STATE OF LOUISIANA
OFFICE OF CONSERVATION
BATON ROUGE, LOUISIANA

November 15, 2012

CONSERVATION ORDER NO. ENV 2012-03 CFB

Order approving the construction and operation of a commercial exploration and production waste (E&P Waste) fluids injection well disposal facility in Acadia Parish, Site Code 0106, by LA Tank-Branch Limited Liability Company (LA Tank) Operator Code L216, of Lake Charles, Louisiana.

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Pursuant to the power delegated under the laws of the State of Louisiana, and particularly Title 30 of the Louisiana Revised Statutes of 1950 as amended, and as implemented in rules and regulations promulgated by the Commissioner of Conservation, and after a public hearing held under Docket No. ENV 2012-04 in Rayne, Louisiana on July 12, 2012, following legal publication of notice, the following order is issued and promulgated by the Commissioner of Conservation as being reasonably necessary to carry out the provision of the laws of this state.

THE COMMISSIONER OF CONSERVATION FINDS AS FOLLOWS:

1) That notice of intent to file an application for a permit to operate a commercial exploration and production waste (E&P Waste) fluids injection well disposal facility in Acadia Parish was given by LA Tank of Lake Charles, Louisiana in accordance with the provisions of LRS 30:4(I) and LAC 43:XIX.Subpart 1.Chapter 5, by publication in The Advocate, the official journal of the State of Louisiana, and the Rayne Acadian Tribune, the official journal of Acadia Parish.

2) That LA Tank, after thirty (30) day notice as required by LRS 30:4(I) and LAC 43:XIX.Subpart 1.Chapter 5, applied to the Office of Conservation for approval to construct and operate a commercial E&P Waste fluids injection well disposal facility.

3) That the LA Tank facility in question is to be located in Section 86, Township 8 South, Range 2 East, at 5809 Church Point Highway, Rayne, Louisiana, in Acadia Parish.

4) That the application submitted to the Office of Conservation by LA Tank was administratively complete as required by LAC 43:XIX.Subpart 1.Chapter 5, as amended.

5) That a public hearing was held in Rayne, Louisiana on July 12, 2012, after public notice had been given by the Office of Conservation in The Louisiana Register on May 20, 2012 and in The Advocate, and by LA Tank in the Rayne Independent and the Rayne Acadian Tribune in accordance with the provisions of LRS 30:4(I) and LAC 43:XIX.Subpart 1.Chapter 5.

6) That the facility is to be identified as Site Code 0106.

7) That the LA Tank E&P Waste fluids injection well disposal facility, as approved, will be a closed system incorporating the use of above-ground storage tanks.

8) That the LA Tank E&P Waste fluids injection well disposal facility, as proposed and pursuant to the permit application and this Order, will be constructed, completed, equipped, operated and maintained in accordance with the provisions of LAC 43:XIX.Subpart 1, as amended, and particularly LAC 43:XIX.Subpart 1.Chapter 5 in a manner that will prevent endangerment of underground sources of drinking water or damage to sources of oil and gas and will confine injected E&P Waste fluids to an approved subsurface injection interval.

9) That one injection well will be located at Latitude N 30^0 19' 23.89", Longitude W 92^0 16' 08.45". It is identified as the LA Tank-Branch LLC Fee SWD No.1, Serial Number 974297 API No. 17001880920000.

10) That the proposed disposal facility will be a "Type B" facility as defined under LAC 43:XIX.501. The LA Tank facility, as proposed and approved, will dispose of fluid Waste Types 01, 04, 08, 09, 10, 11, 14, 15, 16 and 99.

11) That LA Tank will keep such records and make such reports as required by LAC 43:XIX.Subpart 1, as amended.

12) That LA Tank will submit and maintain evidence of financial responsibility in the appropriate amount for any liability for damages which may be caused to any party by the escape or discharge of any material or waste from the disposal facility.

13) That LA Tank will submit and maintain the appropriate funding in favor of the State of Louisiana, providing for the adequate closure of the disposal facility.

14) That responses to relevant comments received during the comment period are presented in Exhibit "A".

15) That the response to the "IT Decision" questions was timely submitted by the applicant and filed with the Acadia Parish authorities. The Office of Conservation has reviewed the responses and found that the responses were acceptable in support of the application and that the application and "IT" responses indicate that the environment, public health and safety will be protected and that potential impacts, if any, will be minimized in that no waste will be disposed of at the surface of the site and that the appropriate safeguards, such as containment areas, will be in place prior to the operation of the facility.

NOW, THEREFORE, IT IS ORDERED THAT:

1) The proposal of LA Tank to construct and operate a commercial E&P Waste fluids injection well disposal facility in Section 86, Township 8 South, Range 2 East, Acadia Parish, Louisiana, as set forth in the application, is hereby approved.

2) Except as to the extent supplemented by these Findings and Order, the provisions of LAC 43:XIX.Subpart 1.Chapter 5, as amended by the Office of Conservation, shall apply to the construction and operation of the LA Tank E&P Waste fluids injection well disposal facility.

3) LA Tank shall not commence construction of the facility and injection well until the provisions for adequate closure have been submitted in accordance with the requirements of LAC 43:XIX.513, documentation is provided pertaining to clarification on LAC 43:XIX.507.A.1, and an updated LAC 43:XIX.519.C.10 topographic map provided.

4) Any modifications to the proposed construction of the facility and injection well, and any planned physical and/or operational alterations or additions following completion of facility construction, shall be subject to the provisions of LAC 43:XIX.535.

5) LA Tank must notify the Commissioner when construction is complete, and shall not commence receiving E&P Waste until the facility has been inspected for compliance with the conditions of the permit, a determination made if the facility has limited access as required by LAC 43:XIX.509.B.5, an air permit determination issued by the Louisiana Department of Environmental Quality, and the financial responsibility requirements of LAC 43:XIX.511 have been met.

6) The issuance of this permit does not convey, grant or establish any property rights to any movable or immovable property of any sort, or any exclusive privileges of servitude to or on behalf of LA Tank. This permit further does not authorize any injury to private or public property, or any invasion of personal rights, or any infringement or suspension of Federal, State or local laws or regulations.

7) Findings of Fact Numbers 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 are hereby approved and are expressly ordered.

8) This Order shall be effective on and after November 21, 2012.

OFFICE OF CONSERVATION OF
THE STATE OF LOUISIANA

James H. Welsh
Commissioner of Conservation

EXHIBIT "A"

RESPONSE TO COMMENTS

Received During the Hearing and Public Comment Period
For

LA Tank-Branch LLC
Acadia Parish
DOCKET No. ENV 2012 – 04

Introduction:

LA Tank-Branch LLC of Lake Charles, Louisiana submitted an application for approval to construct and operate a commercial deep-well injection waste disposal facility for the disposal of exploration and production waste (E&P Waste) fluids located in Section 86, Township 8 South, Range 2 East, Acadia Parish, Louisiana. Said application was scheduled for public hearing on July 12, 2012 at the Rayne Civic Center located at 110 Frog Festival Drive in Rayne, Louisiana. At the hearing, the public was given opportunity to submit oral and / or written comments concerning the application. The public comment period was open until 4:30 p.m. July 26, 2012 to receive additional comments after the hearing.

Having received written comments and after reviewing the transcript of the public hearing, the Commissioner's responses to those relevant comments received are provided hereafter.

1) **The injection well and proposed site poses safety risks because they are too close to homes, schools, churches, a natural gas plant, farming, and pipelines and will cause the devaluation of surrounding property values.**

   Review of the area surrounding the proposed facility confirms that the facility location meets the location criteria of LAC 43:XIX.507.A.2 and 507.B.

2) **What is the meaning and significance of the 500ft, 1000ft, and 1320ft dashed contour lines circumscribing the proposed facility?**

   In accordance with location criteria LAC 43:XIX.507.A.1 and A.2, commercial facilities and transfer stations may not be located in any area within ¼ mile (1320 feet) of a public supply water well or within 1,000 feet of a private water supply well. Also, Type A and B facilities and transfer stations, Class II disposal wells, storage containers and E&P Waste treatment systems and related equipment may not be located within 500 feet of a residential, commercial, or public building, church, school, or hospital. Any encroachment upon applicable location criteria after the date the notice of intent is published or application is filed, whichever is earlier, shall not be considered a violation of LAC 43:XIX.507 in accordance with LAC 43:XIX.507.E.

3) **The application indicates there are no water wells within one quarter mile of the proposed site. Five water wells are located within 1000 feet of the proposed facility which were not included with the application.**

LA Tank-Branch LLC included all water wells registered with the State of Louisiana within ¼ mile of the proposed facility. Wells not included on this diagram are unregistered water wells.

An office of Conservation inspector was sent to each of the five locations of water wells as provided in the comments and made the following determinations: 1) the Richard G. and Dianne F. Cary well was determined to never have existed; 2) the Bonnie Lynn Cary well was properly plugged and abandoned; 3) the Donald Borges well was properly plugged and abandoned; 4) the Carolyn Bertrand well was properly plugged and abandoned; 5) the Hilman G. Nolan, Sr. well is an active private water well and is located less than 1,000 feet from the proposed site.

Conservation Order No. ENV 2012-03 CFB orders that the applicant shall not commence construction of the facility and injection well until documentation is provided pertaining to clarification on LAC 43:XIX.507.A.1.

In addition, an office of Conservation inspector confirmed that the Rickey Stutes water well located south of the proposed site is not a water well but a old septic system.

4) **The applicant failed to report all freshwater wells on the UIC 2.**

The UIC 2 requires the applicant to do a diligent search to locate all freshwater wells within a ¼ mile radius of the proposed well. LA Tank-Brach LLC included all water wells registered with the State of Louisiana within ¼ mile of the proposed site. Wells not included are unregistered water wells.

5) **The application states that the only school in the area is Rayne High School which is 5 miles away. The application failed to identify Mire elementary, Gumpoint, and Branch elementary, all of which are closer than Rayne High School.**

Review of the area surrounding the proposed facility confirms that the facility location meets the location criteria of LAC 43:XIX.507.A.2 and 507.B.

6) **Increased truck traffic will damage local roads and increase accidents.**

Louisiana Highway 35 is currently rated to accommodate the amount and type of traffic associated with the operation proposed by LA Tank-Branch LLC.

7) **The applicant failed to recognize the potential of E&P waste contaminating surface water, ground water resources, particularly the Chicot Aquifer, which would contaminate water wells used for human consumption and irrigation of crops.**

LAC 43:XIX.509 includes requirements for the design and construction of E&P Waste facilities to prevent movement of E&P Waste into soil, groundwater aquifers, or underground sources of drinking water (USDW) and to prevent the unpermitted discharge of E&P Waste material or E&P Waste byproducts. These provisions also require that commercial facilities be designed and constructed in a manner which is protective of public health, safety and welfare and the environment, including surface waters, groundwater aquifers and the USDW. Accordingly, the LA Tank-Branch LLC permit application includes adequate retaining walls around all above-ground storage tanks to provide sufficient capacity to retain the contents of each storage tank. Also included in the permit application are provisions for spill containment at E&P Waste offloading areas and stationary pump transfer activities to prevent the escape of any E&P Waste spillage which may occur during waste offloading activities. All E&P Waste offloading and stationary pump transfer activities will be performed in containment or/and over concrete slabs, spill containers, or/and sumps designed and constructed to collect spillage resulting from these activities.

In accordance with the requirements of LAC 43:XIX.Subpart 1.Chapters 4 and 5, the LA Tank-Branch LLC permit application demonstrates that the proposed location of the disposal well and subsurface disposal zones are in a geological environment which is protective of the USDW by having adequate confining and containment zones. LA Tank-Branch LLC further indicates in the permit application that the disposal well will be constructed, operated and monitored in accordance with applicable design, operational and monitoring requirements of LAC 43:XIX.Subpart 1.Chapters 4 and 5 for protection of the USDW and surrounding surface areas.

As required in LAC 43:XIX.519.C.11, the LA Tank-Branch LLC permit application also included an E&P Waste Management and Operations Plan (WMOP) which contains a spill contingency plan and a plan for routine inspection and maintenance of monitoring equipment in accordance with LAC 43:XIX.515.F.2 and 3. These plans include provisions for daily monitoring and inspection of facility equipment.

8) **Injected waste may travel through the porous formation into which it is injected and migrate back to the surface through improperly plugged oil and gas wells abandoned long ago. Waste may leach beyond the quarter mile zone contemplated in the application.**

The Office of Conservation conducted a thorough geological review of the information presented in the application; and, based on the review of the structural geologic cross-sections, the adjacent wellbore logs, and the description of the local geological setting, there was no evidence of faulting within the proposed injection zones. Additionally, IMD conducted a review of the wellbores located within a ¼-mile area surrounding each proposed well, and there were no deficient wellbores that would increase the potential of upward fluid migration of injected fluids.

9) **Geological profiles or cross sections need to be shown in the permit application to accurately depict the soil strata at the well site and vicinity, including freshwater bearing aquifers. This information is necessary to properly assess the impact on groundwater formations. Without impermeable barriers, saltwater being injected into permeable soils under pressure could eventually move upwards and penetrate into the base of the USDW or outward into adjacent groundwater formations.**

The Office of Conservation conducted a thorough geological review of the information presented in the application; and, based on the review of the structural geologic cross-sections, the adjacent wellbore logs, and the description of the local geological setting, there was no evidence of faulting within the proposed injection zones. Additionally, IMD conducted a review of the wellbores located within a ¼-mile area surrounding each proposed well, and there were no deficient wellbores that would increase the potential of upward fluid migration of injected fluids.

In accordance with the requirements of LAC 43:XIX.Subpart 1.Chapters 4 and 5, the LA Tank-Branch LLC permit application demonstrates that the proposed location of the disposal well and subsurface disposal zones are in a geological environment which is protective of the USDW by having adequate confining and containment zones. LA Tank-Branch LLC further indicates in the permit application that the disposal well will be constructed, operated and monitored in accordance with applicable design, operational and monitoring requirements of LAC 43:XIX.Subpart 1.Chapters 4 and 5 for protection of the USDW and surrounding surface areas.

10) **The application does not disclose the future plans for expansion of this facility.**

Commercial facility operators shall give written notice to the commissioner of any planned physical or operational alterations or additions to a permitted facility or proposed changes in the E&P Waste Management plan. Requests to make such changes must be submitted to and approved by the commissioner prior to beginning construction in accordance with LAC 43:XIX.535.C.

11) **The proposed site is in violation of LAC 43:XIX.509 (Design Criteria) because the affidavit of no discharge does not truly reflect the situation that will occur at the proposed site.**

The application provided responses to satisfy the requirements of LAC 43:XIX.509 (Design Criteria).

The affidavit of no discharge provided in the application satisfies the requirements of LAC 519.C.15.

12) The hydrology presented in this application is not accurate.

The application provided responses to satisfy the requirements of LAC 43:XIX.509 (Design Criteria). According to LAC 43:XIX.509 commercial facilities, transfer stations, and commercial class II saltwater disposal wells shall be designed and constructed in such a manner as to prevent the movement of E&P Waste into soil, groundwater aquifers or underground sources of drinking water (USDWs) and to prevent the discharge of E&P Waste materials or E&P Waste byproducts into man-made or natural drainage or directly into state waters unless a discharge permit has been received from the appropriate state or federal agency.

13) The ventilation lines from the tank battery extended to the outside of the containment levee. The Office of Conservation should require containment at the end of the vent lines. A plan should be in place to prevent E&P Waste from spilling out of the vent lines in the event of a high fluid level in the tanks, particularly when the facility is not manned.

In accordance with LAC 43:XIX.533.A.1, Vent lines must be installed on all E&P Waste storage tanks and must extend outside of tank battery firewalls.

It is written in the application that all tanks will be equipped with high liquid level sensors which will trigger an alert system to notify operating personnel to take corrective action. It is also noted in the application that the high liquid level sensors on the tanks will prevent the carry over of E&P waste or oil/condensate.

The application provides responses to satisfy the requirements of LAC 43:XIX.509 (Design Criteria).

The application contains a Waste Management and Operations Plan which includes a contingency plan. The Contingency plan is for reporting, responding to and cleaning up spills, leaks, and releases. It also includes provisions for notifying applicable local, state and federal emergency response authorities and for taking operator-initiated emergency response actions.

Commercial facilities shall be adequately manned during hours of receiving and shall receive E&P Waste by truck only between the hours of 6 a.m. and 9 p.m., Central time, in accordance with LAC 43:XIX.537.A.

The Commissioner may grant approval for after hours receipt of E&P Waste by a commercial facility when an emergency condition exists which may endanger public health or safety or the environment and to minimize the potential for same.

It is stated in the Design Criteria section of the application the LA Tank-Branch facility will be staffed with an onsite supervisor employed by LA Tank-Branch LLC from 6 a.m. to 9 p.m. daily. This facility will not receive E&P Waste between 9 p.m. and 6 a.m. hours unless granted by the Commissioner of the Office of Conservation when an emergency condition exists.

14) The application is misleading, inconsistent, has omissions and conflicting information.

The application provided responses to satisfy the requirements of LAC 43:XIX.Chapter 5.

15) Conservation should require all commercial saltwater disposal facilities to install monitoring wells.

As proposed, a monitor well is not required for this facility.

16) The permit application stated alternate methods are not cost effective. All factors have not been considered in this permit application for disposal methods.

The responses to the IT Questions were deemed complete by the Office of Conservation and were found to be supportive of the application.

17) An impact study should be conducted before issuing permits to determine the impact such a facility would have on the aquifer, rice crops, citizens and livestock in the event of a release or failure.

The responses to the IT Questions were deemed complete by the Office of Conservation and found to be supportive of the application.

18) The applicant failed to provide information on what sites were rejected, including reasons and locations, prior to choosing the current site. Without this information, the office of conservation is not able to determine if the proposed site is the best site and the public is being denied access to the information and is therefor unable to verify the basis for selection of the proposed site.

The applicant stated in the IT questions of this application that other sites were considered. It was stated that they selected this site based on its proximity to various state highways, available three phase electrical power and excellent geological characteristics of the subsurface strata for deep well injection. The responses to the IT Questions were deemed complete by the Office of Conservation and found to be supportive of the application.

19) The names of land owners within one quarter mile of the proposed facility were not accurately provided.

The application has met all requirements as outlined in LAC 43:XIX.507.A.2 and 507.B.

20) The applicant failed to consider toxic air emissions from the spills and leaks that will occur in the unloading area and through vent lines from tanks in the tank storage area.

The LA Tank-Branch LLC permit application indicates that the E&P Waste fluids storage and injection well disposal system will be a closed system as defined in LAC 43:XIX.501. The Department of Environmental Quality (DEQ) maintains jurisdictional authority to regulate air quality in the State of Louisiana. The order requires that an air permit determination must be provided from DEQ before the site has approval to operate.

21) The cost for offsite disposal of tank contents and sampling and analysis of soils in the tank battery are not included in closure cost estimate.

Closure cost will be set by the Commissioner of Conservation. After review of the closure plan and cost estimate provided in the application, it satisfies the provisions for adequate closure as outlined in LAC 43:XIX.519.C.14.

22) Noise, dust, and other inconveniences associated with the facility will reduce the quality of life for residents near the facility and in the community.

Review of the area surrounding the proposed facility confirms that the facility location meets the location criteria of LAC 43:XIX.507.A.2 and 507.B.

The responses to the IT Questions were deemed complete by the Office of Conservation and found to be supportive of the application.

23) Acadia parish already contains three commercial facilities, which is sufficient for the industry's needs. Another commercial facility is not necessary.

The responses to the IT Questions were deemed complete by the Office of Conservation and found to be supportive of the application.

24) LA Tank may become bankrupt and would be unable to clean up or remediate any hazardous spills.

In accordance with LAC 43:XIX.511, LA Tank-Branch LLC is required to maintain evidence of financial responsibility for any liability for damages which may be caused to any party by the escape or discharge of any material or E&P Waste offsite from the commercial facility. Such evidence must be provided by the applicant prior to issuance of a permit.

In accordance with LAC 43:XIX.513 and 567, LA Tank-Branch LLC is required to supply the Office of Conservation with adequate closure funds prior to being issued the permit to construct and must provide updated closure plan and cost estimate at least annually.

This facility as proposed would only be able to receive Exploration and Production Waste as define in LAC 43:XIX.501.

25) The disposal well may be used to dispose of hazardous chemicals other than E&P waste.

This facility as proposed is only approved to receive Exploration and Production Waste as defined in LAC 43:XIX.501 and as outlined in the Waste Management and Operations Plan section of the application.

26) E&P waste originating outside of the community should not be brought here for disposal.

The permitting requirements under LAC 43:XIX.Subpart 1.Chapter 5 do not require applicants to identify points of origination (geographical areas where the waste will be generated) of E&P Waste to be received and managed at a proposed facility. Additionally, the requirements of LAC 43:XIX.Subpart 1.Chapter 5 do not restrict receipt of E&P Waste at permitted commercial facilities to any particular geographical origination. LA Tank-Branch LLC will only be approved to receive approved E&P wastes from approved operators.

27) The proposed site should be classified as hydric or a wetland because it is low and reflects hydric conditions, characteristics, and composition.

The wetland determination provided by the U. S. Army Corps of Engineers to LA Tank-Branch, LLC for the proposed site meets the requirements of Chapter 5. The application has met all requirements as outlined in LAC 43:519.C.7.

28) In order to reach the disposal zone, the well must be drilled through a USDW. A failure of the casing could allow contamination or waste could travel up through the annulus space to contaminate the USDW.

The total proposed depth of the disposal well is 5,340 feet. The depth of the proposed injection zone is 3,230 to 5,240 feet. The approximate base of the USDW is 1,080 feet. The base of the surface casing must be at least 100 feet below the base of the USDW. LA Tank-Branch LLC is required to run a open hole log to determine the base of the USDW.

Before operating a new well drilled for saltwater disposal, the casing outside the tubing shall be tested under supervision of the Office of Conservation at a pressure not less than the maximum authorized injection pressure, or at a pressure of 300 psi, whichever is greater in accordance with LAC 43:XIX.419.A.1. The operator of a newly permitted commercial facility and/or disposal well must notify the commissioner when construction is complete. The operator shall not commence receiving E&P waste or injecting E&P waste fluids until the facility has been inspected for compliance with the conditions of the permit and the disposal well has been tested for mechanical integrity in accordance with LAC 43:XIX.535.D. The office of conservation

requires each commercial class II injection well to be pressure tested at least twice per year to verify mechanical integrity.

LA Tank-Branch LLC indicates in the permit application that the disposal well will be constructed, operated and monitored in accordance with applicable design, operational and monitoring requirements of LAC 43:XIX.Subpart 1.Chapters 4 and 5 for protection of the USDW and surrounding surface areas.

29) Flanders road is not rated for the type of traffic use required by the proposed facility.

This statement was clarified by the applicant during the hearing that this road will not be used for the proposed facility.

30) The details pertaining to the content and volume of the waste as well as well design and maintenance schedule are insufficient to properly evaluate the integrity of the well.

This site as proposed will only be approved to accept Exploration and Production Waste as defined in LAC 43:XIX.501 and as outlined in the Waste Management and Operations Plan section of this application.

The application provides details of the average volume of E&P Waste to be received at this site. It also states that LA Tank-Branch LLC will submit the required UIC 19 and UIC 21 forms which report the amount of E&P Waste received and injected on a monthly basis at the site. This site will also be required to submit an annual UIC 10 form which demonstrates the total injected for the year.

The Waste Management and Operations Plan of the application has a monitoring section. This section provides details of daily inspections performed by LA Tank-Branch LLC to confirm the well is operating in accordance with its permit. It also provides details of submitting a UIC 21 form monthly to the Office of Conservation which provides daily well pressures which is reviewed by the Office of Conservation to make sure the well is operated in accordance with its permit. The office of conservation requires each commercial class II injection well to be pressure tested at least twice per year to verify mechanical integrity.

Review of section F of this application confirms that the facility meets the criteria of proper well design.

31) The application lacks proof of ownership of the immovable property upon which the facility will be located.

The application has met all requirements as outlined in LAC 43:XIX.519.C.8.

32) The Topographic diagram provided in the application does not display all pipelines within one mile of the facility.

Prior to construction and operation of the proposed facility and injection well, the applicant is ordered through Conservation Order No. ENV 2012-03 CFB to provide an updated LAC 43:XIX.519.C.10 topographic map.

33) Where core samples taken in the buffer zone between the bottom of the USDW and the top of the injection zone?

Core samples are not required under LAC 43:XIX.Chapter 4 and 5.

34) La Tank has had 4 years to prepare the application and the public has had 37 days to review it.

The application has met all requirements as outlined in LAC 43:XIX.519.B and 527.E.