

ARKANSAS OIL AND GAS COMMISSION

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Fax: (501) 683-5818
<http://www.ogc.state.ar.us>

Asa Hutchinson
Governor



Lawrence Bengal
Director

El Dorado Regional Office:
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Fort Smith Regional Office:
3309 Phoenix Avenue
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FAX: (479) 649-7666

January 15, 2015

The Honorable Larry Teague, Chairperson
The Honorable Lane Jean, Chairperson
C/o Ms. Marty Garrity
Joint Budget Committee
Room 315, State Capitol
Little Rock, AR 72201

Dear Senator Teague and Representative Jean:

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: October 1, 2014 through December 31, 2014**

1. Inspection 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.....	2563
B. Number of Compliance Reviews Conducted.....	1277
(1) Form 2 Drilling/ Fracture Permit.....	148
(2) Form 2A Drilling Pit Construction.....	87
(3) Form 2B Drilling Pit Closure.....	70
(4) Form 3 Completion Report.....	110
(5) Form 3A Fracture Stimulation Report.....	109
(6) Form 4 Authority to Commence Production.....	101
(7) Form 12 Plugging Report.....	6
(8) Form 13 Production Test.....	125
(9) Form 14 Monthly Disposal Well Report.....	38
(10) Form 23 Well Transfer Report.....	1
(11) Form 24 Fire, Leak, Spill, Blowout Incident Report.....	8
(12) Form 25 Cross Unit Well Review.....	124
(13) Form 33 Temporary Abandonment.....	20
(14) Casing Setting Notice.....	327
(15) Form 38 Notice of Well Servicing (Disposal Wells).....	3
 3. Complaints Received.....	
A. Resolved without Field Investigation.....	
0	
B. Complaints Requiring Field Investigation.....	
3	
C. Investigations Resulting in Enforcement Actions.....	
0	
 4. Enforcement	
A. Number of Notices of Non-Compliance (NNC) Issued.....	6
(1) Operations-Related NNCs.....	0
(2) Administrative-Related NNCs.....	6

B. Number of Notices of Violation (NOV) Issued	2
(1) Operations-Related NOV.....	2
(2) Administrative-Related NOV.....	0
C. Number of Cessation Orders Issued.....	0
D. Number of Violations and/or Commission Orders Resulting in Civil Penalties	0
5. Judicial Actions (See Summary Page for Details)	
A. Number of Actions Filed (appeal of AOGC order)	0
B. Number of Actions Resolved or Concluded	0
6. Inspection / Compliance Reviews Anticipated Next Quarter	3500
7. Detail Report / Summary	
A. <u>Section 4D – Civil Penalties</u>	
None	
B. <u>Section 5 – Judicial Action</u>	
None	

**AOGC Fayetteville Shale Activity Report
Summary & Report of Notices of Non-Compliance
Reporting Period: October 1, 2014 through December 31, 2014**

Operators Receiving Notices of Non-Compliance (NNC)

1. SEECO, Inc.	4
2. XTO Energy, Inc.....	2



**ARKANSAS OIL AND GAS COMMISSION
NOTICE OF ENFORCEMENT ACTION**



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El Dorado Regional Office
2218 West Hillboro
El Dorado, AR 71730
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FAX: (870) 862-8923

NOTICE OF NON-COMPLIANCE

Date Mailed:

October 21, 2014

Issued to:

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

Attention: Mr. Paul W. Geiger

Location of Violation:

Permit # 46994
SEECO, Inc.: Mullenax 08-17 #2-25H23
Section 25 - 08N - 17W
B-43 Field
Conway County, Arkansas

Rule or Procedure Violation and Description of Non-Compliance:

General Rule B-43 l) states "Wells completed in and producing from only unconventional sources of supply, within the covered lands, shall report on a form prescribed by the Director, the highest twenty-four (24) hour production rate during the first forty (40) days of production, which form shall be filed within sixty (60) days of the date of first production from the well." The date of commencement of production for the above referenced well was August 12, 2014. The well should have been tested by September 21, 2014 and received in the Fort Smith office by October 11, 2014.

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 further notified to provide the Commission with the required reports within thirty (30) days of this letter. 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

Marcia Nicko
Fort Smith Regional Office
Arkansas Oil and Gas Commission



ARKANSAS OIL AND GAS COMMISSION NOTICE OF ENFORCEMENT ACTION



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Phone: (870) 862-4966
FAX: (870) 862-8823

NOTICE OF NON-COMPLIANCE

Date Mailed:

October 21, 2014

Issued to:

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

Attention: Mr. Paul W. Geiger

Location of Violation:

Permit # 47121
SEECO, Inc.: Hoyt 08-17 #1-23H22
Section 23 - 08N - 17W
B-43 Field
Conway County, Arkansas

Rule or Procedure Violation and Description of Non-Compliance:

General Rule B-43 I) states "Wells completed in and producing from only unconventional sources of supply, within the covered lands, shall report on a form prescribed by the Director, the highest twenty-four (24) hour production rate during the first forty (40) days of production, which form shall be filed within sixty (60) days of the date of first production from the well." The date of commencement of production for the above referenced well was August 19, 2014. The well should have been tested by September 28, 2014 and received in the Fort Smith office by October 18, 2014.

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 further notified to provide the Commission with the required reports within thirty (30) days of this letter. 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.

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Marcia Nicko
Fort Smith Regional Office
Arkansas Oil and Gas Commission

Case # 206453

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2215 West Hillboro
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8923

Notice of Non-Compliance

Date Mailed:

October 29, 2014

Issued to:

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

Location of Non-Compliance:

Permit #38384
SEECO – Scroggins #1-14H
Section 14-08N-14W
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 last date of production on the above referenced well was September 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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Steve Gates
Assistant Director
Fort Smith Regional Office
Arkansas Oil and Gas Commission



ARKANSAS OIL AND GAS COMMISSION NOTICE OF ENFORCEMENT ACTION



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El Dorado Regional Office
1215 West Hillshero
El Dorado, AR 71230
Phone: (870) 862-6969
FAX: (870) 862-6823

Notice of Non-Compliance

Date Mailed:

October 29, 2014

Issued to:

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

Location of Non-Compliance:

Permit #45768
SEECO – Ozark Highlands Unit 9-16 #1-7H
Section 7-9N-16W
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 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 well was completed on August 22, 2012 and has never produced.

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



**ARKANSAS OIL AND GAS COMMISSION
NOTICE OF ENFORCEMENT ACTION**



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FAX: (479) 649-7656

El Dorado Regional Office
2218 West Hillsboro
El Dorado, AR 71730
Phone: (870) 882-4963
FAX: (870) 882-8823

Notice of Non-Compliance

Date Mailed:

November 5, 2014

Issued to:

XTO Energy, Inc.
210 Park Avenue, Ste. 2350
Oklahoma City, Oklahoma 73102

Attn: Mr. John Doerner

Location of Non-Compliance:

Permit # 48405
XTO Energy – Hill #5-21H
Section 21 - 11N - 11W
B-43 Field
Cleburne County, Arkansas

Rule Citation and Description of Violation: General Rule D-8 and D-14

Arkansas Oil and Gas Commission (Commission) General Rule D-8 b) requires the permit holder to file a monthly gas report (Form 7) for any well that is not plugged and abandoned. The above-named well commenced production on August 13, 2014. This well was not reported on the Form 7 for the month of August 2014 and, therefore, is delinquent.

General Rule D-14 B) requires the person selling gas at the first point of sale, who is hereby defined to be the party initially responsible for distributing the 1/8 royalty interest shall, before paying for the production, deduct nine (9) mills for every thousand cubic feet of gas produced and removed from the lease each month, and remit the amounts so deducted to the Commission at the same time and periods as said purchasers make their regular gas payments. This gas assessment has not been paid for August 2014.

Action Required:

The permit holder is hereby notified of this Non-Compliance issue and is instructed to comply with Commission Rules. The permit holder is further notified to provide the Commission with the required reports within thirty (30) days of this letter. 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.

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Marcia Nicko
Fort Smith Regional Office
Arkansas Oil and Gas Commission



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NOTICE OF ENFORCEMENT ACTION**



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El Dorado Regional Office
2218 West Ellsboro
El Dorado, AR 71770
Phone: (870) 862-4965
FAX: (870) 862-5833

Notice of Non-Compliance

Date Mailed:

November 5, 2014

Issued to:

XTO Energy, Inc.
210 Park Avenue, Ste. 2350
Oklahoma City, Oklahoma 73102

Attn: Mr. John Doerner

Location of Non-Compliance:

Permit # 47081
XTO Energy – Riddle #2-29H20
Section 20 - 11N - 11W
B-43 Field
Cleburne County, Arkansas

Rule Citation and Description of Violation: General Rule D-8 and D-14

Arkansas Oil and Gas Commission (Commission) General Rule D-8 b) requires the permit holder to file a monthly gas report (Form 7) for any well that is not plugged and abandoned. The above-named well commenced production on August 14, 2014. This well was not reported on the Form 7 for the month of August 2014 and, therefore, is delinquent.

General Rule D-14 B) requires the person selling gas at the first point of sale, who is hereby defined to be the party initially responsible for distributing the 1/8 royalty interest shall, before paying for the production, deduct nine (9) mills for every thousand cubic feet of gas produced and removed from the lease each month, and remit the amounts so deducted to the Commission at the same time and periods as said purchasers make their regular gas payments. This gas assessment has not been paid for August 2014.

Action Required:

The permit holder is hereby notified of this Non-Compliance issue and is instructed to comply with Commission Rules. The permit holder is further notified to provide the Commission with the required reports within thirty (30) days of this letter. 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

Marcia Nicko
Fort Smith Regional Office
Arkansas Oil and Gas Commission

**AOGC Fayetteville Shale Activity Report
Summary & Report of Notices of Violations
Reporting Period: October 1, 2014 through December 31, 2014**

Operators Receiving Notices of Violations (NOVs)

1. Denali Iron and Disposal, LLC..... 2



**ARKANSAS OIL AND GAS COMMISSION
NOTICE OF ENFORCEMENT ACTION**



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El Dorado Regional Office
2216 West Hillberry
El Dorado, AR 71730
Phone: (870) 862-4965
FAX: (870) 862-8823

NOTICE OF VIOLATION

Date Mailed: October 6, 2014

Certified Mail #: 81 7108 2133 3039 2367 8191

Issued to:

Denali Iron and Disposal, LLC
201 S. Denver Ave., Suite B
Russellville, AR 72801

ATTN: Mr. Rusty Janssen

Location of Violation:

Permit # 33518
Denali - Jessica # 1-4 SWD
Section 4-8N-17W
B-43 Area
Conway County, Arkansas

Rule Citation and Description of Violation:

Denali Iron and Disposal, LLC (permit holder) is in violation of General Rule H-3(g) which requires the wellhead to be maintained in leak-free condition. During a recent inspection, the well was found to be leaking injected fluids from the wellhead area.

Required Abatement Action(s):

The permit holder is hereby issued a Notice of Violation (NOV) for not maintaining the well in a leak-free condition. No further abatements required at this time as the permit holder has given notice of repairs to the wellhead.

Enforcement Action:

If the permit holder fails to comply with this NOV and the wellhead is found to not be in a leak-free condition, the Director shall request, after notice and hearing, a civil penalty assessment in the amount of up to \$2,500.00 for failure to comply with the General Rules and Regulations of the Commission. The Director may also request the assessment of additional civil penalties in the amount of up to \$2500.00 per day for each and every day of continued failure to comply with Commission General Rules and Regulations for exceeding maximum injection pressure.

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



**ARKANSAS OIL AND GAS COMMISSION
NOTICE OF ENFORCEMENT ACTION**



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El Dorado Regional Office
2118 West Hirsborn
El Dorado, AR 71730
Phone: (870) 862-4968
FAX: (870) 862-4623

NOTICE OF VIOLATION

Date Mailed: December 4, 2014

Certified Mail #: 91 7199 9981 7032 1976 4212

Issued to:

Denali Iron and Disposal, LLC
201 S. Denver Ave., Suite B
Russellville, AR 72801

ATTN: Mr. Rusty Janssen

Location of Violation:

Permit # 33518
Denali - Jessica #1-4 SWD
Section 4-8N-17W
B-43 Area
Conway County, Arkansas

Rule Citation and Description of Violation:

Denali Iron and Disposal, LLC (permit holder) is in violation of General Rule H-3(g) which requires the wellhead to be maintained in leak-free condition. During a recent inspection, the well was found to be leaking injected fluids from the wellhead area. This is the second Notice of Violation for this issue. The previous Notice of Violation was issued in October, 2014.

Required Abatement Action(s):

The permit holder is hereby issued a Notice of Violation (NOV) for not maintaining the well in a leak-free condition. Upon receipt of this Notice, the wellhead is to be repaired immediately and returned to a leak-free condition.

Enforcement Action:

If the permit holder fails to comply with this NOV and the wellhead is found to not be in a leak-free condition, the Director shall request, after notice and hearing, a civil penalty assessment in the amount of up to \$2,500.00 for failure to comply with the General Rules and Regulations of the Commission. The Director may also request the assessment of additional civil penalties in the amount of up to \$2500.00 per day for each and every day of continued failure to comply with Commission General Rules and Regulations for exceeding maximum injection pressure.

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.

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Steve Gates
Assistant Director
Fort Smith Regional Office