



Ohio Department of Natural Resources

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Division of Oil and Gas Resources Management
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ORDER BY THE CHIEF

September 24, 2014

ORDER NO. 2014-421

TO: R.E. Disposal, LLC
366 Walker Drive
State College, PA 16801

RE: Northstar Khalil #3 Well
SWIW #11
API# 34-099-23157-00-00
Coitsville Township, Mahoning County

SUBJECT: Denial of Permit to Inject Brine or Other Waste Substances pursuant to Ohio Revised Code 1509.22

Pursuant to Ohio Revised Code Section 1509.22(D) and Ohio Administrative Code 1501:9-03-06(H), the Chief of the Division of Oil and Gas Resources Management (“Chief” or “Division”) makes the following Findings and issues the following Order:

BACKGROUND:

- (1) R.E. Disposal, LLC, a wholly owned subsidiary of R.E. Gas Development, LLC, which is a wholly owned subsidiary of Rex Energy Corporation (“Rex Energy”) is the current owner of the Northstar Khalil #3 Well, SWIW #11, API# 34-099-23157-00-00, located in Coitsville Township, Mahoning County, Ohio (Khalil #3 Saltwater Injection Well”).
- (2) Pursuant to R.C. 1509.05, R.C. 1509.06, and R.C. 1509.22(D), on June 28, 2011, the Division issued a permit to D&L Energy, Inc., authorizing D&L Energy, Inc. to drill the Khalil #3 saltwater injection well. Pursuant to the terms of the permit issued to D&L Energy, LLC and R.C. 1509.06, the permit to drill the Khalil #3 saltwater injection well is not transferable.
- (3) On October 20, 2011, D&L Energy, Inc. completed drilling the Khalil #3 saltwater injection well. D&L Energy did not construct any surface facilities at the Khalil #3 saltwater injection well and did not operate the well. On November 30, 2011, D&L Energy transferred the Khalil #3 saltwater injection well to Rex Energy.

- (4) On December 31, 2011, a seismic event measuring 4.0 occurred near D&L Energy, Inc.'s Northstar #1 saltwater injection well (API# 34-099-23127-0000). In response to the 2011 seismic event, the Northstar #1 saltwater injection well was shut-in. The Northstar Collins #6 saltwater injection well (API# 34-099-23171-0000), the Northstar United #2 saltwater injection well (API# 34-155-24043-0000) and the Khalil #3 saltwater injection well were not operational at the time the seismic event occurred, and remain inoperable.
- (5) On March 10 to 11, 2014, a series of seismic events occurred with a magnitude ranging from 3.0 to 1.7 in Poland Township, Mahoning County, Ohio near Hilcorp Energy Company's oil and gas drilling and exploration activities.
- (6) On August 31, 2014, a seismic event occurred with a magnitude of 2.1 in Trumbull County, Ohio near American Water Management Services' saltwater injection operations.
- (7) The Khalil #3 saltwater injection well is located approximately 3.8 miles from the Northstar #1 saltwater injection well, 6 miles from seismic events that occurred in 2014 near the Hilcorp Energy Company wells in Poland Township, 11.4 miles from the seismic event that occurred in 2014 near the American Water Management Services' saltwater injection wells.
- (8) As of the date of this Chief's Order, Rex Energy has not completed the necessary surface facilities to operate the Khalil #3 saltwater injection well.
- (9) Pursuant to R.C. 1509.22(D), "No person, without first having obtained a permit from the chief, shall inject brine or other waste substances resulting from, obtained from, or produced in connection with oil or gas drilling, exploration, or production into an underground formation * * *. The permit shall be in addition to any permit required by section 1509.05 of the Revised Code * * *."

FINDINGS:

- (1) The Chief finds that the Khalil #3 saltwater injection well is located in close proximity to an area of known seismic activity.
- (2) The Chief finds that the Khalil #3 saltwater injection well is not capable of injection.
- (3) Based on Findings (1) and (2) above, the Chief finds that the Khalil #3 saltwater injection well does not comply with the requirements of R.C. 1509.22(D).

ORDER:

IT IS HEREBY ORDERED:

Pursuant to R.C. 1509.22(D) and Ohio Adm.Code 1501:9-03-06(H)(3), Rex Energy is not authorized to operate the Khalil #3 saltwater injection well, and the permit to operate the Khalil #3 saltwater injection well is denied.

Sept 25, 2014
Date

Richard J. Simmers
Richard J. Simmers, Chief
Division of Oil and Gas Resources Management

Addressee is hereby notified that this action is final and effective and may be appealed pursuant to Section 1509.36 of the Ohio Revised Code. If the Order is appealed to the Ohio Oil and Gas Commission, the appeal must be in writing and must set forth the Orders complained of and the grounds upon which the appeal is based. Such appeal must be filed with the Oil and Gas Commission, 2045 Morse Road, Building H-3, Columbus, Ohio 43229-6693, within thirty (30) days after receipt of this Order.

In addition, within three (3) days after the appeal is filed with the Oil and Gas Commission, notice of the filing must be submitted to Richard J. Simmers, Chief, Division of Oil and Gas Resources Management, Ohio Department of Natural Resources, 2045 Morse Road, Building F, Columbus, Ohio 43229-6693.

CERTIFIED MAIL NO 91 7199 9991 7030 3133 1227

cc: Bob Worstall, Deputy Chief
Tom Hill, Region Supervisor
Steve Ochs, Inspector
Legal file