

ARKANSAS OIL AND GAS COMMISSION

Director's Office:
301 Natural Resources Drive
Suite 102
Little Rock, AR 72205
Phone: (501) 683-5814
Fax: (501) 683-5818
<http://www.aogc.state.ar.us>

Mike Beebe
Governor



Lawrence Bengal
Director

El Dorado Regional Office:
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Fort Smith Regional Office:
3309 Phoenix Avenue
Fort Smith, AR 72903
Phone: (479) 646-6611
FAX: (479) 649-7656

April 17, 2012

The Honorable Mary Ann Salmon, Chairperson
The Honorable Tommy Lee Baker, Chairperson
C/o Mr. David Ferguson
Legislative Council
Room 315, State Capitol
Little Rock, AR 72201

Dear Senator Salmon and Representative Baker:

In accordance with Section 7 of the Arkansas Oil and Gas Commission FY 2011-2012 Appropriation Act requiring quarterly reporting of activity in the Fayetteville Shale, the attached summary and supporting documentation is provided to the Arkansas Legislative Council and the Legislative Joint Budget Committee.

Included in this quarterly report are the following:

- (1) Summary of Arkansas Oil & Gas Commission Activity in the "Fayetteville Shale;"
- (2) Summary of Notices of Non-Compliance issued to companies operating in the "Fayetteville Shale;" and
- (3) Summary of Notices of Violations issued to companies operating in the "Fayetteville Shale."

If you have questions or require additional information please do not hesitate to contact my office.

Sincerely,

A handwritten signature in blue ink, appearing to read "LB 28", written over the printed name and title.

Lawrence Bengal
Director

COMMISSION MEMBERS

Chad White, Chairman, Magnolia
W. Frank Morledge, Vice-Chairman, Forrest City
Charles Wohlford, Fort Smith • Mike Davis, Magnolia •
William L. Dawkins, Jr., Fort Smith • Jerry Langley, Smackover
Chris Weiser, Magnolia • Jim Phillips, Smackover •
George Carder, Searcy

AOGC Fayetteville Shale Activity Report
To Be Presented to the Arkansas Legislative Council
Reporting Period: January 1, 2012 through March 31, 2012

1. Inspection Staff

A. Number of Full Time Inspector Staff (Statewide)	13
<i>(3 vacancies occurred during quarter – currently being filled)</i>	
B. Number of Part Time Inspector Staff (Statewide)	2
C. Number of Full Time Inspector Staff (Fayetteville Shale Only)	5
<i>(1 of above mentioned vacancies for this category – FT Fayetteville Shale)</i>	
D. Number of Part Time Inspector Staff (Fayetteville Shale Only)	2

2. Inspection/Compliance Reviews

A. Number at Field Inspections Conducted.....	1004
B. Number of Compliance Reviews Conducted	1620
(1) Form 2 Drilling/ Fracture Permit.....	217
(2) Form 2A Drilling Pit Construction	70
(3) Form2B Drilling Pit Closure.....	30
(4) Form 3 Completion Report	218
(5) Form 3A Fracture Stimulation Report	218
(6) Form 4 Authority to Commence Production	207
(7) Form 12 Plugging Report.....	4
(8) Form 13 Production Test.....	202
(9) Form 14 Monthly Disposal Well Report	25
(10) Form 23 Well Transfer Report	1
(11) Form 25 Cross Unit Well Review.....	201
(12) Form 33 Temporary Abandonment	2
(13) Casing Setting Notice	225

3. Complaints Received.....8

A. Resolved without Field Investigation.....	0
B. Complaints Requiring Field Investigation	8
C. Investigations Resulting in Enforcement Actions	0

4. Enforcement

A. Number of Notices of Non-Compliance (NNC) Issued.....	17
(1) Operations-Related NNCs	11
(2) Administrative-Related NNCs	6
B. Number of Notices of Violation (NOV) Issued	3
(1) Operations-Related NOVs.....	1

(2) Administrative-Related NOV.....	2
C. Number of Cessation Orders Issued	1
D. Number of Violations and/or Commission Orders Resulting in Civil Penalties.....	1
5. Judicial Actions (See Summary Page for Details)	
A. Number of Actions Filed	1
B. Number of Actions Resolved.....	0
6. Inspection / Compliance Reviews Anticipated Next Quarter.....	2500
7. Detail Report / Summary	
A. <u>Section 4D – Civil Penalties</u>	
Company / Operator:	Poseidon Energy Services, LLC
Amount of Civil Penalty:	\$5,250.00
Nature of Violation:	Operating in Excess of Permitted Injection Pressures; Failure to Comply with Previously-Issued Commission Orders; Order to Cease All Operations Subject to Compliance
B. <u>Section 5 – Judicial Action</u>	
Company / Operator:	Poseidon Energy Services, LLC
Jurisdiction:	White County Circuit Court
Nature of Action:	Request for Order of Injunction for Failure to Comply with AOGC Rules and Regulations, and Commission Orders

AOGC Fayetteville Shale Activity Report
Summary & Report of Notices of Non-Compliance
Reporting Period: January 1, 2012 through March 31, 2012

Operators Receiving Notices of Non-Compliance (NNC)

1. BHP Billiton Petroleum (Fayetteville) LLC / Chesapeake Operating, Inc.	1
2. Foxborough Energy Company, LLC	2
3. Petrowater Solutions, LLC.....	1
4. SEECO, Inc.....	7
5. SH Exploration, LLC	1
6. Traton Operating Company.....	2
7. XTO Energy, Inc.	3



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF ENFORCEMENT ACTION



Little Rock Office
301 Natural Resources Drive
Suite 102
Little Rock, AR 72205
Phone: (501) 683-5814
Fax: (501) 683-5818

Fort Smith Regional Office
3309 Phoenix Avenue
Fort Smith, AR 72903
Phone: (479) 646-6611
FAX: (479) 649-7656

El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

February 16, 2012

Issued to:

Mr. Timothy K. Haddican
Petrowater Solutions, LLC
3817 NW Expressway, Suite 950
Oklahoma City, OK 73013

Location of Non-Compliance:

Permit # 42165
Petrowater – Bennett SWD # 1
Section 24-10N-14W
Van Buren County, Arkansas

Rule Citation and Description of Violation:

General Rule H-3 s) requires Class II Commercial Disposal Wells no longer in service for periods greater than twelve (12) months shall be plugged in accordance with General Rule B-7. Failure to commence plugging the well within 30 days after notification by the Director may result in the initiation of well abandonment proceedings in accordance with General Rule G-1.

Statement of Violation:

The subject well has been out of service for more than twelve (12) months.

Action Required:

The Permit Holder is hereby notified of this Notice of Non-Compliance and is instructed to comply with the requirements of General Rule H-3 s). Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission

cc: Lawrence E. Bengal, Director
Gary Looney
Operator File
Well File



ARKANSAS OIL AND GAS COMMISSION

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El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 13, 2012

Issued to:

BHP Billiton Petroleum (Fayetteville), LLC.
1360 Post Oak Blvd., Suite 150
Houston, TX 77056-3030
Attn: Mr. Rod Skaufel

Location of Non-Compliance:

Permit # 41526
BHP- Kitts 7-7 #2-7H
Section 07-07N-07W
B-43 Area
White County, Arkansas

Rule Citation:

General Rule B-7 c) 1)

Any well in which production casing is not set and cemented shall be plugged in accordance with applicable commission rules; prior to the time that the equipment used to drill said well is released from the drilling operation. In the case of "staged" drilling operations, where multiple drilling rigs are used to drill the well over a period of time, production casing shall be set and cemented within 180 days after setting of the surface casing or the well shall be plugged, unless an extension of time to plug is granted in accordance with subparagraph 2).

Description of Violation:

The above referenced well has no record of production casing being set as defined in Rule B-7 c) 1).

Required Action(s):

The permit holder is hereby notified to commence plugging operations in accordance with applicable rules and regulations within thirty (30) day of this Notice or request an extension of time to be granted by the Commission after a public notice and hearing. Failure to comply with the terms of this Notice of Non-Compliance prior to the deadline set forth within this document shall result in a Notice of Violation being issued by the Director of Production and Conservation.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission



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2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 24, 2012

Issued to:

XTO Energy, Inc
810 Houston Street
Fort Worth, TX 76102

Mr. Douglas C. Schultz

Location of Non-Compliance:

Permit # 38790
XTO- Pratt # 1-2H
Section 02-08N-10W
B-43 Field
White County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☒ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☐ ☐ No containment for produced fluids storage tank or ☐ improper containment (Rule B-26 e))
- ☐ Containment area shall not contain ☐ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☐ Other: _____

Required Action(s):

Please have this site remediated within thirty (30) days from the date of this Notice and notify the Fort Smith Regional Office in writing upon completion of remediation of the referenced site. Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

Copy

Sandy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 96007



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 24, 2012

Issued to:

SEECO, Inc
515 W. Greens Road
Houston, TX 77067

Mr. Jack Bergeron

Location of Non-Compliance:

Permit # 39493
SEECO- Wood Lumber Company 10-9 #1-16H
Section 16-10N-09W
B-43 Field
Clebune County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☐ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☐ ☐ No containment for produced fluids storage tank or ☐ improper containment (Rule B-26 e))
- ☒ Containment area shall not contain ☒ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☐ Other: _____

Required Action(s):

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Copy

Randy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 96011



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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Phone: (501) 683-5814
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2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 24, 2012

Issued to:

SEECO, Inc
515 W. Greens Road
Houston, TX 77067

Mr. Jack Bergeron

Location of Non-Compliance:

Permit # 44215
SEECO- Deltic Timber 9-16 # 14-36H1
Section 36-09N-16W
B-43 Field
Conway County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☒ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☐ ☐ No containment for produced fluids storage tank or ☐ improper containment (Rule B-26 e))
- ☐ Containment area shall not contain ☐ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☐ Other: _____

Required Action(s):

Please have this site remediated within thirty (30) days from the date of this Notice and notify the Fort Smith Regional Office in writing upon completion of remediation of the referenced site. Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

Copy

Randy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 96012



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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Phone: (501) 683-5814
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3309 Phoenix Avenue
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2215 West Hillsboro
El Dorado, AR 71730
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FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 24, 2012

Issued to:

SEECO, Inc
515 W. Greens Road
Houston, TX 77067

Mr. Jack Bergeron

Location of Non-Compliance:

Permit # 44214
SEECO- Deltic Timber 9-16 # 13-36H1
Section 36-09N-16W
B-43 Field
Conway County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☒ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☐ ☐ No containment for produced fluids storage tank or ☐ improper containment (Rule B-26 e))
- ☐ Containment area shall not contain ☐ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☐ Other: _____

Required Action(s):

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Randy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 96013



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



Little Rock Office
301 Natural Resources Drive
Suite 102
Little Rock, AR 72205
Phone: (501) 683-5814
Fax: (501) 683-5818

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3309 Phoenix Avenue
Fort Smith, AR 72903
Phone: (479) 646-6611
FAX: (479) 649-7656

El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 24, 2012

Issued to:

SEECO, Inc
515 W. Greens Road
Houston, TX 77067

Mr. Jack Bergeron

Location of Non-Compliance:

Permit # 44213
SEECO- Deltic Timber 9-16 # 12-36H1
Section 36-09N-16W
B-43 Field
Conway County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☒ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☐ ☐ No containment for produced fluids storage tank or ☐ improper containment (Rule B-26 e))
- ☐ Containment area shall not contain ☐ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☐ Other: _____

Required Action(s):

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Randy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 96014



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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Suite 102
Little Rock, AR 72205
Phone: (501) 683-5814
Fax: (501) 683-5818

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3309 Phoenix Avenue
Fort Smith, AR 72903
Phone: (479) 646-6611
FAX: (479) 649-7656

El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 31, 2012

Issued to:

SEECO, Inc
515 W. Greens Road
Houston, TX 77067

Mr. Jack Bergeron

Location of Non-Compliance:

Permit # 41383
SEECO- Shepherd 10-8 # 1-26H
Section 26-10N-08W
B-43 Field
Cleburne County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☐ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☒ ☐ No containment for produced fluids storage tank or ☒ improper containment (Rule B-26 e))
- ☐ Containment area shall not contain ☐ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☐ Other: _____

Required Action(s):

Please have this site remediated within thirty (30) days from the date of this Notice and notify the Fort Smith Regional Office in writing upon completion of remediation of the referenced site. Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

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Randy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 96022



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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Suite 102
Little Rock, AR 72205
Phone: (501) 683-5814
Fax: (501) 683-5818

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3309 Phoenix Avenue
Fort Smith, AR 72903
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El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 31, 2012

Issued to:

SEECO, Inc
515 W. Greens Road
Houston, TX 77067

Mr. Jack Bergeron

Location of Non-Compliance:

Permit # 43669
SEECO- Houston 10-08 # 3-23H
Section 23-10N-08W
B-43 Field
Cleburne County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☐ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☐ ☐ No containment for produced fluids storage tank or ☐ improper containment (Rule B-26 e))
- ☐ Containment area shall not contain ☐ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☒ Other: ***There is no containment around the frac tank.***

Required Action(s):

Please have this site remediated within thirty (30) days from the date of this Notice and notify the Fort Smith Regional Office in writing upon completion of remediation of the referenced site. Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

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Randy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 96023



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF ENFORCEMENT ACTION



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El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

January 31, 2012

Issued to:

SEECO, Inc
515 W. Greens Road
Houston, TX 77067

Mr. Jack Bergeron

Location of Non-Compliance:

SEECO – T.J. Spinks 11-09 1-1H Pit
Section 1-11N-9W
B-43 Area
Cleburne County, Arkansas

Rule Citation:

B-17 h) 7) requires the Operator to submit the Notice of Pit closure (Form 2B) to AOGC signed by the Operator within 30 days after Pit closure has been completed.

Description of Violation:

Commission Form 2B was filed on January 24, 2012 with approximate pit closure date of January 15, 2012 indicated on the form. An inspection dated January 26, 2012 indicated the pit had not been closed.

Action Required:

The Permit Holder is hereby notified of this Notice of Non-Compliance and is instructed to comply with the requirements of General Rule B-17 h) 7). The Permit Holder is required to properly close this pit in accordance with Commission rules and regulations. The Permit Holder is required to submit an additional Form 2B upon completion of the closure of this pit in order for a final inspection to be conducted. Please provide the Commission a request for extension of time to close this pit if it cannot be closed within thirty (30) days of this Notice. Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Cc: Lawrence E. Bengal, Director



ARKANSAS OIL AND GAS COMMISSION

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El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Date Mailed:

February 6, 2012

Issued to:

XTO Energy, Incorporated
210 Park Avenue, Suite 2350
Oklahoma City, Oklahoma 73102

Attn: Mr. Douglas C. Schultze

Location of Violation:

Permit # 41731
XTO – Wood 9-13 1-8H
Section 8-09N-13W
B-43
Van Buren County, Arkansas

Rule Citation: General Rule B-7 c) 1)

Any well in which production casing is not set and cemented shall be plugged in accordance with applicable commission rules; prior to the time that the equipment used to drill said well is released from the drilling operation. In the case of "staged" drilling operations, where multiple drilling rigs are used to drill the well over a period of time, production casing shall be set and cemented within 180 days after setting of the surface casing or the well shall be plugged, unless an extension of time to plug is granted.

Description of Violation:

Surface casing was set on the above referenced well on 11/19/2008. AOGC has no records of production casing being set or any further activity being performed on the well.

Required Action(s):

The permit holder is hereby notified of this Non-Compliance issue and is instructed to comply with Commission Rules. The permit holder is required to commence plugging operations in accordance with applicable rules and regulations within thirty (30) days of this Notice. Failure to comply with the terms of this Notice of Non-Compliance prior to the deadlines set forth within this document shall result in a Notice of Violation being issued by the Director of Production and Conservation.

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission

cc: Lawrence E. Bengal, Director



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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Fax: (501) 683-5818

Fort Smith Regional Office
3309 Phoenix Avenue
Fort Smith, AR 72903
Phone: (479) 646-6611
FAX: (479) 649-7656

El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Date Mailed:

February 7, 2012

Issued to:

XTO Energy, Incorporated
210 Park Avenue, Suite 2350
Oklahoma City, Oklahoma 73102

Attn: Mr. Douglas C. Schultze

Location of Violation:

Permit # 41131
XTO – Turner 9-13 2-8H
Section 8-09N-13W
B-43
Van Buren County, Arkansas

Rule Citation: General Rule B-7 c) 1)

Any well in which production casing is not set and cemented shall be plugged in accordance with applicable commission rules; prior to the time that the equipment used to drill said well is released from the drilling operation. In the case of "staged" drilling operations, where multiple drilling rigs are used to drill the well over a period of time, production casing shall be set and cemented within 180 days after setting of the surface casing or the well shall be plugged, unless an extension of time to plug is granted.

Description of Violation:

Surface casing was set on the above referenced well on 11/17/2008. AOGC has no records of production casing being set or any further activity being performed on the well.

Required Action(s):

The permit holder is hereby notified of this Non-Compliance issue and is instructed to comply with Commission Rules. The permit holder is required to commence plugging operations in accordance with applicable rules and regulations within thirty (30) days of this Notice. Failure to comply with the terms of this Notice of Non-Compliance prior to the deadlines set forth within this document shall result in a Notice of Violation being issued by the Director of Production and Conservation.

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission

cc: Lawrence E. Bengal, Director



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



Little Rock Office
301 Natural Resources Drive
Suite 102
Little Rock, AR 72205
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2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Date Mailed:

February 22, 2012

Issued to:

SH Exploration, LLC
1800 Valley View, Ste. 300
Dallas, TX 75234

Mr. Richard D. Morgan

Location of Non-Compliance:

Permit # 41521
SH- Garner # 1-13H
Section 13-12N-17W
B-43 Area
Van Buren County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-17

- ☐ Failure to notify Commission of commencement of pit construction (B-17 d))
- ☐ Unauthorized discharge from pit (B-17 e))
- ☒ Failure to meet or maintain construction requirements for pit (B-17 f)) _____
- ☐ Failure to maintain operating requirements for pit (B-17 g)) _____
- ☐ Failure to properly dispose of water based fluids (B-17 h)) _____
- ☐ Failure to properly close pit or return pad to grade (B-17 h), i) or j)) _____
- ☐ Failure to submit Notice of Pit Closure (B-17 h) or i))
- ☐ Failure to properly dispose of oil based fluids (B-17 i)) _____
- ☐ Produced water, workover flow-back water, waste oil any other non-hazardous oilfield wastes (NOW) found in workover, emergency or test pit (B-7j)) _____
- ☒ Failure to maintain stormwater erosion or sediment controls (B-17 l)) _____
- ☐ Other or remarks: _____

Required Action(s):

Please have this site remediated within thirty (30) days from the date of this Notice and notify the Fort Smith Regional Office in writing upon completion of remediation of the referenced site. Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

Copy

Randy Young
District Petroleum Supervisor
Fort Smith Regional Office

Case # 96054



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



Little Rock Office
301 Natural Resources Drive
Suite 102
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FAX: (479) 649-7656

El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Date Mailed:

March 6, 2012

Issued to:

Traton Operating Company
2929 Allen Parkway, Suite 3450
Houston, Texas 77019

Attention: Mr. Patrick Merritt

Location of Violation:

Permit # 40661
Storm Cat – Kamalmaz #2-13H
Section 13-11N-17W
B-43 Area
Van Buren County, Arkansas

Rule Citation: General Rule B-17 e)

The Discharge from a Pit or any activity associated with the drilling or completion of a well to any surface or ground waters or in a location where it is likely to cause pollution to any surface or groundwaters is prohibited. Such discharge may subject the Operator to ADEQ enforcement actions under the provisions of the Water and Air Pollution Control Act (Act 472 of 1949, as amended, A. C. A. § 8-4-101, et seq.) and enforcement actions of AOGC under Act 105 of 1939, as amended. Any Discharge must be reported within twenty-four (24) hours to the AOGC and ADEQ. Leakage from any Pit is considered an unauthorized Discharge.

Description of Violation:

Pit is leaking.

Required Action(s):

The pit needs to be closed. The permit holder is hereby notified of this Non-Compliance issue and is instructed to comply with Commission Rules. The permit holder is required to commence pit closure operations in accordance with applicable rules and regulations within thirty (30) days of this Notice. Failure to comply with the terms of this Notice of Non-Compliance prior to the deadlines set forth within this document shall result in a Notice of Violation being issued by the Director of Production and Conservation.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission

cc: Lawrence E. Bengal, Director



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



Little Rock Office
301 Natural Resources Drive
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Little Rock, AR 72205
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El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Non-Compliance

Date Mailed:

March 9, 2012

Issued to:

Traton Operating Company
2929 Allen Parkway, Ste. 3450
Houston, TX 77019

Mr. Patrick Merritt

Location of Non-Compliance:

Permit # 39749
Traton- Kamalmaz # 1-13H
Section 13-11N-17W
B-43 Field
Van Buren County, Arkansas

Rule Citation and Description of Non-Compliance: General Rule B-26

- ☐ Failure to maintain proper well identification (Rule B-26 b))
- ☐ ☐ Produced fluids leaking or ☐ spilled (Rule B-26 d))
- ☐ ☐ No containment for produced fluids storage tank or ☐ improper containment (Rule B-26 e))
- ☐ Containment area shall not contain ☐ excessive vegetation, ☐ storm water, ☐ produced fluids, ☐ debris, ☐ trash (Rule B-26 e))
- ☐ Improper bird netting on produced fluids storage tank (Rule B-26 d))
- ☐ ☐ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i))
- ☐ Leaking well (Rule B-26 k))
- ☒ Other: Compressor is leaking oil.

Required Action(s):

Please have this site remediated within thirty (30) days from the date of this Notice and notify the Fort Smith Regional Office in writing upon completion of remediation of the referenced site. Failure to comply with the terms of this Notice of Non-Compliance or receive an extension of time prior to the deadlines set forth within this document may result in a Notice of Violation being issued by the Director of Production and Conservation.

Copy

Randy Young
District Petroleum Supervisor
Fort Smith Regional Office
Arkansas Oil and Gas Commission



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Date Mailed:

March 15, 2012

Issued to:

Foxborough Energy Company, LLC
6501 North Broadway Extension, Suite 220
Oklahoma City, Oklahoma 73116

Attn: Robert S. May

Location of Violation:

Permit # 42165
Foxborough – Bennett SWD # 1
Section 24-10N-14W
Van Buren County, Arkansas

Rule Citation: General Rule B-13 a) 4)

General Rule B-13 requires that:

a) Every person or entity engaged in any operation or activity regulated by the Commission, shall file with the Commission an organization report on a form prescribed by the Director, prior to engaging in the operation or activity. At a minimum, the form shall include:

4) The type of entity, and a list of all persons authorized to submit required forms, reports, and other documents for the entity;

Description of Violation:

Notice of well servicing for the above referenced well was reported by Brian Poage on March 12, 2012 to this office and is not authorized to submit required reports per the Arkansas Oil and Gas Commission Form 1 "Organization Report" filed by Foxborough.

Required Action(s):

The permit holder is hereby notified of this Non-Compliance issue and is instructed to comply with Commission Rules. The permit holder is required to amend the current Form 1 "Organization Report" to reflect all those persons authorized to submit required forms, reports, and other documents for Foxborough within thirty (30) days of this Notice. Failure to comply with the terms of this Notice of Non-Compliance prior to the deadlines set forth within this document shall result in a Notice of Violation being issued by the Director of Production and Conservation.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission

cc: Lawrence E. Bengal, Director



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF NON-COMPLIANCE



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2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Date Mailed:

March 15, 2012

Issued to:

Foxborough Energy Company, LLC
6501 North Broadway Extension, Suite 220
Oklahoma City, Oklahoma 73116

Attn: Robert S. May

Location of Violation:

Permit # 42165
Foxborough – Bennett SWD # 1
Section 24-10N-14W
Van Buren County, Arkansas

Rule Citation: General Rule H-3 b)

General Rule H-3 b) requires that:

Notice shall be provided to the Commission Regional Office where the Class II Commercial Disposal Well is located, prior to performing any well servicing activity, cementing, or any wireline logging activities, so as to allow Commission staff to be present to observe the activity. Any well servicing which requires the resetting of the packer shall require an internal mechanical integrity test be run in accordance with subparagraph o) below, prior to re-commencement of injection.

Description of Violation:

Notice of well servicing requires the filing of a Form 38 "Notification of Well Servicing" which must be received in the regional office prior to the commencement of well servicing. The Commission did not receive a Form 38 for the above referenced well prior to well servicing.

Required Action(s):

The permit holder is hereby notified of this Non-Compliance issue and is instructed to comply with Commission Rules. The permit holder is required to file a Form 38 prior to any further well servicing for any well regulated under General Rules B-41, H-2 or H-3. Failure to comply with the terms of this Notice of Non-Compliance shall result in a Notice of Violation being issued by the Director of Production and Conservation.

Copy

Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission

cc: Lawrence E. Bengal, Director

**AOGC Fayetteville Shale Activity Report
Summary & Report of Notices of Violations
Reporting Period: January 1, 2012 through March 31, 2012**

Operators Receiving Notices of Violations (NOVs)

1. BHP Billiton Petroleum (Fayetteville) LLC / Chesapeake Operating, Inc.	1
2. McCutchin Petroleum Corporation	1
3. Typhoon Energy, LLC	1



ARKANSAS OIL AND GAS COMMISSION NOTICE OF ENFORCEMENT ACTION



Little Rock Office
301 Natural Resources Drive
Suite 102
Little Rock, AR 72205
Phone: (501) 683-5814
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3309 Phoenix Avenue
Fort Smith, AR 72903
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El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

Notice of Violation

Date Issued: January 19, 2012

Certified Mail: # 91 7199 9991 7030 6773 5679

Issued to:

BHP Billiton Petroleum (Fayetteville), LLC
1360 Post Oak Blvd., Suite 150
Houston, TX 77056-3030

Mr. Rod Skaufel

Location of Violation:

Permit #40980
BHP – Bowie 7-12 #1-22
Section 22-07N-12W
B-43 Area
Faulkner County, Arkansas

Rule Citation:

General Rule B-7 d) All cased wells utilized for oil, gas or brine production, water supply or injection purposes, except such holes as are described in Rule B-10, shall be plugged and abandoned in accordance with applicable commission rules after the well has been idle for more than 24 months, or sooner should the Director determine that the cased well presents a risk of contamination to the environment or a risk to public safety, unless an application is filed to request temporary abandonment status for the well in accordance with B-7 h). General Rule B-7 h) 2) Wells which have not produced for more ten (10) years are not eligible for approval by the Director for temporary abandonment status. Temporary abandonment status for these wells may only be granted by the Commission after notice and a hearing in accordance with General Rule A-2, A-3 and other applicable hearing procedures.

Description of Violation:

A Notice of Non-Compliance was issued to BHP on December 1, 2011 and has not complied with the requirements of the Notice of Non-Compliance.

Required Abatement Action(s):

The Permit Holder is hereby notified of this Notice of Violation and is required to comply with the requirements of the Notice of Non-Compliance issued on December 1, 2011.

Enforcement Action:

Failure to complete all required action may result in a Director's request, after notice and hearing, for an order to compel compliance and the assessment of a civil penalty in the amount of \$2500.00 for failure to complete all required actions. The Director may also request the assessment of additional civil penalties in the amount of \$2500.00 per day for each and every day of continued failure to complete all required actions.

Upon completion of all required actions, permit holder shall notify the appropriate AOGC Office:

☐ El Dorado Regional Office ☒ Fort Smith Regional Office ☐ Little Rock Office

In accordance with General Rule A-5, you may request a Director's Review of this Notice of Violation by notifying the Director within 30 calendar days of the mailing or personal delivery of this Notice of Violation. The request must be in writing, and include any information in mitigation of the violation, and may include a proposed alternative to the required action needed to abate the violation. Failure to request a Director's review within 30 days shall result in the Notice of Violation becoming a final administrative decision of the Commission.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office

Case # 95969



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF ENFORCEMENT ACTION



Little Rock Office
301 Natural Resources Drive
Suite 102
Little Rock, AR 72205
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3309 Phoenix Avenue
Fort Smith, AR 72903
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FAX: (479) 649-7656

El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

NOTICE OF VIOLATION

Date Mailed: February 9, 2012

Certified Mail: # 91 7108 2133 3939 2326 3816

Issued to:

Mr. Jerry McCutchin, Jr.
McCutchin Petroleum Corporation
8343 Douglas Avenue, Ste. 370
Dallas, Texas 75225

Permit # 42980
Nolen #1-3
Sec. 3 – Township 6N – Range 10W
B-43 Field, White County, AR

Rule Citation and Description of Violation:

General Rule D-8 b) states that "Monthly reports specifying the amount of natural gas produced and sold are required to be filed for each individual producing zone or approved commingled producing zones within a well, regardless of whether or not there was natural gas produced and sold during the month. The reports shall be filed on a form prescribed by the Director and shall be filed with the commission sixty (60) days after the end of each month. Reports for inactive wells shall continue to be submitted until such time as the commission determines monthly reports are no longer required in accordance with applicable commission rules and regulations." Reports for November 2011 were delinquent.

Required Abatement Action(s):

The permit holder is hereby notified of this Notice of Violation and is instructed to comply with the requirements of General Rule D-8 b).

Enforcement Action:

All required actions above shall be completed within thirty (30) calendar days of the mailing or personal delivery of this Notice of Violation. Failure to complete all required action may result in a Director's request, after notice and hearing, for an order to compel compliance and the assessment of a civil penalty up to the amount of \$2500.00 for failure to complete all required actions. The Director may also request the assessment of additional civil penalties up to the amount of \$2500.00 per day for each and every day of continued failure to complete all required actions.

Upon completion of all required actions, permit holder shall notify the appropriate AOGC Office:

☐ El Dorado Regional Office ☒ Fort Smith Regional Office ☐ Little Rock Office

In accordance with General Rule A-5, you may request a Director's Review of this Notice of Violation by notifying the Director within 30 calendar days of the mailing or personal delivery of this Notice of Violation. The request must be in writing, and include any information in mitigation of the violation, and may include a proposed alternative to the required action needed to abate the violation. Failure to request a Director's review within 30 days shall result in the Notice of Violation becoming a final administrative decision of the Commission.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office

Case # 96045



ARKANSAS OIL AND GAS COMMISSION

NOTICE OF ENFORCEMENT ACTION



Little Rock Office
301 Natural Resources Drive
Suite 102
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El Dorado Regional Office
2215 West Hillsboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

NOTICE OF VIOLATION

Date Mailed: April 9, 2012

Certified Mail: # 91 7108 2133 3939 2326 3915

Issued to:

Location of Violation:

Mr. Gordon H. Deen
Typhoon Energy, LLC
510 Hearn Street
Austin, TX 78703

Permit # 42489
Typhoon Energy, LLC: Rushing 13-12 #1-32
Section 32 - 13N - 12W
B-43 Field, Stone County, AR

Rule Citation and Description of Violation:

General Rule D-8 b) states that "Monthly reports specifying the amount of natural gas produced and sold are required to be filed for each individual producing zone or approved commingled producing zones within a well, regardless of whether or not there was natural gas produced and sold during the month. The reports shall be filed on a form prescribed by the Director and shall be filed with the commission sixty (60) days after the end of each month. Reports for inactive wells shall continue to be submitted until such time as the commission determines monthly reports are no longer required in accordance with applicable commission rules and regulations." Report for January 2012 was delinquent.

Required Abatement Action(s):

The permit holder is hereby notified of this Notice of Violation and is instructed to comply with the requirements of General Rule D-8 b).

Enforcement Action:

All required actions above shall be completed within thirty (30) calendar days of the mailing or personal delivery of this Notice of Violation. Failure to complete all required action may result in a Director's request, after notice and hearing, for an order to compel compliance and the assessment of a civil penalty up to the amount of \$2500.00 for failure to complete all required actions. The Director may also request the assessment of additional civil penalties up to the amount of \$2500.00 per day for each and every day of continued failure to complete all required actions.

Upon completion of all required actions, permit holder shall notify the appropriate AOGC Office:

☐ El Dorado Regional Office ☒ Fort Smith Regional Office ☐ Little Rock Office

In accordance with General Rule A-5, you may request a Director's Review of this Notice of Violation by notifying the Director within 30 calendar days of the mailing or personal delivery of this Notice of Violation. The request must be in writing, and include any information in mitigation of the violation, and may include a proposed alternative to the required action needed to abate the violation. Failure to request a Director's review within 30 days shall result in the Notice of Violation becoming a final administrative decision of the Commission.

COPY

Steve Gates
Assistant Director
Fort Smith Regional Office

Case # 96126