth TX 76164

Sharon Gehle
7725 Partridge Drive
Watauga TX 76148

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET
NO. 08-0264011

FINAL ORDER
APPROVING THE APPLICATION OF MONTANE INDUSTRIES, L.L.C.
TO MAINTAIN AND USE A COMMERCIAL PRODUCED BRINE WATER
EVAPORATION DISPOSAL AND SALT RECYCLING FACILITY
WITH FIVE COMMERCIAL DISPOSAL PITS
REEVES UNIT NO. 1-408 FACILITY, REEVES COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on February 18, 2010, 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 the application of Montane Industries, L.L.C. to operate a commercial brine mechanical evaporation disposal and salt recycling facility and maintain and use five commercial processing pits at its Reeves Unit No. 1-408 Facility, is hereby **GRANTED** in accordance with the attached permits.

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 13th day of January, 2011

RAILROAD COMMISSION OF TEXAS

Chairman Michael L. Williams

Commissioner Elizabeth A. Jones

Commissioner David Porter

ATTEST:

Commercial Produced Water Evaporation Disposal and Salt Recycling Permit No. STF-026 Including Pit Permit Nos. P011541A, P011541B, P011541C, P011541D and P011541E

MONTANE INDUSTRIES, LLC
1220 NORTH MAIN STREET STE 200
FORT WORTH TX 76164

Based on information contained in the application received March 31, 2009, amended application received on July 13, 2009, and subsequent information received to date, this permit hereby authorizes the permittee to receive, store, handle and treat produced water, and recycle the resultant salt for industrial use as specified below at the following facility:

Reeves Unit No. 1-408 Facility – 9.0 Acres
Section 75, Block 4 of the H. & G.N. R.R. Co. Survey
Reeves County, Texas
RRC District 08

This permit grants the operator authority to receive, store, handle, treat, and recycle certain nonhazardous oil and gas wastes in accordance with 16 TAC Chapter 4, Subchapter B, and Rule 8 subject to the following minimum conditions.

I. GENERAL PERMIT CONDITIONS

A. The effective date of this permit is January 13, 2011.

B. The authority granted by this permit expires on January 13, 2016

C. No waste may be received at the referenced facility until financial security required by Rule 78 in the amount of $790,497.00 is provided to and approved by the Commission.

D. No waste may be received at the referenced facility until the restrictive covenant, approved by the Commission on December 4, 2009, is filed in the real property records of Reeves County and a copy provided to and approved by Technical Permitting.

E. The Permittee must notify Technical Permitting in Austin and the Midland District Office in writing when construction of the facility is initiated.

F. The Permittee must notify Technical Permitting in Austin and the Midland District Office upon final completion of construction. No waste may be received at the facility until the Midland District Office has performed its inspection of the completed facility and has verified that the facility is constructed in accordance with the application and this permit.

G. Prior to receiving waste at the facility, a minimum of one soil grab sample, obtained at a depth horizon of 0 to 6 inches, shall be taken from at or near the midpoint of each exterior side of the salt drift fence. Each of the four samples must be analyzed for

electrical conductivity (saturated paste method), and the results submitted to Technical Permitting in Austin and the Midland District Office.

H. The permittee must submit a request for administrative renewal of the permit at least 60 days prior to the permit expiration date. The Commission may consider this permit for administrative renewal upon review.

I. The permittee shall submit a Semiannual Report containing the applicable information required in Condition III.C., of this permit.

The first Semiannual Report shall cover the period beginning on January 13, 2011, and ending June 31, 2011. The reporting periods shall thenceforth be July 1 through December 31, and January 1 through June 30 of each year.

The Semiannual Reports shall be submitted to Technical Permitting in Austin no later than the 31st day of the month following each reporting period, or each July 31 and each January 31, respectively.

J. This permit is not transferable without the consent of the Commission. Any request for transfer of this permit must be filed with Technical Permitting in Austin at least 60 days before the permittee wishes the transfer to take place.

K. This permit does not authorize the discharge from the facility of any oil and gas waste, including contaminated storm water.

L. Material Safety Data Sheets must be submitted to the Technical Permitting in Austin for any proposed chemical to be used in the treatment of waste at the facility. Use of the chemical is contingent upon Commission approval.

M. Any soil, media, or other debris contaminated by a spill of waste or any other materials at the facility shall be promptly cleaned up and disposed of in an authorized manner.

N. The permittee shall make all records required by this permit available for review and/or copying during normal business hours upon request of Commission personnel.

O. The permittee shall post a sign at the facility entrance, which shall show the permit numbers in numerals at least one inch in height. In addition, a sign shall be posted at each pit that shall show the permit number in numerals at least one inch in height.

P. All laboratory analyses required to be performed by this permit shall be performed by an independent laboratory neither owned nor operated by the permittee.

Q. Failure to comply with any provision of this permit shall be cause for modification, suspension or termination of this permit. This permit may be canceled if Technical Permitting determines that the facility is in violation of the conditions of this permit or if operation of the facility is causing or allowing pollution of surface or subsurface water.

II. AUTHORIZED WASTES

A. Only nonhazardous oil and gas wastes subject to the jurisdiction of the Railroad Commission of Texas and exempt from RCRA, Subtitle C may be received at the facility. The permittee may receive, store, handle, treat and process only the following non-hazardous, oil and gas wastes: produced water from oil and gas production.

B. No oil and gas NORM (naturally occurring radioactive material) waste as defined in 16 TAC §4.603 or waste from a facility that is licensed by the Texas Department of State Health Services to process or treat oil and gas NORM waste may be received at this facility.

III. RECORD KEEPING REQUIREMENTS

A. WASTE RECEIVED

1. The Permittee shall maintain the following records of each load of waste received at the facility for a period of three (3) years from the date of receipt:
   a. Date waste is received;
   b. Name of the generator;
   c. Name of the waste hauler;
   d. Lease Name, Lease Number or Gas I.D. Number and Well Number, or API Number where the produced water was generated; and,
   e. Volume of each load of produced water delivered to the facility.

B. RECYCLED PRODUCT

1. The Permittee shall maintain the following records of each load of salt removed from the facility for a period of three (3) years from the date of removal:
   a. Date the salt is removed from site;
   b. Volume of each load of salt removed from the facility;
   c. Name and company that received salt;
   d. Location of company that received salt; and,
   e. Future use of salt.

C. SOIL MONITORING

1. The Permitee shall conduct soil analyses, at a depth horizon of 0 to 6 inches, at or near each of the sampling locations utilized in Condition I.G. semi-annually over

the duration of the permit for the following parameter: electrical conductivity (saturated paste method).

2. The Permitee shall maintain the soil analyses for a period of three (3) years from the date on which they were taken.

D. A copy of the records required in Permit Condition No. III., must be submitted to Technical Permitting in Austin as part of the Semiannual Report required in Condition No. I.I. of this permit. If no waste was stored, handled, treated or removed within a reporting period, a written statement indicating that no waste was stored, handled, treated or re-used must be submitted to Technical Permitting in Austin as part of the Semiannual Report required in Condition No. I.I. of this permit.

IV. GENERAL FACILITY DESIGN

A. The general layout and arrangement of the facility shall be consistent with the facility diagram received November 25, 2009, which is attached to and incorporated as part of this permit as **Permit Appendices A, B and C**.

B. Prior to beginning operations, berms shall be placed around all pits as shown on **Permit Appendix-A**. Berms shall be constructed and maintained to a minimum height of 8 feet. The berm must be constructed in such a manner to prevent the run-on of stormwater into the pits.

C. The facility will utilize four above ground storage tanks (one 500-bbl gunbarrel, two 500-bbl settling tanks, and one 300-bbl oil storage tank), three settling pits (P011541A, P011541B and P011541C), two mechanical evaporators, two evaporation/salt collection pits P011541D and P011541E), and a salt staging area.

D. A salt drift fence a minimum height of at least 15 feet shall be fixed on top of the entire berm to a minimum total height of 23 feet (8' berm + 15' salt drift fence) above the level of the top of the pit.

E. No more than one mechanical evaporator may be located on the southwestern edge of each of the two evaporation pits as shown on **Permit Appendix-C**. Each of the mechanical evaporators must consists of Turbomist Evaporators (turbomisters) as represented in the application. The turbomisters shall be orientated to blow along the northeast axis of the evaporation pits at an angle with the ground surface of not greater than nine degrees.

F. The evaporation pits must be equipped with a sump, pump and piping to return any accumulated fluids in the evaporation pits back to the settling pits.

G. Any chemical used in the treatment process shall be stored in vessels designed for the safe storage of the particular chemical and these vessels shall be maintained in a leak free condition.

H. Prior to beginning operations the facility shall have security to prevent unauthorized access. A chain link fence shall surround the entire property. Access shall be secured by a locked gate when the facility is unattended and by a security guard when attended. Only employees of the permittee may have a key to the lock.

V. OPERATION AND CONSTRUCTION

A. OPERATION

1. All incoming produced water must be unloaded directly into the 500-barrel gunbarrel and then piped to a series of 2-500 barrel above ground settling tanks. The produced water must then be piped to one of the three settling pits covered under Pit Permit Nos. P011541A, P011541B and P011541C. Produced water in the settling pits must be piped to one of two turbomisters to assist in the evaporation of the produced water. Any produced water not evaporated must drop into one of two evaporation pits covered under Pit Permit Nos. P011541D and P011541E. All produced water in the evaporation pits must be piped back to one of the three settling pits or turbomister. Any salt accumulated in the evaporation pits covered under Pit Permit Nos. P011541D and P011541E must be removed and temporarily stored on the salt staging area prior to recycling.

2. Montane representative must be on-site 24 hours a day, seven days a week when turbomisters are operating to continually monitor wind direction and evaporators.

3. The turbomisters must be immediately shut down when wind conditions are such that spray from the evaporators moves beyond the salt drift fence.

4. Produced water delivered by vacuum truck or flow line must be run through the gun-barrel and settling tanks prior to discharging into the settling pits (P011541A, P011541B and P011541C).

5. The three settling pits must be connected by weirs and piping to allow any of the three settling pits to be taken out of services at any time for maintenance and/or repair while the other two pits remain operational. The weirs must also allow for any additional skimming of oil from the fluids in the pit.

6. No oil may be allowed to accumulate on top to the water stored in the pits. Any oil on top of the water must be skimmed off.

7. Salt and residual solid precipitated by use of the mechanical evaporators shall be collected in the evaporation/storage pits (P011541D and P011541E). Any produced water in the evaporation pits must be pumped back to the settling pits and/or back to the turbomisters.

8. Salt must be removed from each evaporation pit in such a manner as to not damage the liner. A cover layer of 12-inches of salt be maintained over the liner to protect the liner.

B. SETTLING PITS (P011541A, P011541B & P011541C)

1. Each settling pit must have dimensions of approximately 110 feet by 71 feet with a depth of 15 feet consistent with the facility diagram received November 25, 2009, which is attached to and incorporated as part of this permit as **Permit Appendices A and B**.

2. Use of each pit is limited to the collection of produced water. No other oil field fluids or oil and gas wastes may be stored or disposed of in the pit.

3. The capacity of each settling pit may not exceed 14,531 barrels.

4. At least 2 feet of freeboard must be maintained between the fluid level in each pit and the top of the pit.

5. Each pit must be lined with a high density polyethylene primary liner with a thickness of at least 60 mils and a high density polyethylene secondary liner with a thickness of at least 30 mils.

6. The liners must be installed in accordance with the liner manufacturer's specifications and sound engineering practices.

7. Each pit must be equipped with a leak detection system including a 200 mil high density polyethylene drainage net between the liners and a collection system to collect and return any leakage from the primary liner to the pit. The leak detection system must be monitored at least monthly.

8. If the leak detection system indicates liner failure, the Midland District Office must be notified of that fact within 24 hours of detection of liner failure.

9. If a liner system failure is detected, the affected component must be inspected for deterioration and leaks within 10 days of detection of liner failure. After inspection, the affected component must be replaced or repaired before use of the pit is resumed.

10. The permittee must maintain a record of when the leak detection system and the liner of each pit is inspected and the results of each inspection. This record must be maintained by the permittee for the life of the liners, and, upon request of the Commission, the record shall be filed with the Commission.

11. Unless otherwise required by conditions of this permit, construction, use, and maintenance of each pit shall be in accordance with the information represented on the applications (Form H-11) and attachments thereto.

12. Each pit must be dewatered, emptied, backfilled, and compacted within 120 days of final cessation of use of the pit. Final closure of the pit must be accomplished in such a manner that rainfall will not collect at the pit location after pit closure. Upon final closure, the Midland District Office and Technical Permitting in Austin shall be notified in writing.

C. EVAPORATION/SALT COLLECTION PITS (P011541D and P011541E)

1. Each evaporation pit must have dimensions of approximately 350 feet by 117 feet with a maximum depth of five feet consistent with the facility diagram received November 25, 2009, which is attached to and incorporated as part of this permit as **Permit Appendix – A and C**.

2. Use of each pit is limited to the collection of salt and associated solids precipitated out of the produced water through the use of mechanical evaporators and remaining produced water that is not evaporated. No other oil field fluids or oil and gas wastes may be stored or disposed of in the pit.

3. The capacity of each evaporation pit may not exceed 8,374 barrels.

4. At least 2 feet of freeboard must be maintained between the fluid level in each pit and the top of the pit.

5. Each pit must be lined with a high density polyethylene primary liner with a thickness of at least 60 mils and a high density polyethylene secondary liner with a thickness of at least 30 mils.

6. The liners must be installed in accordance with the liner manufacturer's specifications and sound engineering practices.

7. Each pit must be equipped with a leak detection system including a 200 mil high density polyethylene drainage net between the liners and a collection system to collect and return any leakage from the primary liner to the pit. The leak detection system must be monitored at least monthly.

8. If the leak detection system indicates liner failure, the Midland District Office must be notified of that fact within 24 hours of detection of liner failure.

9. If a liner system failure is detected, the affected component must be inspected for deterioration and leaks within 10 days of detection of liner failure. After inspection, the affected component must be replaced or repaired before use of the pit is resumed.

10. The permittee must maintain a record of when the leak detection system and the liner of each pit is inspected and the results of each inspection. This record must be

maintained by the permittee for the life of the liner, and, upon request of the Commission, the record shall be filed with the Commission.

11. Unless otherwise required by conditions of this permit, construction, use, and maintenance of each pit shall be in accordance with the information represented on the application (Form H-11) and attachments thereto.

12. The pits must be dewatered, emptied, backfilled, and compacted within 120 days of final cessation of use of the pit. Final closure of the pit must be accomplished in such a manner that rainfall will not collect at the pit location after pit closure. Upon final closure, the Midland District Office and Technical Permitting in Austin shall be notified in writing.

D. SALT STAGING AREA

1. The dimensions of the salt staging area may not exceed 144 feet by 255 feet and shall be located consistent with the facility diagram received November 25, 2009, which is attached to and incorporated as part of this permit as **Permit Appendix A.**

2. Salt and associated solids collected from the evaporation pits may be temporarily stored on the salt storage pad for a period of time not to exceed 72 hours.

3. A maximum of approximately 30 tons (approximately 315 barrels or 65 cubic yards) of salt may be temporarily stored on the salt staging area for maximum of 72 hours.

4. The salt staging area must be lined with asphalt a minimum thickness of four inches.

5. The salt staging area must be covered in such a manner that rainfall will not fall on the salt staging area.

VI. FACILITY CLOSURE

A. Each pit must be dewatered, emptied, backfilled, and compacted within 120 days of final cessation of use of each pit. Final closure of each pit must be accomplished in such a manner that rainfall will not collect at the pit location after pit closure. Upon final closure, the District Office shall be notified in writing.

B. All equipment must be removed from the site and berms leveled or removed.

C. The contents of all vessels, tanks and other containers shall be disposed of in an authorized manner.

D. Provisions shall be taken to prevent erosion both during and following closure.

E. Technical Permitting in Austin and the Midland District Office must be notified in writing 45 days prior to commencement of closure activities.