

Mark-UP

RULE A-1 APPLICATION OF RULES, REGULATIONS, AND ORDERS

- a) The following rules and regulations have been adopted by the Oil and Gas Commission in accordance with applicable state law requirements and are General Rules of state-wide application, applying to the conservation and prevention of waste of crude oil and natural gas in the State of Arkansas and protection of the vested, co-equal or correlative rights of owners of crude oil and natural gas. Any specific provisions of Special rules, regulations and orders ~~have been and will be issued when required and~~ shall prevail as against general provisions of rules, regulations and orders if in conflict therewith.
- b) No order, special rule or regulation of the Commission shall modify, waive, amend, or otherwise alter the provisions of a General Rules unless the General Rule provides a specific provision to do so.

Mark-Up

RULE A-2 GENERAL HEARING PROCEDURES

~~No special rule, regulation or order, including change, renewal or extension thereof, shall, in the absence of an emergency, be made by the Commission under the provisions of Rule A-1 except after a public hearing upon at least ten (10) days notice prior to the date of said hearing, but not more than thirty (30) days prior thereto, which notice shall be given in the manner and form as may be prescribed by the Commission. Such public hearing shall be held at such time, place, and in such manner as may be prescribed by the Commission, and any person having any interest in the subject matter of the hearing shall be entitled to be heard.~~

a) Execution and Filing

- 1) All applications, except for applications filed by the Director, shall be in writing and state the interests of the application and the general nature of the order requested. Fourteen copies of the application, including exhibits, shall be filed with the Commission Director's office located in Little Rock, Arkansas ("Director's Office"). The application shall be deemed filed when it is received by the Director's Office.
- 2) All fourteen (14) copies of the applications, including exhibits, except for those filed by the Director, must be received in the Directors Office at least twenty (20) days prior to the first day of regularly scheduled hearing. If the applicant or his/her representative files an electronic version (a .pdf file labeled by the assigned docket number) of the application, including exhibits, on an electronic storage device approved by the Director a minimum of twenty (20) days prior to the first day of the regularly scheduled hearing, the fourteen (14) copies of the applications, including exhibits must be received in the Director's office eighteen (18) days prior to the first day of the regularly scheduled hearing.
- 3) Every application shall be signed by the applicant or his/her representative and his/her address shall be stated thereon. The signature of the applicant or his/her representative constitutes a certificate by him/her that he/she has read the petition and that to the best of his/her knowledge, information and belief there is good ground to support the same.
- 4) Unless otherwise provided by General Rule of the Commission, each application, except for applications filed by the Director, shall be accompanied by a five hundred dollar (\$500.00) filing fee made payable to the Arkansas Oil and Gas Commission.
- 5) The applicant shall also submit a check payable to the U.S. Postal Service in an amount approved by the Commission, not to exceed two dollars (\$2.00) per name of persons named in the application, whose address are known as well as

addresses for other persons that the applicant seeks to provide a copy of the order. The applicant shall also provide mailing labels for each person named in the application whose address is known, as well as any other person that the applicant seeks to provide a copy of the order. If the address of the person is unknown, the Applicant shall provide a statement to that affect. All mailing labels shall be provided within three (3) days after the date of the hearing.

- 6) If after the application is filed, and prior to the hearing date, the Director finds the application deficient relative to the requirements of subsections a) 1) through 4) above, the Director shall return the application to the applicant with a statement as to the deficiencies.
- 7) If after the application is filed, and prior to the hearing date, the Director determines that additional facts, data, records, or other information is necessary to fully evaluate the application, the Director shall require the applicant to submit such necessary facts, data, records or other information.

b) Notice of Hearing

- 1) The Applicant shall prepare a notice of hearing which shall be issued in the name of the Arkansas Oil and Gas Commission. Such notice shall include a statement pertaining to the legal authority for the hearing; the name of the applicant; the legal description of the property or unit; a statement of the requested action; a listing of interested parties; the time, date and location of the hearing; the Commission assigned docket number; and the contact information of the Commission offices. The notice shall also state that any interested person may file an entry of appearance in the hearing by submitting such entry of appearance in writing to the Hearing Officer or Director, and that thereafter such person shall be deemed a party of record in the proceeding.
- 2) Unless otherwise provided by General Rule of the Commission, the Applicant shall serve such notice in the following manner:
 - A) By mailing such notice by U.S. Postal service, first-class mail, directed to the person(s) named in the application at their last known addresses at least ten (10) days prior to the date of the hearing, but not more than thirty (30) days prior to the date of the hearing; and
 - B) By publication of such notice for at least one (1) day, with the notice appearing at least ten (10) days prior to the date of the hearing, but not more than thirty (30) days prior to the date of the hearing, in the newspaper of general circulation published in each county containing some portion of the land identified in the application.

c) Emergency Hearings

In the event an emergency is found to exist by the Commission which in its judgment requires the making, changing, renewal or extension of an order or field rule, without first having a hearing, such emergency order or field rule shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency order or field rule permitted by this section shall remain in force no longer than ten days from its effective date, and, in any event, it shall expire when the order or field rule made after due notice and hearing with respect to the subject matter of such order or field rule becomes effective.

d) Pre-Hearing Conferences

1) Upon his/her own motion, or the motion of a party of record, the Hearing Officer, as designated by the Commission, may convene a meeting of the parties or their counsel in order to:

A) Simplify the factual and legal issues presented by the hearing request;

B) Receive stipulations, admissions of fact and the contents and authenticity of documents;

C) Exchange lists of witnesses the parties intend to have testify and copies of all documents the parties intend to introduce into evidence at the hearing; and

D) Discuss and resolve such other matters as may tend to expedite the disposition of the hearing request and to assure a just conclusion thereof.

2) Pre-hearing conferences may be held by telephone conference if such procedure is acceptable to all parties.

e) Hearings

1) Every hearing shall be held on a date and at a location established by the Commission, and conducted by a Hearing Officer designated by the Commission. The Hearing Officer shall take all necessary actions to avoid delay, to maintain order and to develop a clear and complete record, and shall have all powers necessary and appropriate to conduct a fair hearing and to render a decision on the petition, including but not limited to the following:

A) To administer oaths and affirmations;

- B) To receive relevant evidence;
 - C) To regulate the course of the hearing and the conduct of the parties and their counsel therein;
 - D) To consider and rule upon procedural requests;
 - E) To examine witnesses and direct witnesses to testify, limit the number of times any witness may testify, limit repetitive or cumulative testimony and set reasonable limits on the amount of time each witness may testify; and
 - (F) To require the production of documents or subpoena the appearance of witnesses, either on the Hearing Officer's own motion or for good cause shown on motion of any party of record. The Hearing Officer may require that relevant documents be produced to any party of record on his/her own motion or for good cause shown on motion of any party of record.
- 2) Every person appearing shall enter his/her appearance by stating his/her name and address. Thereafter, such person shall be deemed a party of record.
 - 3) All participants in the hearing shall have the right to be represented by an attorney licensed to practice law in the State of Arkansas. An attorney appearing in a representative capacity in any proceeding hereunder shall file a written notice of appearance identifying his or her name, address and telephone number, and identifying the party represented.
 - 4) The Hearing Officer shall allow all parties to present statements, testimony, evidence and argument as may be relevant to the proceeding.
 - 5) The Director, or his/her designee, may appear at any public hearing and shall have the opportunity to question parties or otherwise elicit such information as is necessary to reach a decision on the application.
 - 6) Preliminary Matters: Where applicable, the following shall be addressed prior to receiving evidence:
 - A) The applicant may offer preliminary exhibits, including documents necessary to present the issues to be heard, notices, proof of publication and orders previously entered in the cause.
 - B) Rulings may be made by the Hearing Officer on any pending motions.

C) Any other preliminary matters appropriate for disposition prior to presentation of evidence.

f) Evidence

- 1) Admissibility: A party shall be entitled to present his/her case by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for a full and true disclosure of the facts. Any oral or documentary evidence may be received, but the presiding Hearing Officer shall exclude evidence which is irrelevant, immaterial or unduly prejudicial or repetitious. The rules of evidence and privilege applied in civil cases in the courts of the State of Arkansas may be generally followed; however, evidence not admissible under such rules of evidence may be admitted, except where precluded by statute, if it is of a type commonly relied upon by reasonable, prudent men in the conduct of their affairs. Subject to these requirements, when a hearing will be expedited and the interests of the parties will not be prejudiced, the Hearing Officer shall allow evidence to be received in written form.
- 2) Official Notice: Official notice may be taken of any material fact not appearing in evidence in the record if the circuit courts of this State could take judicial notice of such fact. In addition, notice may be taken of generally recognized technical or scientific facts within the Commission's specialized knowledge.
- 3) Order of Proof: The applicant shall open the proof. Other parties of record shall be heard immediately following the petitioner. The Hearing Officer or Director or his/her designee, as well as any Commissioner may examine any witnesses. In all cases, the Hearing Officer shall designate the order of proof and may limit the scope of examination or cross-examination.
- 4) Briefs: The Hearing Officer may require or allow parties to submit written briefs to the Hearing Officer within 10 days after the close of the hearing or within such other time as the Hearing Officer shall determine as being consistent with the Commission's responsibility for an expeditious decision.

g) Record of Proceedings; Testimony

The Commission shall provide a certified court reporter to take down the testimony and preserve a record of all proceedings at the hearing. Any person testifying shall be required to do so under oath. However, relevant unsworn statements, comments and observations by any interested person may be heard and considered by the Commission as such and included in the record.

h) Postponement or Continuance of Hearing

Any hearing may be postponed or continued for due cause by the Hearing Officer upon his/her own motion or upon the motion of a party to the hearing. A motion filed by a party to the hearing shall set forth facts attesting that the request for continuance is not solely for the purpose of delay. All parties involved in a hearing shall avoid undue delay caused by repetitive postponements or continuances so that the subject matter of the hearing may be resolved expeditiously. The Applicant may postpone or continue the hearing of an application for three consecutive regularly scheduled Commission meetings without prior approval of the Hearing Officer. After the third consecutive postponement, the application shall be dismissed, unless the Hearing Officer allows an exception for due cause, and the applicant shall be required to re-file in accordance with applicable General Rules in order for an application to be scheduled for a hearing.

i) Default

If a party, after proper service of notice, fails to appear at the pre-hearing conference or at a hearing, and if no continuance is granted, the Commission may then proceed to make its decision in the absence of such party. If the failure to appear at such pre-hearing conference or hearing is due to an emergency situation beyond the parties' control, and the Commission is notified of such situation on or before the scheduled pre-hearing conference or hearing, the Hearing Officer may continue or post-pone the pre-hearing conference or hearing. Emergency situations include sudden unavailability of counsel, sudden illness of a party or his representative, or similar situations beyond the parties' control.

j) Voting

1) In order for the Commission to adopt a motion approving an application as applied for, or as amended by either the applicant or a Commissioner, there must be:

A) A quorum present;

B) A majority of the votes cast must be in favor of the motion outlining the proposed order; and

C) At least five (5) votes cast must be in favor of the motion outlining the proposed order.

2) If a motion approving the application as applied for, or as modified by either the applicant or a Commissioner does not receive the votes required in subparagraphs i) A) through C) above, and no subsequent or substitute motion receives the votes required in subparagraphs i) A) through C) above, then the application shall be deemed to be denied by the Commission.

3) If an application is deemed to be denied by the Commission in accordance with subparagraph i) 2) above, the Commission shall enter an order of denial, which may be appealed as a final decision under the Arkansas Administrative Procedures Act found in Ark. Code Ann. § 25-15-201 et. seq.

4) Nothing in this subparagraph shall limit the Commission's authority to continue any application for due cause.

k) Commission's Order--Final Administrative Decision

Within 30 days of the close of the hearing record, the Commission shall issue findings of fact, conclusions of law and final administrative decision of the Commission signed by the Director. The Commission shall have continuing jurisdiction for the purposes of enforcement, and/or modifications or amendments to the provisions of all orders. Any appeals shall be governed by the Administrative Procedures Act found in Ark. Code Ann. § 25-15-201 et. seq.

l) Notice of Order--Recordation

Within 30 days after an order has been issued, a copy of such order shall be mailed by the Commission to each interested party at his/her last known address or his/her attorney of record, and filed in accordance with the Administrative Procedures Act found in Ark. Code Ann. § 25-15-201 et. seq.

Mark-up

RULE A-3 ADDITIONAL REQUIREMENTS FOR SPECIFIC TYPES OF HEARINGS

~~In the event an emergency is found to exist by the Commission which in its judgment requires the making, changing, renewal or extension of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than ten days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.~~

a) Abandoned Well and Emergency Response Hearings

- 1) Unless otherwise specified below, General Rule A-2 shall apply to all abandoned well and emergency response hearing proceedings pursuant to Ark. Code Ann. § 15-72-217.
- 2) The Director shall only provide notice to the permit holder named in the application, in accordance with General Rule A-2 (b) (2).
- 3) The Director shall have the burden of proof at the hearing. The standard for a decision shall be a preponderance of the evidence.

b) Integration Hearings

- 1) Unless otherwise specified below, General Rule A-2 shall apply to all drilling unit integration proceedings.
- 2) Commencement of Action

Where the oil or gas rights within a drilling unit are separately owned and the owners of those rights have not voluntarily agreed to integrate or pool those rights to develop the oil or gas, an owner may petition the Commission for an order integrating those rights, pursuant to Ark. Code Ann. § 15-72-302 and §15-72-303. The application for an order integrating interests shall contain the following:

- A) The name and address of the applicant;
- B) The applicant's reasons for desiring to integrate the separately owned interests;
- C) A legal land description of the drilling unit sought to be established;

- D) A geologic report of the area where the proposed drilling unit is to be located indicating the potential presence of reservoirs;
- E) If the application is for the integration of an exploratory drilling unit, as contemplated by Ark. Code Ann. § 17-72-302:
- i) the names of all owners named in the application who have not agreed to integrate their interests in the right to drill and produce oil or gas, or both, in the proposed drilling unit as of the date of filing the petition, as disclosed by the records in the office of the clerk for the county or counties in which the drilling unit is situated, and;
 - ii) a statement that the persons who own at least an undivided fifty percent (50%) interest in the right to drill and produce oil or gas or both, from the total proposed unit agree thereto at the time of the filing of the application.
- F) If the application is for the integration of an established drilling unit, as contemplated by Ark. Code Ann. § 17-72-303, and created in accordance with applicable Commission Orders or General Rules; the names of all owners named in the application who have not agreed to integrate their interests in the right to drill and produce oil or gas, or both, in the proposed drilling unit as of the date of filing the petition, as disclosed by the records in the office of the clerk for the county or counties in which the drilling unit is situated;
- G) Unleased mineral owners.

A resume or efforts showing that the applicant has exercised due diligence, to locate each unleased mineral owner and that a bona fide effort, was made to reach an agreement with each owner as to how the unit would be developed, as follows:

- i) Due diligence, regarding non-industry owners (persons who are not actively involved in the oil and gas business) means that the Applicant attempted to contact said owners and that bona fide efforts to reach an agreement commenced at least sixty (60) days prior to the date of the hearing; that there were no prolonged lapses (greater than 90 days) of time in between efforts to reach an agreement; and that there are sufficient contacts to show that the Applicant has exhausted all reasonable efforts to reach an agreement.

ii) Due diligence, regarding industry owners (person who as an active business practice are involved in the oil and gas business) means that the Applicant has provided industry owners notice, including an Authorization for Expenditure (“AFE”) and Well Proposal, prior to filing the integration application.

H) Uncommitted Leasehold Working Interest Owners.

A resume of efforts showing that the applicant has exercised due diligence, to locate each uncommitted leasehold working interest owner and that a bona fide effort, was made to reach an agreement with each owner as to how the unit would be developed, by providing the uncommitted leasehold working interest owners notice, including an AFE and Well Proposal, prior to filing the integration application.

D) Any other information relevant to protect correlative rights of the parties sought to be affected by the order.

c) Appeal of Director’s Decision.

- 1) A Permit Holder may appeal a permit denial, any enforcement action, or rule interpretation decision made by the Director to the Commission.
- 2) Unless otherwise specified below, General Rule A-2 shall apply to all hearings requested to appeal a decision of the Director.
- 3) The Permit Holder shall only be required to provide a general public notice of the hearing by publication of such notice for at least one (1) day, with the notice appearing at least three (3) days prior to the date of the hearing, but not more than thirty (30) days prior to the date of the hearing, in the newspaper of general circulation published in each county where the subject matter addressed by the Director’s decision occurred.
- 4) The application to appeal a Director’s decision shall be accompanied by a two hundred and fifty dollar (\$250.00) filing fee.

d) Exceptional Well Location

- 1) Unless otherwise specified below, General Rule A-2 shall apply to all hearings for an application which has been referred to the Commission in accordance with General Rule B-40, or for which General Rule B-40 is not applicable.
- 2) The application shall include proof of notice to each owner within the unit in which the well is located and within the units offsetting the boundary line or lines, or in the case of wells in uncontrolled fields within the boundaries of mineral lease lines

and the offsetting lease(s), which shall be encroached upon by the exceptional well location.

- 3) If the application has been referred to the Commission in accordance with General Rule B-40, no application fee is required to be submitted with the application.

e) Authority to Commingle and Additional Completions

- 1) Unless otherwise specified below, General Rule A-2 shall apply to all hearings for which the applicant has requested a hearing for an application which has been denied in accordance with General Rule D-18 or General Rule D-19, or for which General Rules D-18 or D-19 are not applicable.
- 2) If the applicant requests the hearing in accordance with General Rule D-18, the application shall include proof of notice to all offset operators in all adjacent units.
- 3) If the applicant requests the hearing in accordance with General Rule D-19, the application shall include proof of notice to all working interest owners in the subject unit and all offset operators in all adjacent established units including all working interest owners in the offset unit where the operator is the same as the applicant.

Mark-up

D-19 ADDITIONAL COMPLETIONS WITHIN COMMON SOURCES OF SUPPLY WITHIN A DRILLING UNIT

- a) This rule is applicable for administrative approval, by the Director of Production and Conservation, of additional completions, within common sources of supply, within established drilling units located in fields covered by field rules.
- b) This rule is not applicable on a field-wide basis, or within Exploratory Units.
- c) Application for additional completions shall be submitted to the Director of Production and Conservation on a form prescribed by the Director, and contain the following information:
 - 1) The location of the unit;
 - 2) The location of all well(s) showing the productive zones in each well within the unit for which the additional completions are requested;
 - 3) Initial and current pressure(s) and current rates and, cumulative production for each completion within a common source of supply;
 - 4) A structure and isopach map of the common source of supply;
 - 5) A unit cross-section, including the wells for which the additional completion is requested;
 - 6) A statement as to whether there is common ownership within the wells producing from the common source of supply within the unit; and
 - 7) If applicable, the drainage characteristics for each well within the common source of supply;
- d) In addition, each application shall provide proof of written notice to all ~~working interest~~ owners, as defined in Ark. Code Ann. § 15-72-102(9), in the subject unit and all offset operators in all adjacent established units including all ~~working interest~~ owners, as defined by Ark. Code Ann. § 15-72-102(9) in ~~the any~~ offset unit where the operator is the same as the applicant. ~~Notice shall be given at least 15 days prior to the receipt of the application as indicated by the Commission date stamp on the application.~~
- e) The notice shall contain at a minimum, the name of the applicant, the name and location of the well, the zone subject to the additional completion request, and instructions as to the filing with the Director of Production and Conservation written objections within fifteen (15) days ~~of after receipt of the application by the Director of Production and Conservation~~ the notice postmark.
- f) Any offset operator or owner noticed in accordance with paragraph e) above shall have the right to object to the granting of such application within fifteen (15) days after receipt of the application by the Director of Production and Conservation.

fg) Upon review of the application and if the submitted evidence or requested additional evidence indicates that:

- 1) Stratigraphic or structural separation of the common source of supply can reasonably be demonstrated; or
- 2) The irregular shape and/or size of the drilling unit relative to the drainage characteristic of the well within the common source of supply necessitate an additional completion; or
- 3) The drainage characteristics of the well within the common source of supply in a regular shape and size drilling unit demonstrate an additional completion is necessary to effectively drain the unit; or
- 4) The pressure data from the common source of supply indicates less than a 20% reduction in the original pressure 5 years after the first completion in that same source of supply; or
- 5) The other unit completion(s) in the common source of supply have each produced less than 75 MCF per day over the twelve month period prior to the additional completion application or a newly drilled well, which is the subject of the additional completion request, and which is only able to produce less than 75 MCF per day absolute open flow; and
- 6) If ownership within the wells in the common source of supply within the unit is not common, but evidence of agreement between the owners is provided with the additional completion application; and
- 7) If an objection is not received within 15 days ~~of~~ after the receipt of the application, the Director of Production and Conservation shall approve the application.

g h) If an objection is received or if the application does not satisfy the requirements of this Rule section (F) above, the application shall ~~will~~ be denied. If an application is denied, or if the reason for an additional completion request is not addressed by this rule, the Applicant may request to have the matter placed, in accordance with established procedures, on the docket of a regularly scheduled Commission hearing.

ABANDONED AND ORPHAN WELL PLUGGING PROGRAM

RULE G-1 ABANDONED OR LEAKING WELL AND WELL SITE REMEDIATION

a) Definitions

- 1) “Abandoned Well” means:
 - A) a well owned or operated by a Permit Holder which has not produced for over 2 years; or
 - B) a well for which the underlying lease has been released in writing by the lessee or has been declared forfeited or invalid by a court order, and such order is final and the appeal period has lapsed; and the lessor states in writing that the lessor has not leased out the oil and gas working interest to any other person and does not intend to so lease, and that the lessor does not intend to operate the well, and that the lessor desires that the well be plugged; or
 - C) a well owned or operated by a Permit Holder who has made no payment by March 1 of a current annual well fee assessment in accordance with Ark Code Ann. §15-71-116; or
 - D) a well that has been ordered to be plugged by the Commission and the Permit Holder has failed to do so within the time frame specified in the Commission Order; or
 - E) a well site which has not been properly restored following the completion of well plugging activities.
- 2) “Well Site Equipment” means the equipment, including but not limited to an associated tank battery, production and injection facility equipment, hydrocarbons from the well that are stored in tanks located on the lease, and hydrocarbons recovered during the plugging operation.
- 3) “Well Site” means the area around and near the well, including any associated pits, crude oil or produced water storage tanks or other related production facility equipment, such as injection pumps, compressors or gas processing equipment.

- 4) “Director” means the Oil and Gas Commission Director of Production and Conservation.
 - 5) “Leaking Well” means a well drilled for the exploration, development, storage or production of oil or gas, or for injection, saltwater disposal, saltwater source, observation, and geological or structure test which is leaking salt water, oil, gas, or other deleterious substance into any fresh water formation or onto the surface of the land in the vicinity of the well.
 - 6) “Well Site Restoration” means remediation of a well site, including but not limited to the following activities: an emergency clean-up of spilled crude oil or saltwater; remediation of conditions endangering the public health or safety, or contaminating or potentially contaminating surface waters, groundwater, or the surface of the land; work to repair or contain leaks of produced fluids from wells, production or injection equipment, pits or other containment structures, which are contaminating or potentially contaminating surface waters, groundwaters or the surface of the land; or a repairing a well leaking natural gas or hydrogen sulfide gas endangering or potentially endangering public safety or creating a potential a fire hazard.
- b) If the Director finds, upon inspection and/or review of Commission records, that a well drilled for the exploration, development, storage or production of oil or gas, or for injection, saltwater disposal, saltwater source, observation, and geological or structure test, may be abandoned; well site restoration has not been completed; is a leaking well; or the well or well site creates an imminent danger to the health or safety of the public, the Director may schedule a hearing, in accordance with established procedures.
 - c) If after notice and a hearing, the Commission finds that a well drilled for the exploration, development, storage or production of oil or gas, or for injection, saltwater disposal, saltwater source, observation, a geological or structure test, may be abandoned; well site restoration has not completed; is a leaking well; or the well or well site creates an imminent danger to the health or safety of the public; the Commission shall issue an order requiring the Permit Holder to properly plug, re-plug, repair, or restore so as to remedy the situation.
 - d) If the Permit Holder fails to properly plug, re-plug, repair, or restore so as to remedy the situation within 30 days from the time frame prescribed by the Commission order, the abandoned well or well site; leaking well; a well or well site that creates an imminent danger to the health or safety of the public; or a well site restoration has not been completed, the well or well site shall be subject to the provisions of this Rule.

- e) The Director may then authorize any person to enter upon the land and properly plug, re-plug, repair, or restore so as to remedy the situation. The Director may dispose of all well site equipment and hydrocarbons, to offset the costs of properly plugging, re-plugging, repairing, or restoring so as to remedy the situation. Proceeds from any public sale, auction or private sale of all well site equipment or hydrocarbons shall be deposited into the Plugging Fund or used to offset plugging costs. All work completed under this rule shall be paid with funds from the Abandoned and Orphan Well Plugging Fund.
- f) The Permit Holder shall reimburse the Commission for all costs expended to remedy the situation. All payments shall be by cashier's checks or money order, and shall be deposited in the Abandoned and Orphaned Well Plugging Fund. Failure to reimburse the Commission will result in the initiation of Commission enforcement action to recover the expended funds. Prior to repayment of all expended funds, the Permit Holder shall not be permitted to operate any other existing wells in the Permit Holder's name. Upon repayment and prior to being permitted to operate any wells, the Permit Holder may be required to post additional bond, as determined by the Director in accordance with General Rule B-2, to insure against the plugging of future abandoned wells not plugged by the Permit Holder.

RULE G-2 PLUGGING OF ORPHAN WELLS

a) Definitions:

- 1) “Orphan Well” means a well for which a Permit Holder can not be located, there is no record the well has ever been covered by a Commission required bond, and no fees have ever been paid on the well in accordance with Ark. Code Ann. § 15-71-110.
- 2) “Well Site Equipment” means the equipment, including but not limited to an associated tank battery, production and injection facility equipment, hydrocarbons from the well that are stored in tanks located on the lease, and hydrocarbons recovered during the plugging operation
- 3) “Well Site” means the area around and near the well, including any associated pits, crude oil or produced water storage tanks or other related production facility equipment, such as injection pumps, compressors or gas processing equipment.
- 4) “Director” means the Oil and Gas Commission Director of Production and Conservation.

b) If after review of the Commission records, the Director determines a well or well site to be orphaned, that well or well site may be administratively determined to be eligible for plugging, without the need for a hearing. Following designation as an orphaned well or well site, the Director may elect to properly plug, re-plug, or restore so as to remedy the situation, and authorize any person to enter upon the land properly plug, re-plug, or restore so as to remedy the situation.

c) All work completed under this rule shall be paid with funds from the Abandoned and Orphan Well Plugging Fund. Additionally, the Director may dispose of all well site equipment and hydrocarbons, to offset the cost of the well plugging and well site restoration operations. Proceeds from any public sale, auction or private sale of all well site equipment or hydrocarbons shall be deposited into the Plugging Fund or used to offset plugging costs.

**RULE G-3 TRANSFER OF WELLS IN THE ABANDONED AND ORPHANED WELL
PLUGGING PROGRAM**

- a) Definitions
- 1) “Well” as used in the Rule (G-3) shall only mean wells that are abandoned as defined in General Rule G-1 (a) (1), or orphaned as defined in General Rule G-2 (a) (1).
 - 2) “Commission” means the Arkansas Oil and Gas Commission.
 - 3) “Director” means the Director of Production and Conservation.
- b) When a transfer request is received, on a form prescribed by the Director, for a well, the following documentation must be submitted by the proposed new Permit Holder:
- 1) a signed new base lease properly recorded in the county where the well is located; or
 - 2) an affidavit stating a new base lease has been obtained and properly recorded in the county where the well is located;
- c) Upon review and acceptance of the transfer request, and prior to approval of the transfer request, the proposed new Permit Holder shall:
- 1) pay a salvage value for the downhole well equipment as follows:
 - A) \$500 per well for wells less than 3000 feet in depth; and
 - B) \$1000 per well for wells equal to or greater than 3000 feet in depth; and
 - 2) pay a salvage value for the tanks, pumping units, and other related equipment, as determined by submission of 2 independent salvage value estimates from commercial salvage oil and gas production equipment dealers and approved by the Director or his or her designee;
 - 3) pay the fair market value per barrel, to be determined at the time of the transfer approval, for all oil fluids (hydrocarbons) stored on the lease or unit; and
 - 4) if applicable, provide financial assurance in accordance with General Rule B-2 and file all other required organizational and registration forms.
- d) All payments shall be by cashier’s checks or money order, payable to the Commission, and shall be deposited in the Abandoned and Orphaned Well Plugging Fund.

- e) The Director has sole discretion to approve or deny requests for transfer of the well. If, upon review of a transfer request for the well, the Director determines that property rights, environmental or public safety and welfare concerns will be advanced through plugging the well, the transfer request may be denied.