



February 1, 2011  
Mr. John Smith  
Compliance Clients, Inc.  
1234 Main Street  
Austin, TX 78006

Dear Mr. Smith,

Banks Oil and Gas Consulting (Banks) reviewed and retrieved regulatory agency files and interviewed appropriate agency personnel at the Texas Railroad Commission (RRC) and Texas Commission on Environmental Quality (TCEQ) to obtain information regarding the environmental and regulatory compliance status for subject leases located in Brazos County, Texas.

**Lease Names:**           **Sample Lease A**  
                                  **Sample Lease B**

**Operators:**           **Sample Operator #1**  
                                  **Sample Operator #2**

**County:**               **Brazos**

**Contact Made by:**   **Banks Oil and Gas Consulting, Inc.**

**Regulatory Agencies Contacted:**

- **Railroad Commission of Texas**  
**Home Office**  
**1701 N. Congress Ave**  
**Austin, Texas 78701**  
**512-463-7288**
- **Texas Commission on Environmental Quality**  
**Home Office**  
**12100 Park 35 Circle**  
**Austin, TX 78753**  
**512-239-1000**

## Summary of Environmental Issues:

### Air Quality

A review of the Air Quality Division of the TCEQ identified 3 air quality permits and 2 standard exemptions associated with Operator #1 in Brazos County, Texas (**SEE ATTACHED**). No complaints, investigations, inspections, or notices of violation were identified for these leases.

### Water Quality

There were no state wastewater discharge permits or National Pollutant Discharge Elimination System (NPDES) permits identified for the subject leases located in Brazos County during the review of files at the Water Quality Division of the TCEQ

The RRC permits facilities and operators for tidal and onshore surface discharges under TRC Statewide Rule 8. No discharge permits were identified for the subject leases located in Brazos County, Texas.

### Industrial and Hazardous Waste Management

There were no hazardous waste permits or industrial waste notice of registration identified in association with the subject leases located in Brazos County during the review of files maintained by the TCEQ Industrial and Hazardous Waste Division. No complaints, investigations, inspections, or notices of violations were identified during file review.

### Underground Injection Wells/Mechanical Integrity Test (MIT)

A review of the RRC underground injection files and databases identified one Class I disposal well for the subject leases located in Brazos County, Texas (**SEE ATTACHED**).

### Pit Registration and Permitting

There were no pit permits for the subject leases located in Brazos County identified by the Texas Railroad Commission. District Office reports show no outstanding reserve pits. Pit permits granted prior to 1998 are non-transferable, however pit permits granted after 1998 can be transferred. It is recommended that any new operator should file a letter with the RRC asking for the pit permit to be put in their name.

Please note that the current permitting process does not cover those old historical pits with previous authority that may have been unlined and utilized for disposal and storage from the early 1900's through the 1960's. The current permitting process and protocol has been in effect since 1982 and pits utilized prior to that time period quite possibly do not have any records available at the RRC. The best source of information to utilize for identification of the historical pits is through historic aerial photographs.

### **Spill History**

A review of reported spills in RRC Field Operations Division did not identify any spills associated with the subject leases in Brazos County.

### **Complaint History/Status**

A review of active/open pollution complaint files did not identify any incidents associated with the subject well that are currently pending and/or requiring enforcement action by the RRC.

A review of inactive/closed pollution complaint files did identify two complaints associated with the subject lease that required enforcement action by the RRC (**See Attached**). All are back in compliance. The RRC destroys closed complaint files over three years old.

A review of reported blowouts, fires, and accidents did not identify any incidents reported and associated with the specified leases located in Brazos County.

A review of hydrogen sulfide accidents did not identify any accidents associated with the specified leases located in Brazos County.

### **Legal Issues**

A review of RRC Legal Division did not identify any active dockets associated with the specified leases located in Brazos County currently pending. No legal issues have ever been referred to the Texas Attorney General's Office.

### **H-9 (Certificate of Compliance with Statewide Rule 36)**

There were no H-9 Certificate's found for the subject leases in Brazos County. Statewide Rule 36 governs the operation of oil, gas, and geothermal operations with hydrogen sulfide fields. This rule is designed to provide safeguards to protect the general public from the harmful effects of hydrogen sulfide, whether the releases of hydrogen sulfide are intentional or accidental. A certificate of compliance form is required to be submitted to the RRC in triplicate and certifies that the operator has complied, or will comply with the applicable provisions of SWR 36.

### **Regulatory Violations:**

There were no unresolved violations associated with the subject leases in Brazos County.

### **Naturally Occurring Radioactive Material (NORM) Issues**

The RRC does not maintain a database listing of leases or wells that produce NORM or have NORM contaminated equipment. The RRC rules require operators who are handling NORM material to maintain records of disposal amounts as well as other ancillary data at the facility site or company headquarters. The RRC is primarily concerned with the permitting of disposal operations and/or commercial disposal operations of a NORM facility. *According to the RRC personnel and files, NORM has not been identified in association with the subject operators and corresponding pipeline facilities. The above operators and facilities do not maintain well(s) that are permitted for the disposal of NORM or transport NORM through the line within any waste.*





NORM is defined as any nuclide that is radioactive in its natural physical state excluding source, by-product and special nuclear materials. The term most commonly refers to radium-226 and radium-228, radon-222, lead-210 and polonium-210. These isotopes result from the natural radioactive decay of uranium and thorium that are often present in petroleum bearing source rock. NORM is frequently generated in waste streams associated with the production and distribution of oil and gas. The parent isotopes of uranium and thorium are present in insoluble compounds that are not subject to groundwater transport. However, radioactive daughter decay products (radium isotopes) are water and brine soluble and can readily be transported. In addition, radium decays into radon, a gaseous element, which provides for the potential of additional migration. NORM waste frequently exceeds regulatory exempt values for disposal for specific activity (pCi/gm) or personnel exposure (mR/hr).

**Banks Oil and Gas Consulting has performed a thorough and diligent search of all information recorded with the Railroad Commission of Texas and Texas Natural Resources Conservation Commission. All reports are based on information obtained from the RRC and TCEQ records retention departments. Although Banks performs quality assurance and quality control on all research projects, we recognize that any inaccuracies of database information and data could possibly be traced to the appropriate regulatory authority. Therefore, Banks cannot guarantee the accuracy of the data and records maintained by the Texas Railroad Commission and Texas Commission of Environmental Quality.**

If you should need further research or have any questions please contact me at 512-478-0059.

Sincerely Yours,

Andrea Cortinas  
Research Analyst