ARKANSAS OIL AND GAS COMMISSION

Director's Office:
301 Natural Resources Drive
Suite 102
Little Rock, AR 72205
Pharma (501) (62 5914

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

October 15, 2014

The Honorable Bill Sample, Chairperson
The Honorable John Charles Edwards, Chairperson
C/o Ms. Marty Garrity
Legislative Council
Room 315, State Capitol
Little Rock, AR 72201

Dear Senator Sample and Representative Edwards:

In accordance with Section 7 of the Arkansas Oil and Gas Commission FY 2014-2015 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,

Lawrence E. 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: July 1, 2014 through September 30, 2014

1.	lr	rspection Staff						
	A.	Number of Full Time Inspector Staff (Statewide)	16*					
		*(1 vacancy in South Arkansas outside Fayetteville Shale area)						
	B.	Number of Part Time Inspector Staff (Statewide)	2					
	C.	Number of Full Time Inspector Staff (Fayetteville Shale Only)	7**					
		**(2 vacancies during quarter)						
	D.	Number of Part Time Inspector Staff (Fayetteville Shale Only)	2					
2.	Inspection/Compliance Reviews							
	A.	Number at Field Inspections Conducted	3152					
	B.	Number of Compliance Reviews Conducted						
		(1) Form 2 Drilling/ Fracture Permit						
		(2) Form 2A Drilling Pit Construction						
		(3) Form2B Drilling Pit Closure	60					
		(4) Form 3 Completion Report	145					
		(5) Form 3A Fracture Stimulation Report	122					
		(6) Form 4 Authority to Commence Production	120					
		(7) Form 12 Plugging Report	9					
		(8) Form 13 Production Test	143					
		(9) Form 14 Monthly Disposal Well Report	30					
		(10) Form 23 Well Transfer Report	3					
		(11) Form 24 Fire, Leak, Spill, Blowout Incident Report	30					
		(12) Form 25 Cross Unit Well Review	129					
		(13) Form 33 Temporary Abandonment	21					
		(14) Casing Setting Notice	363					
		(15) Form 38 Notice of Well Servicing (Disposal Wells)	3					
3.	Complaints Received7							
	A.	Resolved without Field Investigation	1					
	B.	Complaints Requiring Field Investigation	6					
	C.	Investigations Resulting in Enforcement Actions	0					
4.	Enforcement							
	A.	Number of Notices of Non-Compliance (NNC) Issued	8					
		(1) Operations-Related NNCs	4					
		(2) Administrative-Related NNCs	4					

B.	Number of Notices of Violation (NOV) Issued1			
	(1) Operations-Related NOVs0			
	(2) Administrative-Related NOVs1			
C.	Number of Cessation Orders Issued 0			
D.	Number of Violations and/or Commission Orders Resulting in Civil Penalties0			
Juo	dicial Actions (See Summary Page for Details)			
A.	Number of Actions Filed (appeal of AOGC order)1			
B.	Number of Actions Resolved or Concluded1			
Ins	spection / Compliance Reviews Anticipated Next Quarter3500			
7. Detail Report / Summary				
A.	Section 4D – Civil Penalties None			
	C. D. Juc A. B. Ins			

B. <u>Section 5 – Judicial Action</u>

Claude D. Wallace, as Trustee of the Claude D. Wallace Living Trust Dated July 31, 2005 and Dana Hutchinson vs. Arkansas Oil and Gas Commission and XTO Energy, Inc. Cleburne County

Filed – Appeal of AOGC Order No. 192A-2014-06. (XTO Energy, Inc. filed a separate action against the Arkansas Oil and Gas Commission which has been consolidated with this action).

Mary Phifer and Tommy Phifer v. SEECO, INC., Southwestern Energy Company and Arkansas Oil and Gas Commission.

Pulaski County

Compliant Dismissed as to Arkansas Oil and Gas Commission by Circuit Court Judge

AOGC Fayetteville Shale Activity Report Summary & Report of Notices of Non-Compliance Reporting Period: July 1, 2014 through September 30, 2014

Operators Receiving Notices of Non-Compliance (NNC)

1.	SEECO, Inc.	1
	D90 Energy LLC	
	Arrington Oil & Gas Operating, LLC	
	Hall-Phoenix Energy, LLC	
	BHP Billiton Petroleum (Favetteville). LLC	



Little Rock Office 301 Natural Resources Drive Suite 102 Little Rock, AR 72205

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NOTICE OF NON-COMPLIANCE

Date Mailed:

September 18, 2014

Issued to:

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

Location of Violation:

Permit # 38107 SEECO - Vaughan #3-22 Section 22-09N-17W B-43 Field Conway County, Arkansas

Rule or Procedure Violation and Description of Non-Compliance:

General Rule D-16 c) requires that an IOPT shall be conducted for any New PRU for the purpose of determining the PRU Deliverability. "New PRU" shall mean a production reporting unit, which is either an individual producing zone (in a newly drilled dry natural gas well or a new zone in an existing dry natural gas well) or approved commingled producing zones within a dry natural gas well which becomes productive after the effective date of this rule. The Permit Holder shall conduct the IOPT within ten (10) calendar days of commencement of production of a New PRU. The Permit Holder shall submit the results of the IOPT or Production Test within ten (10) business days of the test date on a Form 13 "Dry Natural Gas Well Test". The Permit Holder of the gas well shall provide the Commission not less than seventy-two (72) hour notice in advance of such test, which may be witnessed by a representative of the Commission.

The date of commencement of production for the above referenced well was July 29, 2014 and should have been tested by August 8, 2014.

Required Action(s):

The Permit Holder is hereby notified of this Notice of Non-Compliance and instructed to comply with General D-16. SEECO is required to provide the Commission with the required test for the above referenced well within thirty (30) days of this letter. If it is necessary for the test to be witnessed as per D-16, please contact Krystal Lunsford in the Fort Smith Regional office for scheduling. Continued failure to provide the Commission with required drilling operation notifications shall result in a Notice of Violation being issued by the Director of Production and Conservation.

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Krystal Lunsford Fort Smith Regional Office Arkansas Oil and Gas Commission



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Notice of Non-Compliance

Date Mailed:

July 28, 2014

Issued to:

D90 Energy, LLC 202 Travis Street, Ste. 402 Houston, TX 77002

Mr. Daniel H. Silverman

Location of Non-Compliance:

Permit # 40661 D90 Energy – Kamalmaz #2-13H Section 13-11N-17W B-43 Area Van Buren County, Arkansas

Rule Citation:

General Rule B-5 (h): reports shall be filed within 30 days of the original completion, recompletion or workover of the well.

Description of Violation:

Upon receipt of a Form 33 "Application for Temporary Abandoned Well Status", Commission Staff noted that a packer had been set in the subject well bore. A written request for a Form 3 and tickets demonstrating the setting of the packer was mailed February 6, 2014. According to Commission records, no response was ever received.

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-5. B-5 (h) requires the Permit Holder to file a Form 3 and applicable service tickets within thirty (30) days of the completion of the workover. 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.



Jay T. Hansen
Petroleum Geologist
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Cc: Well File Operator File



Fort Smith Regional Office

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Notice of Non-Compliance

Date Mailed: August 08, 2014 **Location of Non-Compliance:** Issued to: Permit # 44511 Arrington Oil & Gas Operating, LLC P.O. Box 2071 Deltic Timber 11-12 1-34H27 Section 34-11N-12W 500 West Wall, Suite 300 B-43 Area Midland, TX 79702 Van Buren County, Arkansas Attn: Mr. Keith Bucy Rule Citation and Description of Non-Compliance: General Rule B-26 i) 4) 5) 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)) 冈 ☑ Improper equipment storage ☐ excessive vegetation ☐ improperly disposed oil (Rule B-26 i)) Leaking well (Rule B-26 k))

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.

Other: Steel tanks, steel pipe and catwalk stored on location



 \boxtimes

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



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Notice of Non-Compliance

Date Mailed:

July 17, 2014

Issued to:

Hall Phoenix Energy, LLC 6801 Gaylord Parkway, Ste. 100 Frisco, Texas 75034

Attn: Mr. Donald Louis Braun

Location of Non-Compliance:

Permit # 39108
Hall Phoenix – Harlan 7-10 #1-32
Section 32-7N-10W
B-43 Area
White County, Arkansas

Rule Citation and Description of Violation:

General Rule B-9 e) 5) & 7) states:

- 5) All production equipment, concrete bases, machinery, and equipment debris shall be removed from the site.
- 7) Any other excavations shall be filled and the overall well site graded or contoured to prevent erosion.

Statement of Violation:

An inspection was performed at the well site of the subject well. Inspector observed and documented: piping and equipment remaining on site and the location had not been returned to graded and contoured.

Action Required:

Hall Phoenix is hereby noticed of these non compliance issues and must remediate the well site within thirty (30) days of this Notice. 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.



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:

July 17, 2014

Issued to:

Hall Phoenix Energy, LLC 6801 Gaylord Parkway, Ste. 100 Frisco, Texas 75034

Attn: Mr. Donald Louis Braun

Location of Non-Compliance:

Permit # 39453 Hall Phoenix – Harlan 7-10 # 2-32 Section 32-7N-10W B-43 Area White County, Arkansas

Rule Citation and Description of Violation:

General Rule B-9 e) 5) & 7) states:

- 5) All production equipment, concrete bases, machinery, and equipment debris shall be removed from the site.
- 7) Any other excavations shall be filled and the overall well site graded or contoured to prevent erosion.

Statement of Violation:

An inspection was performed at the well site of the subject well. Inspector observed and documented: piping and equipment remaining on site and the location had not been returned to graded and contoured.

Action Required:

Hall Phoenix is hereby noticed of these non compliance issues and must remediate the well site within thirty (30) days of this Notice. 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.



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Notice of Non-Compliance

Date Mailed:

July 17, 2014

Issued to:

Hall Phoenix Energy, LLC 6801 Gaylord Parkway, Ste. 100 Frisco, Texas 75034

Attn: Mr. Donald Louis Braun

Location of Non-Compliance:

Permit # 38967 Hall Phoenix – Kerr 7-10 # 1-5 Section 5-7N-10W B-43 Area White County, Arkansas

Rule Citation and Description of Violation:

General Rule B-9 e) 5) & 7) states:

- 5) All production equipment, concrete bases, machinery, and equipment debris shall be removed from the site.
- 7) Any other excavations shall be filled and the overall well site graded or contoured to prevent erosion.

Statement of Violation:

An inspection was performed at the well site of the subject well. Inspector observed and documented: piping and equipment remaining on site and the location had not been returned to graded and contoured.

Action Required:

Hall Phoenix is hereby noticed of these non compliance issues and must remediate the well site within thirty (30) days of this Notice. 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.

Steve Gates
Assistant Director

Fort Smith Regional Office

Arkansas Oil and Gas Commission

Case #140376



Little Rock Office 301 Natural Resources Drive Suite 102 Little Rock, AR 72205

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Notice of Non-Compliance

Date Mailed:

August 7, 2014

<u>lssued to:</u>

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

Attn: Ms. Geraldine Slattery

Location of Non-Compliance:

Permit #43343 BHP – Lane 8-12 #1-8H Section 08-08N-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 subparagraph h). Upon such determination by the Director or if temporary abandonment status is denied, the Permit Holder shall commence plugging the well within 30 days after notification by the Director. 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.

Description of Violation:

The above referenced wells last date of production was reported March 2012.

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-7. B-7 (d) requires the Permit Holder to commence plugging within thirty (30) days. B-7 (h) allows the temporary abandonment of the well for a period not to exceed three (3) years from the date of approval by the Director. The Permit Holder is required to submit a Form 33 "Application for Temporary Abandoned Well Status" or commence plugging operations. 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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Notice of Non-Compliance

Date Mailed:

July 30, 2014

Issued to:

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

Attn: Geraldine Slattery

Location of Non-Compliance:

Permit #39860 BHP – Adams Trust 7-8 #1-5H Section 05-07N-08W B-43 Area White 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 subparagraph h). Upon such determination by the Director or if temporary abandonment status is denied, the Permit Holder shall commence plugging the well within 30 days after notification by the Director. 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.

Description of Violation:

The above referenced wells last date of production was reported June 2012.

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-7. B-7 (d) requires the Permit Holder to commence plugging within thirty (30) days. B-7 (h) allows the temporary abandonment of the well for a period not to exceed three (3) years from the date of approval by the Director. The Permit Holder is required to submit a Form 33 "Application for Temporary Abandoned Well Status" or commence plugging operations. 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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AOGC Fayetteville Shale Activity Report Summary & Report of Notices of Violations Reporting Period: July 1, 2014 through September 30, 2014

Operators Receiving Notices of Violations (NOV)

1.	SEECO, Inc	l
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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 Hilisboro El Dorado, AR 71730 Phone: (870) 862-4965 FAX: (870) 862-8823



Notice of Violation

Date Issued: August 7, 2014

issued to:

Mr. Paul W. Geiger SEECO, Inc. 515 W. Greens Road Houston, TX 77067 Certified Mail: #91 7199 9991 7032 1929 7413

Location of Violation:

Permit #43209 SEECO - Duniap 7-14 #2-4D33 Section 04-07N-14W B-43 Area Conway 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 sconer 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).

Description of Violation:

A Notice of Non-Compliance was issued on March 31, 2014 for General Rule B-7 and the permit holder has not performed the required abatement.

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 March 31, 2014.

Enforcement Action:

Failure to complete all required action or file an application for the September 23, 2014 Commission Hearing 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 an amount of up to \$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 from the date of this Notice of Violation.

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.

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

Steve Gates
Assistant Director
Fort Smith Regional Office