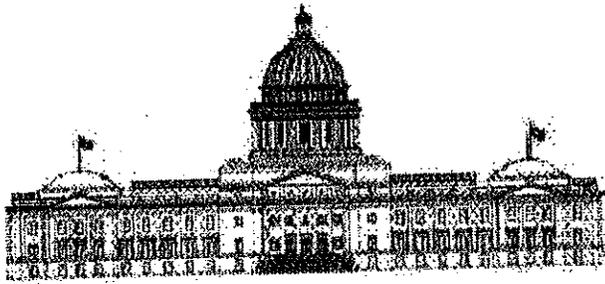


# ARKANSAS REGISTER

## Transmittal Sheet



Charlie Daniels  
 Secretary of State  
 State Capitol Room 026  
 Little Rock, Arkansas 72201-1094  
 (501) 682-3527

**For Office Use Only:** Effective Date \_\_\_\_\_ Code Number \_\_\_\_\_

Name of Agency Arkansas Oil & Gas Commission

Department 0440

Contact 501-683-5814 E-mail maurice.rigsby@aogc.state.ar.us Phone (501) 683-5814

Statutory Authority for Promulgating Rules \_\_\_\_\_

**Rule Title:** General Rule B-7 When Wells Shall be Plugged and Abandoned and Notice of Intention to Plug and Abandon Wells

Intended Effective Date		Date
<input type="checkbox"/> Emergency	Legal Notice Published .....	<u>10/21/07</u>
<input checked="" type="checkbox"/> 10 Days After Filing	Final Date for Public Comment .....	<u>11/19/07</u>
<input type="checkbox"/> Other _____	Reviewed by Legislative Council .....	<u>12/06/07</u>
	Adopted by State Agency .....	<u>12/16/07</u>

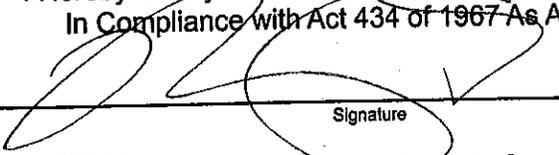
Electronic Copy of Rule Provided on disk or CD (per Act 1478 of 2003)

Electronic Copy of Rule e-mailed from: Shannon Hunter shannon.hunter@aogc.state.ar 12/14/2007

Contact Person Email Address Date

### CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted  
 In Compliance with Act 434 of 1967 As Amended.

  
 \_\_\_\_\_  
 Signature

(501) 683-5814 maurice.rigsby@aogc.state.ar.us

Phone Number E-mail Address

Deputy Director

Title

12/14/07

Date

**RULE B-7 - WHEN WELLS SHALL BE PLUGGED AND ABANDONED AND  
NOTICE OF INTENTION TO PLUG AND ABANDON WELLS**

- a) The current permit holder is responsible for plugging wells as defined in this rule. In the case of leaking wells, plugging responsibility is in accordance with General Rule B-26 (k) and (l).
- b) All new wells drilled for oil, gas, or brine exploration, oil, gas or brine production, water supply or injection purposes, except such holes as are described in Rule B-10, regardless of depth are required to be either properly cased with production casing or the uncased well or dry hole shall be plugged and abandoned in accordance with subparagraph (c) below and in accordance with the procedure described in Rule B-8.
- c) **Uncased wells and dry holes**
  - 1) Any well in which production casing is not set and cemented shall be plugged in accordance with General Rule B-8 prior to the time that the equipment used to drill said well is released from the drilling operation, unless an extension of time has been granted by the Director. In determining whether to grant an extension and in determining the length of an extension, the Director will consider:
    - A) The permit holders specific plans for further wellbore utilization,
    - B) The total depth of the well,
    - C) The depth of surface casing,
    - D) A description of the current condition of the hole including a description of the type of drilling fluids currently in the well,
    - E) The location of the well.
  - 2) If the Director determines that the uncased well presents a risk of contamination to the environment or a risk to public safety the Permit Holder shall be required to repair, case, plug or perform other remediation measures to the well, as determined by the Director, within twenty four (24) hours after notification by the Director.
- 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 General Rule B-8, when no longer used for the wells intended purpose or, at the discretion of the Director, when the well has been idle for more than 24 months or sooner should the Director determines that the cased well presents a risk of contamination to the environment or a risk to public safety. Upon such determination by the Director, the Permit Holder shall commence plugging the well within 30 days after notification by the Director.
- e) Prior to the commencement of any work in plugging and abandonment operations, the permit holder or other person responsible for the conduct of the drilling operations shall give notice of the intent to plug and abandon such well in a form prescribed by the Director as follows:

- 1) For uncased wells and dry holes, notice shall be provided via verbal or facsimile communication to the Commission Regional Office where the well is located, as soon as possible, but no less than 8 hours, prior to commencement of plugging operations.
  - 2) For cased wells, written notice on a form prescribed by the Director shall be provided to the Commission Regional Office where the well is located, at least 72 hours prior to the commencement of plugging operations.
- f) Upon receipt and review of such verbal or written notice, the Commission Regional Office shall authorize the commencement of plugging operations and may send a duly authorized Commission representative to the well location to witness the plugging of such well.
- g) Authorization to plug and abandon is not granted unless the appropriate notice, as specified in subparagraph (e) above, has been provided to the Oil and Gas Commission by the permit holder or person responsible for the plugging of the well. Plugging of the well without providing proper notice as required can result in the Permit Holder being required to drill out the well plugs and the well replugged under Commission observation.

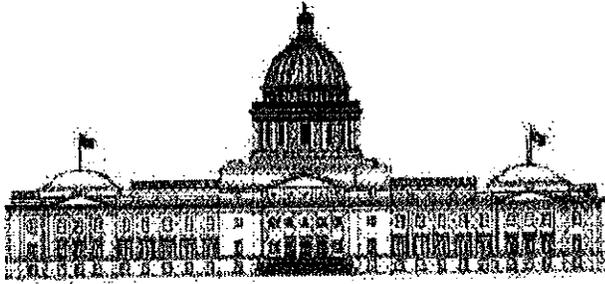


## **RULE B-37 - DUAL COMPLETION OF WELLS**

- a) A Permit Holder may elect to complete a well in such a manner as to permit the production of oil or gas from one formation through the tubing and oil or gas from a separate formation through the annular space between the tubing and casing, subject to the following conditions:
- 1) That each well dually completed shall be regarded as a separate and distinct Well; and
  - 2) That the production shall be taken and measured separately; and
  - 3) That all rules, regulations and orders governing individual oil or gas wells shall be strictly adhered to.
- b) A Permit Holder may file an application with the Director to complete a gas well for production of dry gas from a formation through the annular space between the production casing and the surface casing, provided the following conditions are met:
- 1) Each application shall be made on a form prescribed by the Director and shall include proof of written notice to all offset operators or owners, as defined in Ark. Code Ann. § 15-72-109, in governmental sections that are contiguous to the lease upon which uncontrolled gas is to be produced; or if controlled, then proof to all offset operators or owners, as defined in Ark. Code Ann. § 15-72-109, having the right to produce from the same shallow formation in the adjacent governmental sections.
  - 2) Surface casing in the subject well has been set and cemented to a depth of as required by General Rule B-15; and
  - 3) The proposed zone to be produced would otherwise not be economic due to limited production potential.
  - 4) Any offset operator or owner noticed in accordance with subparagraph (b)(1) above shall have the right to object to the granting of such application within fifteen (15) days after receipt of the application by the Commission.
  - 5) If an objection is received within fifteen (15) days after receipt of the application by the Commission, or if the Permit Holder does not satisfy all requirements of this paragraph (b), the application shall be denied. If an application is denied the Permit Holder may request to have the matter placed, in accordance with established procedures, on the docket of a regularly scheduled Commission hearing.
  - 6) If no objection is received by the Commission within fifteen (15) days after receipt of the application by the Commission, and the Permit Holder is in compliance with all requirements of this paragraph (b), the application shall be approved.

# ARKANSAS REGISTER

## Transmittal Sheet



Charlie Daniels  
 Secretary of State  
 State Capitol Room 026  
 Little Rock, Arkansas 72201-1094  
 (501) 682-3527

**For Office Use Only:** Effective Date \_\_\_\_\_ Code Number \_\_\_\_\_

Name of Agency Arkansas Oil & Gas Commission

Department 0440

Contact 501-683-5814 E-mail maurice.rigsby@aogc.state.ar.us Phone (501) 683-5814

Statutory Authority for Promulgating Rules \_\_\_\_\_

General Rule B-40 Authorization for Director of Production and Conservation to Administratively Approve Applications for  
**Rule Title:** Exceptional Well Locations

Intended Effective Date		Date
<input type="checkbox"/> Emergency	Legal Notice Published .....	<u>10/19/07</u>
<input checked="" type="checkbox"/> 10 Days After Filing	Final Date for Public Comment .....	<u>11/17/07</u>
<input type="checkbox"/> Other _____	Reviewed by Legislative Council .....	<u>12/06/07</u>
	Adopted by State Agency .....	<u>12/16/07</u>

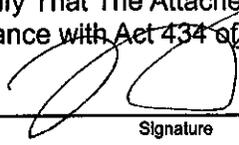
Electronic Copy of Rule Provided on disk or CD (per Act 1478 of 2003)

Electronic Copy of Rule e-mailed from: Shannon Hunter shannon.hunter@aogc.state.ar 12/14/2007

Contact Person Email Address Date

### CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted  
 In Compliance with Act 434 of 1967 As Amended.

  
 \_\_\_\_\_  
 Signature

(501) 683-5814 maurice.rigsby@aogc.state.ar.us

Phone Number E-mail Address

Deputy Director

\_\_\_\_\_  
 Title  
12/14/07  
 Date

**RULE B-40 - AUTHORIZATION FOR DIRECTOR OF PRODUCTION AND CONSERVATION TO ADMINISTRATIVELY APPROVE APPLICATIONS FOR EXCEPTIONAL WELL LOCATIONS**

- a) The Director of Production and Conservation or his designee is authorized to issue a Drilling Permit for a well proposed to be drilled, is being drilled, or has been drilled at a location within an established drilling and production unit, which fails to conform to the setback distance requirements, as measured from the approximate center of the wellbore to unit boundary lines, under applicable field rules or Commission general rules. This rule is only applicable:
- (1) To dry gas wells drilled vertically or directionally and does not apply to any type of dry gas well drilled as a wildcat well, as defined in General Rule B-3, or for dry gas wells drilled in Exploratory Units established by Commission order, or;
  - (2) To oil or gas condensate wells drilled in standard drilling units from which the well setbacks are defined by distance from a drilling unit boundary defined by a legal land description and does not apply to drilling units where well setbacks are established by other methods, or for wildcat wells or for wells in Exploratory Units established by the Commission, or;
  - (3) To oil wells located in uncontrolled fields where the standard well setback as specified in General Rule B-3, apply to lease lines rather than drilling unit lines.
- b) In each such instance in which a permit is issued, except in uncontrolled fields which are not subject to an allowable, a reduction in the allowable to which such well would otherwise be entitled, under the provisions of the applicable field rules or other general well spacing rules, shall be assessed by multiplying a fraction, the numerator of which shall be the distance expressed in feet between the location of such proposed well and the boundary of the drilling and production unit in which the well is to be drilled and the denominator of which shall be the distance expressed in feet at which wells within such field and/or drilling unit are otherwise required to be located. If the proposed location encroaches upon more than one boundary of said unit, then the penalty to be imposed upon the production allowable shall be cumulative of the penalties from both boundaries as described in Section (c) below.
- c) If the proposed location encroaches upon more than one boundary as specified in section (b) above, the reduction in the allowable shall be calculated as follows:

First boundary encroachment expressed as:

$$\frac{\text{setback footage specified by rule (minus)(-) actual footage of proposed well from unit boundary (divided by)(\div)}{\text{setback footage specified by rule, plus (+)}}$$

Second boundary encroachment expressed as:

$$\frac{\text{setback footage specified by rule (minus)(-) actual footage of proposed well from unit boundary (divided by)(\div)}{\text{setback footage specified by rule = penalty factor}}$$

Then:

penalty factor (x) full calculated allowable (MCF or bbl) = amount allowable reduced (MCF or bbl)

Then:

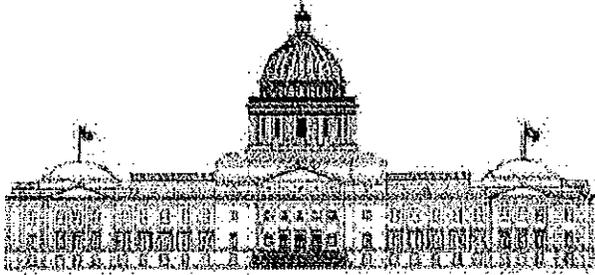
full calculated allowable (MCF or bbl) (minus)(-) amount allowable reduced (MCF or bbl) = production allowable (MCF or bbl)

- d) Each such application for an exceptional location shall be submitted on a form prescribed by the Director of Production and Conservation, accompanied by an application fee of \$500.00 and include the name and address of each owner, as defined in A.C.A. § 15-72-102(9), within the unit in which the proposed well is to be drilled 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 proposed exceptional well location.
- f) Concurrently with the filing of an application in accordance with this rule, the applicant shall send to each owner specified in Section (d) above a notice of the application filing and verify such mailing by affidavit, setting out the names and addresses of all owners and the date(s) of mailing.
- g) Any owner noticed in accordance with section (d) shall have the right to object to the granting of such application within fifteen (15) days after the receipt of the application by the Commission. Each objection must be made in writing and filed with the Director. If a timely written objection is filed as herein provided, then the applicant shall be promptly furnished a copy and such application and the objection shall be referred to the Commission for determination at the next regular hearing.
- h) An application may be referred to the Commission for determination when the Director: (1) deems the penalty to be imposed upon the allowable for such well, calculated as herein provided, to be inadequate to offset any advantage which the applicant may have over any other producer, as defined in A.C.A. § 15-72-102(8), by reason of the drilling of the well at such exceptional location, or (2) deems it necessary that the Commission make such determination for the purpose of protecting correlative rights of all parties. Promptly upon such determination, and not later than fifteen (15) days after receipt of the application, the Director shall give the applicant written notice, citing the reason(s) for denial of the application under this rule and the referral to the full Commission for determination.
- i) Applications for exceptional locations resulting from directional drilling shall be considered for administrative approval in accordance with this rule, provided, that no allowable shall be authorized until the Commission has been furnished a bottom hole directional survey for each common source of supply for which an allowable is requested. In all such cases where directional surveys are made available, the distance, of the mid-point perforations for each common source of supply in a directional well, from the unit boundary shall be used in calculating the allowable.
- j) If the Director has not notified the applicant of the determination to refer the application to the Commission within the fifteen (15) day period in accordance with the foregoing provisions, and if no objection is received at the office of the Commission within the

fifteen (15) days as provided for in section (f), the application shall be approved and a Drilling Permit issued.

# ARKANSAS REGISTER

## Transmittal Sheet



Charlie Daniels  
 Secretary of State  
 State Capitol Room 026  
 Little Rock, Arkansas 72201-1094  
 (501) 682-3527

**For Office Use Only:** Effective Date \_\_\_\_\_ Code Number \_\_\_\_\_

Name of Agency Arkansas Oil & Gas Commission

Department 0440

Contact 501-683-5814 E-mail maurice.rigsby@aogc.state.ar.us Phone (501) 683-5814

Statutory Authority for Promulgating Rules \_\_\_\_\_

**Rule Title:** General Rule B-43 Establishment of Drilling Units for Gas Production from Conventional and Unconventional Sources of Supply Occuring in Certain Prospective areas not covered by Field Rules

Intended Effective Date		Date
<input type="checkbox"/> Emergency	Legal Notice Published .....	<u>10/19/07</u>
<input checked="" type="checkbox"/> 10 Days After Filing	Final Date for Public Comment .....	<u>11/17/07</u>
<input type="checkbox"/> Other _____	Reviewed by Legislative Council .....	<u>12/06/07</u>
	Adopted by State Agency .....	<u>12/16/07</u>

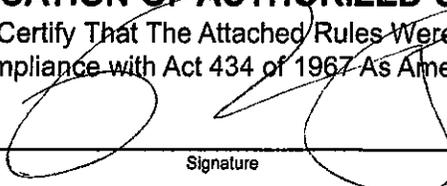
Electronic Copy of Rule Provided on disk or CD (per Act 1478 of 2003)

Electronic Copy of Rule e-mailed from: Shannon Hunter shannon.hunter@aogc.state.ar 12/14/2007

Contact Person Email Address Date

### CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted  
 In Compliance with Act 434 of 1967 As Amended.

  
 \_\_\_\_\_  
 Signature

(501) 683-5814 maurice.rigsby@aogc.state.ar.us

Phone Number E-mail Address

Deputy Director  
 \_\_\_\_\_  
 Title  
12/14/07  
 \_\_\_\_\_  
 Date

**GENERAL RULE B-43 - ESTABLISHMENT OF DRILLING UNITS FOR GAS  
PRODUCTION FROM CONVENTIONAL AND UNCONVENTIONAL  
SOURCES OF SUPPLY OCCURRING IN CERTAIN PROSPECTIVE AREAS  
NOT COVERED BY FIELD RULES**

- (a) For purposes of this rule, unconventional sources of supply shall mean those common sources of supply that are identified as the Fayetteville Shale, the Moorefield Shale, and the Chattanooga Shale Formations, or their stratigraphic shale equivalents, as described in published stratigraphic nomenclature recognized by the Arkansas Geological Survey or the United States Geological Survey.
- (b) For purposes of this rule, conventional sources of supply shall mean all common sources of supply that are not defined as unconventional sources of supply in section (a) above.
- (c) This rule is applicable to all occurrences of conventional and unconventional sources of supply in Arkansas, Cleburne, Conway, Cross, Faulkner, Independence, Jackson, Lee, Lonoke, Monroe, Phillips, Prairie, St. Francis, Van Buren, White and Woodruff Counties, Arkansas and shall be called the "section (c) lands". The development of the conventional and unconventional sources of supply within the section (c) lands shall be subject to the provisions of this rule.
- (d) This rule is further applicable to all occurrences of unconventional sources of supply in Crawford, Franklin, Johnson, and Pope Counties, Arkansas and shall be called the "section (d) lands". The development of the unconventional sources of supply within the section (d) lands shall be subject to the provisions of this rule. For purposes of this rule, the section (d) lands and the section (c) lands may collectively be referred to as the "covered lands".
- (e) All Commission approved Fayetteville Shale and non-Fayetteville Shale fields that are situated within the section (c) lands and that are in existence on the date this rule is adopted (collectively, the "existing fields"), are abolished and the lands heretofore included within the existing fields are included within the section (c) lands governed by this rule. Further, all amendments that added the Fayetteville Shale Formation to previously established fields for conventional sources of supply occurring in the section (d) lands are abolished and continuing development of the Fayetteville Shale and other unconventional sources of supply in these lands shall be governed by the provisions of this rule. All existing individual drilling units however, contained within the abolished fields shall remain intact.
- (f) All drilling units established for conventional and unconventional sources of supply within the section (c) lands and all drilling units established for unconventional sources of supply within the section (d) lands shall be comprised of regular governmental sections with an area of approximately 640 acres in size. Each drilling unit shall be characterized as either an "exploratory drilling unit" or an "established drilling unit". An "exploratory drilling unit" shall be defined as any drilling unit that is not an established drilling unit. An "established drilling unit" shall be defined as any drilling unit that contains a well that has been drilled and completed in a conventional or unconventional source of supply (a "subject well"), and for which the operator or other person responsible for the conduct of the drilling operation has filed, with the Commission, all appropriate documents in accordance with General Rule B-5, and been issued a

certificate of compliance. Upon the filing of the required well and completion reports for a subject well and the issuance of a certificate of compliance with respect thereto, the exploratory drilling unit upon which the subject well is located and all contiguous governmental sections shall be automatically reclassified as established drilling units.

- (g) The filing of an application to integrate separately owned tracts within an exploratory drilling unit, as defined in Section (f) above and as contemplated by A.C.A. § 15-72-302(e), is permissible, provided that one or more persons who collectively own at least an undivided fifty percent (50%) interest in the right to drill and produce oil or gas, or both, from the total acreage assigned to such exploratory drilling unit support the filing of the application. In determining who shall be designated as the operator of the exploratory drilling unit that is being integrated, the Commission shall apply the following criteria:
- 1) Each integration application shall contain a statement that the applicant has sent written notice of its application to integrate the drilling unit to all working interest owners of record within such drilling unit. This notice shall contain a well proposal and AFE for the initial well and may be sent at the same time the integration application is filed.
  - 2) If any non-applicant working interest owner in the drilling unit owns, or has the written support of one or more working interest owners that own, separately or together, at least a fifty percent (50%) working interest in the drilling unit, such non-applicant working interest owner may (i) object to the applicant being named operator (a "section (g) operator challenge") or (ii) file a competing integration application (a "section (g) competing application") that challenges any aspect of the original integration application for such drilling unit. Any contested matter that is limited to a section (g) operator challenge shall be heard at the Commission hearing that was originally scheduled for such integration application. Any contested matter that involves the filing of a section (g) competing application shall be postponed until the next month's regularly scheduled Commission hearing if postponement is requested by either competing applicant.
  - 3) If a party desiring to be named operator of a drilling unit is supported by a majority-in-interest of the total working interest ownership in the drilling unit (the "majority owner"), the majority owner shall be designated unit operator.
  - 4) In the event two parties desiring to be named operator own, or have the written support of one or more working interest owners that own, exactly, an undivided 50% share of the drilling unit and either a section (g) operator challenge is submitted or a section (g) competing application is filed, operatorship shall be determined by the Commission, based on the factors it deems relevant and the evidence submitted by the parties or as otherwise provided by subsequent rule.
  - 5) If the person designated as operator by the Commission in the adjudication of a section (g) operator challenge or a section (g) competing application does not commence actual drilling operations on the drilling unit within the twelve (12) month period set out in the integration order, such operator shall not be entitled to be designated as operator under the subsequent integration of such drilling unit unless (i) the operator's failure to commence such drilling operations was due to force majeure, or (ii) a majority-in-interest of the total working interest

ownership in the drilling unit (excluding such designated operator) support such operator.

- (h) The filing of an application to integrate separately owned tracts within an established drilling unit, as defined in Section (f) above and as contemplated by A.C.A. § 15-72-303 is permissible, without a minimum acreage requirement, provided that one or more persons owning an interest in the right to drill and produce oil or gas, or both, from the total acreage assigned to such established drilling unit requests such integration. In determining who shall be designated as the operator of the established drilling unit that is being integrated, the Commission shall apply the following criteria:
- 1) Each integration application shall contain a statement that the applicant has sent written notice of its application to integrate the drilling unit to all working interest owners of record within such drilling unit. This notice shall contain a well proposal and AFE for the initial well and may be sent at the same time the integration application is filed.
  - 2) Any non-applicant working interest owner in the drilling unit may object to the applicant being named operator (a "section (h) operator challenge"). In addition, if an objecting party owns, or has the written support of one or more working interest owners that own, separately or together, a larger percentage working interest in the drilling unit than the applicant, such objecting party may file a competing integration application (a "section (h) competing application") that challenges any aspect of the original integration application for such drilling unit. Any contested matter that is limited to a section (h) operator challenge shall be heard at the Commission hearing that was originally scheduled for such integration application. Any contested matter that involves the filing of a section (h) competing application shall be postponed until the next month's regularly scheduled Commission hearing if postponement is requested by either competing applicant.
  - 3) If a party desiring to be named operator of a drilling unit is a majority owner (as defined in subsection (g)(3) above), the majority owner shall be designated unit operator.
  - 4) If a party desiring to be named operator of a drilling unit is not a majority owner, but is supported by the largest percentage interest of the total working interest ownership in the drilling unit (the "plurality owner"), there shall be a rebuttable presumption that the plurality owner shall be designated unit operator. If a section (h) operator challenge to a plurality owner being designated unit operator is submitted by a party that owns, or has the written support of one or more owners that own, separately or together, the next largest percentage share of the working interest ownership in the drilling unit (the "minority owner"), the Commission may designate the minority owner operator if the minority owner is able to show that, based on the factors the Commission deems relevant and the evidence submitted by the parties, the Commission should designate the minority owner as unit operator.
  - 5) If two or more parties that desire to be named operator own, or have the support of one or more working interest owners that own, separately or together, the same working interest ownership in the drilling unit, operatorship shall be

determined by the Commission, based on the factors it deems relevant and the evidence submitted by the parties or as otherwise provided by subsequent rule.

- 6) If the person designated as operator by the Commission in the adjudication of a section (h) operator challenge or a section (h) competing application does not commence actual drilling operations on the drilling unit within the twelve (12) month period set out in the integration order, such operator shall not be entitled to be designated operator under the subsequent integration of such drilling unit unless (i) the original operator's failure to commence drilling operations on the initial well was due to force majeure, or (ii) a majority-in-interest of the total working interest ownership in the drilling unit (excluding the original operator) support the original operator.
- (i) The well spacing for wells drilled in drilling units for unconventional sources of supply within the covered lands are as follows:
    - 1) Each well location (as defined in Section (a)(2) of General Rule B-3) shall be at least 560 feet from any drilling unit boundary line;
    - 2) Each well location (as defined in Section (a)(2) of General Rule B-3) shall be at least 560 feet from other well locations within an established drilling unit;
    - 3) No more than 16 wells may be drilled per 640 acres for each separate unconventional source of supply within an established drilling unit; and
    - 4) Applications for exceptions to these well location provisions, relative to a drilling unit boundary or other location in a common source of supply, may be brought before the Commission.
  - (j) The well spacing for wells drilled in drilling units for conventional sources of supply within the section (c) lands are as follows:
    - 1) Only a single well completion will be permitted to produce from each separate conventional source of supply within each established drilling unit, unless additional completions are approved in accordance with General Rule D-19;
    - 2) Each well location (as defined in Section (a) 2) of General Rule B-3) shall be at least 1120 feet from any drilling unit boundary line;
    - 3) Well completions located closer than 1120 feet from all established drilling unit boundaries, shall be subject to approval in accordance with General Rule B-40; and
    - 4) Applications for exceptions to these well location provisions, relative to a drilling unit boundary or other location in a common source of supply, may be brought before the Commission.
  - (k) The casing programs for all wells drilled in exploratory and established drilling units established by this rule and occurring in the covered lands specified by this rule shall be in accordance with General Rule B- 15.

- (l) Wells completed in and producing from only conventional sources of supply, as defined in Section (b), shall be subject to the testing and production allowable provisions of General Rule D-16. Wells completed in and producing from only unconventional sources of supply, as defined in Section (a), shall be subject to the initial and annual testing and test reporting provisions of General Rule D-16, except that the initial test shall be witnessed at the discretion of the Director, the annual tests may be performed without the presence of a Commission representative and there shall be no production allowable established for wells producing from unconventional sources of supply located within the covered lands.
- (m) The commingling of completions for unconventional sources of supply within each well situated on an established drilling unit, shall be subject to the provisions and approval process outlined in General Rule D-18. If an unconventional source of supply is approved to be commingled with a conventional source of supply within a well situated on an established drilling unit, the well shall be subject to the production allowable provisions of General Rule D-16.
- (n) The reporting requirements of General Rule B-5 shall apply to all wells subject to the provisions of this rule. In addition, the operator of each such well shall be required to file monthly gas production reports, on a Form approved by the Director, no later than 45 days after the last day of each month.
- (o) The Commission specifically retains jurisdiction to consider applications brought before the Commission from a majority in interest of working interest owners in two or more adjoining drilling units seeking the authority to drill, produce and share the costs of and the proceeds of production from one or more separately metered wells that extend across or encroach upon drilling unit boundaries and that are drilled and completed in one or more unconventional sources of supply within the covered lands. All such applications shall contain a proposed agreement on the formula for the sharing of costs, production and royalty from the affected drilling units.
  - 1) However, if the majority in interest of working interest owners agree to share a proposed well between two or more adjoining drilling units, which have been previously integrated, utilizing the below methodology for sharing of costs, production and royalty among the affected drilling units, the Director or his designee is authorized to approve the application administratively. The method for sharing the costs of and the proceeds of production from one or more separately metered wells shall be based on acreage allocation as follows:
    - A. An area measured 560 feet along and on both sides of the entire length of the horizontal perforated section of the well, and including an area formed by a 560 feet radius from the beginning point of the perforated interval, and a 560 feet radius from the ending point of the perforated interval shall be calculated for each such separately metered well (the "calculated area").
    - B. Each calculated area shall be allocated and assigned to each drilling unit according to that portion of the calculated area occurring within each drilling unit.

- 2) Each such application for utilizing the above methodology shall be submitted on a form prescribed by the Director of Production and Conservation, accompanied by an application fee of \$500.00 and include the name and address of each owner, as defined in A.C.A. § 15-72-102(9), within each of the drilling units in which the proposed well is to be drilled and/or completed.
  - 3) Concurrently with the filing of an application utilizing the above methodology, the applicant shall send to each owner specified in subsection (o)(2) above a notice of the application filing and verify such mailing by affidavit, setting out the names and addresses of all owners and the date(s) of mailing.
  - 4) Any owner noticed in accordance with subsection (o)(3) above shall have the right to object to the granting of such application within fifteen (15) days after the receipt of the application by the Commission. Each objection must be made in writing and filed with the Director. If a timely written objection is filed as herein provided, then the applicant shall be promptly furnished a copy and such application and the objection shall be referred to the Commission for determination at the next regular hearing.
  - 5) An application may be referred to the Commission for determination when the Director deems it necessary that the Commission make such determination for the purpose of protecting correlative rights of all parties. Promptly upon such determination, and not later than fifteen (15) days after receipt of the application, the Director shall give the applicant written notice, citing the reason(s) for denial of the application under this rule and the referral to the full Commission for determination.
  - 6) If the Director has not notified the applicant of the determination to refer the application to the Commission within the fifteen (15) day period in accordance with the foregoing provisions, and if no objection is received at the office of the Commission within the fifteen (15) days as provided for in subsection (o)(4), the application shall be approved and a drilling permit issued.
  - 7) Upon receipt of the drilling permit, the applicant shall give the other working interest parties written notice that the drilling permit has been issued. The working interest parties, who have not previously made an election, shall have 15 days after receipt of said notice within which to make an election to participate in the well or be deemed as electing non-consent and subject to the non-consent penalty set out in the existing Joint Operating Agreement(s) covering their respective drilling unit or units.
  - 8) Following completion of the well and prior to the issuance by the Commission of the Certificate of Compliance to commence production, the final location of the perforated interval shall be submitted to the Commission to verify the proposed portion of the calculated area occurring within each drilling unit as specified in subsection (o)(1) above.
- (p) The Commission shall retain jurisdiction to consider applications, brought before the Commission, from a majority in interest of working interest owners in two or more adjoining governmental sections seeking the authority to combine such adjoining governmental sections into one drilling unit for the purpose of developing one or more

unconventional sources of supply. In any such multi-section drilling unit, production shall be allocated to each tract therein in the same proportion that each tract bears to the total acreage within such drilling unit.

(q) The Commission shall retain jurisdiction to consider applications, brought before the Commission, from a majority in interest of working interest owners in a drilling unit seeking the authority to omit any lands from such drilling unit that are owned by a governmental entity and for which it can be demonstrated that such governmental entity has failed or refused to make such lands available for leasing.



**RULE D-17 - GENERAL RULE FOR THE REGULATION OF NATURAL GAS  
GATHERING LINES**

1. Definitions

- 1) Gathering Line Operator means any person who owns and is responsible for the construction and operation of the natural gas gathering line or system.
- 2) Jurisdictional Natural Gas Gathering Line means any Onshore Gathering Line which is regulated as a "Type B regulated Onshore gathering line" under Federal Regulation 49 CFR Part 192, as determined in accordance with Section 192.8(b) thereof.
- 3) Non- Jurisdictional Natural Gas Gathering Line means: any natural gas pipeline, including but not limited to flowlines, production lines, or gathering lines, not under jurisdiction of Federal Regulation 49 CFR Part 192 which transports natural gas by pipeline from the well to the custodial transfer meter.
- 4) Perennial Stream means: a stream that has flowing water year-round during a typical year, the water table is located above the stream bed for most of the year, groundwater is the primary source of water for stream flow, and runoff from rainfall is a supplemental source of water for stream flow.

b) Applicability

Every Gathering Line Operator transporting natural gas by pipeline from the well to the custodial transfer meter is subject to the applicable provisions of this rule. Natural gas pipelines from the well, to a custodial transfer meter located on the well pad, are exempt from the provisions of this rule.

c) General Requirements for all Jurisdictional and Non-Jurisdictional gathering lines:

- (1) Each operator of gathering line (5) shall apply, on a form prescribed by the Director, for an initial statewide permit to construct and operate a natural gas gathering line or system. The initial permit application shall contain at a minimum the following:
  - A) Name, address and contact information for the gathering line operator;
  - B) Map, or other media acceptable to the Director, showing the location of all natural gas gathering lines or systems from the producing wells through any processing or treating facility, and to the custodial transfer meter;
  - C) A determination as to what gathering lines are jurisdictional;
  - D) Submission of the applicable permit fee as follows:
    - (i) less than 50 miles of gathering line -  
\$500.00

(ii) 50 miles to less than 100 miles of gathering line -  
\$1,500.00

(iii) 100 miles to less than 250 miles of gathering line -  
\$2,500.00

(iv) greater than 250 miles of gathering lines -  
\$5,000.00

- (2) Each operator shall be required to submit an annual permit renewal by January 31 of each year.
- (3) The renewal permit shall include a revised system map showing any new gathering line additions constructed during the previous year, an annual report on a form prescribed by the Director, along with a permit renewal fee in accordance with paragraph (c)(1)(D) above. The renewal permit shall also contain the operator's determination as to which lines are jurisdictional.
- (4) Each operator shall submit a Notice of Construction, on a form prescribed by the Director, prior to commencing construction, for each segment or project length of gathering line constructed during the year. The Notice shall indicate the location and extent of the gathering lines to be constructed.
- (5) Each operator shall submit a Notice of Incident, on a form prescribed by the Director for non-jurisdictional lines, or on an applicable federal form for jurisdictional lines, for all natural gas gathering line incidents, as defined in 49 CFR Part 191.3.
- (6) All gathering lines crossing any streams or stream bed shall comply with applicable state and federal rules and regulations. Additionally, any stream crossing of perennial streams shall maintain a minimum of fifty (50) feet of undisturbed stream bank for the protection of the stream.
- (7) Each operator shall place and maintain appropriate signage at all gathering line crossings of public roads and railroads in accordance with 49 CFR Part 192.707 (d)(1) and (2).

d) Requirements for Jurisdictional Gathering Lines

- (1) The enforceable date for compliance with all requirements of the sub-paragraph shall be those dates set forth in 49 CFR Subpart 192.9.
- (2) All Type B jurisdictional gathering lines shall be in compliance with the applicable general requirements contained in Federal Regulations 49 CFR Part 192 Subpart A.
- (3) If a line is new, replaced, relocated, or otherwise changed, the design, installation, construction, initial inspection and initial testing must be in accordance with requirements of 49 CFR Part 192 applicable to transmission lines.

- (4) All jurisdictional gathering lines shall be operated in conformance with operating standards specified in Federal Regulations 49 CFR Part 192 Subpart L 192.614 and 192.616 and 192.619.
  - (5) All jurisdictional gathering lines shall be identified in accordance with Federal Regulations 49 CFR Part 192 Subpart M 192.707.
  - (6) All jurisdictional metallic gathering lines shall control corrosion in accordance with the applicable provisions of Federal Regulation 49CFR Part 192 Subpart I.
  - (7) All jurisdictional gathering lines shall be subject to the applicable enforcement provisions of Federal Regulation 49 CFR Part 190.
- e) Requirements for Jurisdictional and Non-Jurisdictional Gathering Lines Containing 100 PPM or Greater Hydrogen Sulfide.
- (1) Said lines shall be in compliance with the applicable general requirements contained in Federal Regulations 49 CFR Part 192 Subpart A.
  - (2) If a line is new, replaced, relocated, or otherwise changed, the design, installation, construction, initial inspection and initial testing must be in accordance with requirements of 49 CFR Part 192 applicable to transmission lines.
  - (3) Said lines shall be operated in conformance with operating standards specified in Federal Regulations 49 CFR Part 192 Subpart L.
  - (4) Said lines shall be identified in accordance with Federal Regulations 49 CFR Part 192 Subpart M.
- (5) Said metallic lines shall control corrosion in accordance with the applicable provisions of Federal Regulation 49CFR Part 192 Subpart I.