

**Final**

**RULE D-8 – MONTHLY NATURAL GAS PRODUCTION REPORTS**

- a) All natural gas produced and sold from oil wells and from gas wells within the State of Arkansas, except natural gas taken into a gasoline, cycling or other extraction plant gathering system, which is required to be reported in accordance with the provisions of Rule F-3, shall be reported by the operator monthly in a form prescribed by the Director. In cases where gas is sold by any person other than the operator, the operator shall remain responsible for reporting all production sold, unless the operator notifies the Director in writing of the name and address of the person other than the operator who has sold gas, the specific month or months for which the person other than the operator who sold gas has failed to report the necessary information to the operator and the approximate well ownership percentage of the person other than the operator who has sold gas. Any person other than the operator who sold gas and failed to report the necessary information to the operator shall then be responsible for reporting the monthly production sold, not otherwise reported by the operator, to the commission.
  
- b) Monthly reports specifying the amount of natural gas produced and sold are required to be filed for each individual producing zone or approved commingled producing zones within a well, regardless of whether or not there was natural gas produced and sold during the month. The reports shall be filed on a form prescribed by the Director and shall be filed with the commission sixty (60) days after the end of each month. Reports for inactive wells shall continue to be submitted until such time as the commission determines monthly reports are no longer required in accordance with applicable commission rules and regulations.
  
- c) Where natural gas is delivered to a gasoline extraction plant, cycling plant or any other plant at which butane, propane condensate, kerosene, oil, or other liquid products are extracted from natural gas, such gas shall be reported in accordance with General Rule F-3.

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### RULE D-16 - BACK PRESSURE TESTS FOR NATURAL GAS PRODUCTION ALLOWABLE DETERMINATION

a) Applicability

All natural gas wells defined as dry gas wells are subject to this rule, unless the well has received temporary abandonment status in accordance with General Rule B-7. Wells producing natural gas in conjunction with crude oil or condensate are not subject to the provisions of this rule.

b) Definitions

- (1) AOF shall mean absolute open flow at a pressure of 14.65 psia and slope of 45 degrees (n=1).
- (2) "PRU" means production reporting unit, and for purposes of this rule is either an individual producing zone or approved commingled producing zones within a well.

c) All new PRUs, which include zone recompletions or workovers, regardless of the amount of daily production, are subject to an initial one (1) point test, which shall be run within ten (10) days after a new PRU has commenced production. The Permit Holder of the gas well shall provide the Commission not less than seventy-two (72) hour notice in advance of such test, which may be witnessed by a representative of the Commission. Except as provided for in General Rule B-43(1) or other Commission general rules regulating production allowables, the production allowable for such PRU shall be calculated based upon the AOF. The AOF shall be calculated based upon the deliverability established by an initial one (1) point test by flowing the PRU for a period of twenty-four (24) hours through the production facilities into the pipeline. A minimum pressure draw down of thirty percent (30%) will be required. If such draw down is not achieved over twenty-four (24) hours, then the test may continue for up to 72 hours to measure deliverability or deliverability may be calculated if the required drawdown is not achieved. A retest may be conducted at any time when requested by the Permit Holder if the Commission results are questioned by the Permit Holder or when the Permit Holder is directed by the Commission to conduct a retest.

d) All existing PRUs, with an AOF in excess of 1 MMCF per day shall be tested within twelve (12) months and ten (10) days from the date of the most recent test to determine the AOF and an allowable. The Permit Holder of the gas well shall provide the Commission not less than seventy-two (72) hour notice in advance of such test, which may be witnessed by a representative of the Commission. Except as provided for in General Rule B-43(1) or other Commission general rules regulating production allowables, the production allowable for such PRU shall be calculated based upon the AOF utilizing the methodology as specified in subparagraph (c) above. The results of the test shall be used to determine the production allowable, which shall commence on the date of the test. If the test is witnessed by the Commission, the test results shall be forwarded to the Permit Holder for review. A retest may be conducted at any time when requested by the Permit Holder if the Commission results are questioned by the Permit

Holder or when the Permit Holder is directed by the Commission to conduct a retest. If the test is not witnessed, the test results shall be submitted to the Commission within 10 days after the test is run. All PRUs, subject to be tested under the provisions of this paragraph, except as otherwise provided for in this rule or General Rule B-43 (k) (1), shall continue to be subject to an annual test, and a production allowable determination, in accordance with sub-paragraph (f) below, until such time that the PRU has an AOF of less than 1MMCF per day, as evidenced by an annual test. Wells which are assessed an exceptional location penalty, shall remain subject to an annual test and allowable determination until the annual well production is 75 MCF per day AOF or less.

- e) All existing PRUs, except PRUs subject to an exceptional location penalty, with an AOF of less than 1 MMCF per day shall not be subject to an allowable determination as calculated in paragraph (k) below, but shall be tested within twelve (12) months and ten (10) days from the date of the most recent test to determine and report, on a form prescribed by the Director, a 24 hour shut-in pressure, deliverability and absolute open flow rate. The collection of the 24 hour shut-in pressure, deliverability and absolute open flow rate information is not required to be witnessed by a representative of the Commission. The 24 hour shut-in pressure, deliverability and absolute open flow rate information shall be filed with the Commission within ten (10) days after the test is run. The Commission shall have the right to require PRUs covered by this sub-paragraph, to have the 24 hour shut-in pressure, deliverability and absolute open flow rate information resubmitted if for any reason the previously submitted information appears to be inaccurate. In that event, the Commission may require the collection of another 24 hour shut-in test which may be witnessed by a Commission representative.
- f) All PRUs subject to an allowable, and tested under the provisions of this rule, which produce in excess of the assigned annual production allowable, must be shut-in on the annual balancing date, until all overproduction is eliminated.
- g) All PRUs which are assessed an exceptional location penalty, and tested under the provisions of this rule, and which produce in excess of the assigned monthly production allowable, balanced quarterly, must be shut-in immediately after the Permit Holder knows or reasonably should have known that the PRU has produced in excess of the assigned quarterly production allowable, and remain shut-in until all overproduction is eliminated, utilizing the last data from the subsequent year test to determine the length of time to be shut-in. However, any PRUs which produce less than eight (8) months during the applicable time frame specified in subparagraphs c), d) and e) above, shall be exempt from the quarterly balancing requirement of this subparagraph g), and shall balance subject to the annual balancing requirement specified in subparagraph f) above.
- h) All PRUs which are overproduced on the assigned balancing date and which fail to shut-in on the assigned balancing date, may be assessed a fine not to exceed two thousand five hundred (2,500) dollars per day for every day the well produced over the balancing date and may be subject to further enforcement actions in accordance with General Rule A-5, and Ark. Code Ann. § 15-72-401 through 15-72-406.
- i) Wells tested for purposes of establishing marginal well determination, in accordance with General Rule A-7, are required to be witnessed by a commission representative. The operator shall provide at a minimum, seventy two (72) hours notice prior to conducting the test, and shall only conduct a test if a commission representative is present.

j) PRU allowables are non-transferable between wells.

k) All tests, required by this rule, shall be conducted as follows:

(1) Before a test is started, the wellbore should be cleared of any accumulated fluids. The PRU shall be shut-in for a minimum of twenty-four (24) hours for a one (1) point test. The pressure shall be measured with a dead-weight pressure gauge or a calibrated test gauge approved by the Commission. All flow rate measurements shall be obtained by the use of an orifice meter or other authorized metering device in good operating condition previously approved by a representative of the Commission. The Commission shall be furnished a written explanation setting forth in detail the reasons why such data cannot be obtained in accordance with this procedure.

(2) Methods for allowable calculations for new PRUs as specified in subparagraph (c) above, or existing PRUs with an AOF of greater than or equal to 1 MMCF per day as specified in paragraph (d) above, or PRUs less than 1 MMCF AOF per day with an exceptional location penalty shall be as follows:

A) PRUs at a legal location and in a standard 640 acre unit:

$$\text{Allowable} = \text{AOF} \times 0.75$$

B) PRUs at a legal location and not in a standard 640 acre unit:

$$\text{Allowable} = \text{AOF} \times 0.75 \times \text{unit acreage}/640(\text{standard unit acreage})$$

C) PRUs that are assigned an exceptional location penalty and in a standard 640 acre unit:

$$\text{Allowable} = \text{AOF} \times 0.75 \times \text{penalty factor (encroachment footage/legal footage)}$$

D) PRUs that are assigned an exceptional location penalty and not in a standard 640 acre unit:

$$\text{Allowable} = \text{AOF} \times 0.75 \times \text{penalty factor (encroachment footage/legal footage)} \times \text{unit acreage}/640(\text{standard unit acreage})$$

(3) PRUs with an AOF of less than 1 MMCF per day, and do not have an exceptional location penalty, may produce at AOF.

(4) PRUs that have an AOF of less than 75 MCF, and are assigned an exceptional location penalty, may produce at AOF.

(5) All PRUs with an AOF of less than 75 MCFD may produce at AOF and are exempt from the testing requirements specified in subparagraph (d) above.

AOF of less than 75 MCFD shall be demonstrated by either:

- A) Conducting a test utilizing the methodology specified in subparagraph (c) above; or
- B) Utilizing the most recent six month average daily rate of production for the PRU under actual operating conditions calculated by dividing the total gas reported by the number of days produced during the applicable six month period.