

FINAL

RULE A-3 - ADDITIONAL REQUIREMENTS FOR SPECIFIC TYPES OF HEARINGS

- 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. A decision shall be supported by a substantial evidence standard.

- 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.
 - i) 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:
 - aa) Due diligence, regarding non-industry owners (persons who are not actively involved in the oil and gas business) means, except for good cause shown, to be determined at the discretion of the Commission, 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; and that there are sufficient contacts to show that the Applicant has exhausted all reasonable efforts to reach an agreement. However, the Applicant shall not be required to contact an owner that the Applicant is precluded by law from contacting, or an owner who has expressly stated that the Applicant is not to contact said owner.

 - bb) 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.

 - ii) An affidavit indicating what the highest and/or best cash bonus and royalty terms that the Applicant has knowledge of that have been offered and accepted, or contracted for, for any acreage within the unit(s) where the well is located (as defined in Section (a)(2) of General Rule B-3), including any acreage within the unit(s) subject to leases or other agreements with a fee mineral owner covering lands located in more than one unit. If this

information changes prior to the hearing, the Applicant shall inform the Commission of any changes. If no affidavit is provided prior to or at the time of the hearing, the Applicant shall provide sworn testimony as to the highest and/or best cash bonus and royalty terms that the Applicant has knowledge of that have been offered and accepted, or contracted for, for any acreage within the unit(s) where the well is located (as defined in Section (a)(2) of General Rule B-3), including any acreage within the unit(s) subject to leases or other agreements with a fee mineral owner covering lands located in more than one unit.

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.

I) 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) Any interested party 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 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.
- f) Establishment of Field Rules
- 1) Unless otherwise specified below, General Rule A-2 shall apply to all hearings for the creation of field rules, as provided by General Rule B-38.
 - 2) The application shall include proof of notice to each owner, as defined in Ark. Code Ann. § 15-72-102 (9), within the proposed unit(s) in which the well(s) is/are located and within all units offsetting the boundary line or lines of the proposed unit(s).
 - 3) The application shall include a geologic report of the proposed field, specifying the geologic setting of the proposed field and including at a minimum a completion report of the discovery and other wells located within the proposed field, a type geophysical log from a well(s) in the proposed field and a structure and isopach map of the productive zone(s) within the proposed field.

Final

RULE A-5 - ENFORCEMENT PROCEDURES

- a) Definitions:
- 1) “Commission” shall mean the full Arkansas Oil and Gas Commission, consisting of nine members, on which the Director serves as secretary, but is a non-voting member.
 - 2) “Director” shall mean the Commission Director of Production and Conservation.
 - 3) “Regulated Entity” shall mean all operators, owners, producers or persons subject to Commission regulatory authority in accordance with Ark. Code Ann. § 15-71-110 or § 15-76-302.
 - 4) “UIC” shall mean the Underground Injection Control program of the Federal Safe Drinking Water Act.
- b) Any regulated entity engaged in the drilling, operation or plugging of any production, injection, or other well or drill hole regulated by the Commission; or the operation of any crude oil or gas production or injection facility; or the operation of any natural gas line or crude oil flowline regulated by the Commission; or transporter by tank truck of any oilfield production or completion fluid; or seismic activity; or any other activity regulated by the Commission, is subject to this rule for violation of any oil, gas and/or brine statutes, or any rule, regulation, order, or permit condition of the Commission.
- c) In accordance with Ark. Code Ann. § 15-72-103(c) or § 15-76-303(c), any person knowingly and willfully aiding or abetting any other person in the violation of any statute relating to the conservation of oil, gas and/or brine, or the violation of any provision of the state oil, gas and/or brine statutes, or any rule, regulation, order, or permit condition, shall be subject to the same penalties as are prescribed herein for the regulated entity.
- d) Notice of Non-Compliance
- 1) A Notice of Non-Compliance may be issued, prior to the issuance of a Notice of Violation as specified in subparagraph (e) below, when any regulated entity is in non-compliance with any requirement of the Arkansas oil, gas and/or brine statutes, or rules, regulations, orders, or any permit condition, and:
 - A) That the non-compliance was not caused by the regulated entity’s deliberate action;
 - B) That any action necessary to abate the non-compliance was commenced immediately and was or will be completed within a specified date certain, as established by the Director, or his or her designee, not to exceed thirty (30) days from the date of the determination that the regulated entity was determined to be in non-compliance; and

- C) That the non-compliance has not caused and cannot reasonably be expected to cause significant environmental harm or damage to property.
- 2) The notice of non-compliance shall be documented in writing and, delivered via first class mail to the regulated entity or to the regulated entity's representative as reported on the AOGC Form 1 Organization Report. The written notification shall indicate the nature and circumstances of the non-compliance, and the time within which and the means by which the non-compliance is to be abated.
 - 3) If abatement was not completed as specified in the written notification, the Director, or his or her designee, may issue a formal Notice of Violation in accordance with subparagraph (e) below.
 - 4) The provisions of this subparagraph (d), shall not apply to the following types of incidents, which require a Notice of Violation to be issued in accordance with subparagraph (e) below:
 - A) Commencing any regulated activity specified in paragraph (b) above prior to issuance of the appropriate Commission permit;
 - B) Operating an annular or casing injection/disposal well or a well with pressure on the annulus;
 - C) Failure to maintain required performance bond or pay annual well fees;
 - D) Failure to establish mechanical integrity on any UIC well prior to operation, or failure to repair any UIC well following failure of mechanical integrity;
 - E) Commencing any work or activity on a well or its related production facility or well site that has been placed in the Abandoned and Orphan Well Plugging Program;
 - F) Failure to provide emergency response for a crude oil or saltwater spill;
 - G) Improper discharge or disposal of produced fluids; or
 - H) Operating a well in violation of spacing requirements or permit conditions.
- e) Notice of Violation(s)
- 1) A Notice of Violation may be issued, by the Director or his or her designee, when any regulated entity is in violation of any requirements of the Arkansas oil, gas, and/or brine statutes, or rules, regulations, orders, or any permit conditions of the Commission. A regulated entity shall not be held responsible by the Commission for violations of oil, gas and/or brine statutes, or rules, regulations, orders or permit conditions of the Commission in the absence of the issuance of an underlying Notice of Violation.
 - 2) The Notice of Violation shall be in writing and contain:

- A) A statement regarding the nature of the violation, including a citation to the specific section of the oil, gas and/or brine statutes, or any rule, regulation, order or permit condition of the Commission alleged to have been violated;
 - B) The suggested action needed to abate the violation including any appropriate remedial measures to prevent future violations;
 - C) The time within which the violation should be abated; and
 - D) A notice of any civil penalties, as specified in subparagraph g) below, the Director will request to be issued by the Commission.
 - E) A notice of any civil penalties for violations of natural gas line regulations under United States Department of Transportation, Office of Pipeline Safety jurisdiction in accordance with appropriate federal regulation specified in 49 CFR 190.223, the Director will request to be issued by the Commission.
- 3) The Notice of Violation may include a well, lease, or unit cessation requirement for the following types of violations:
- A) Violation of production allowable;
 - B) Failure to maintain required well specific performance bond;
 - C) Drilling or operating, without a Commission permit or permit transfer, a well required to be permitted or transferred;
 - D) Operating a well that has been determined to be abandoned by the Commission;
 - E) Failure to plug a leaking well or a well ordered to be plugged by the Commission;
 - F) Operating an annular or casing injection/disposal well;
 - G) Operating a UIC Class II or V well with a failed mechanical integrity test;
 - H) Operating a UIC Class II or V well with pressure on the annulus indicating tubing and/or casing failure;
 - I) Failure to provide emergency response or remediate a crude oil or produced water spill; or
 - J) Improper disposal or discharge of produced fluids;
- 4) The Notice of Violation may also include a state-wide cessation requirement for the following types of violations:

- A) Failure to maintain required blanket financial assurance as specified in General Rule B-2;
 - B) Failure to pay annual well fees as specified in General Rule B-2; or
 - C) Failure to pay any monies due the Abandoned and Orphaned Well Plugging Fund as specified in General Rule G-1;
- 5) The Director, or his or her designee, shall send via certified mail the Notice of Violation to the regulated entity, or the regulated entity's representative as reported on the AOGC Form 1 Organization Report, charged with the violation(s), or provide personal delivery of a copy of the notice to the regulated entity, or the regulated entity's representative.
- 6) The regulated entity charged with the violation(s) may request a Director's Review of the Notice of Violation and provide the Director, in writing, any information in mitigation of the violation(s) on or before thirty (30) calendar days of the mailing or personal delivery of the original Notice of Violation, unless a shorter time period is specified in the Notice of Violation for instances where there is a condition that creates an imminent danger to the health or safety of the public or threatens significant environmental harm or damage to the property. Such written information may include a proposed alternative to the required action needed to abate the violation(s). Upon receipt of such information from the regulated entity, the Director, shall conduct a review.
- 7) During the review, the Director may consider any of the following criteria in reaching a Final Director's Decision regarding the violation(s):
- A) The regulated entity's history of previous violations, including violations at other locations and under other permits;
 - B) The seriousness of the violation, including any irreparable harm to the environment or damage to property;
 - C) The degree of culpability of the regulated entity; and
 - D) The existence of any additional conditions or factors in aggravation or mitigation of the violation, including information provided by the regulated entity.
- 8) Upon completion of the review, the Director shall issue a Final Director's Decision to:
- A) affirm the violation; or
 - B) vacate the violation; or
 - C) amend or modify the type of violation and abatement requirements specified in the violation; or

- D) establish probationary or permanent modification or conditions to any underlying permit related to the violation, which may include special monitoring or reporting requirements; or
 - E) enter into a settlement agreement to extend the amount of time provided to complete remedial actions necessary to abate the violations or reduce the amount of the requested assessed civil penalty.
- 9) The Final Director's Decision shall be delivered to the regulated entity, or the regulated entity's representative, as reported on the AOGC Form 1 Organization Report, via first class mail. The Final Director's Decision may be appealed to the Commission by filing an application in accordance with General Rule A-2, A-3, and other applicable hearing procedures. The application to appeal the Final Director's Decision is required to be received by the Director within thirty (30) days of the mailing of the Final Director's Decision. The application shall state the reason for the appeal and shall be scheduled to be heard by the Commission in accordance with General Rule A-2, A-3, and other applicable hearing procedures.
- 10) A Notice of Violation for which a Director's Review has not been requested, shall become a final administrative decision of the Commission thirty (30) days following the mailing of the Notice of Violation.
- 11) A Final Director's Decision not appealed to the Commission within thirty (30) days of mailing of the Final Director's Decision shall become a final administrative decision of the Commission.
- 12) All violations specified in a Notice of Violation(s) which have become a final administrative decision in accordance with subparagraph e) 10), a Final Director's Decision which has become a final administrative decision of the Commission in accordance with subparagraph e) 11), or by Order of the Commission, shall be fully abated within the time frame specified in the original Notice of Violation, Final Director's Decision, or Order of the Commission. No further permits or authorities shall be issued to the regulated entity until all outstanding violations specified in a Notice of Violation which has become a final administrative decision in accordance with subparagraph e) 10), a Final Director's Decision which has become a final administrative decision of the Commission in accordance with subparagraph e) 11), or by Order of the Commission have been fully abated.
- f) In addition to the issuance of a Notice of Violation(s), the Director may initiate further enforcement proceedings, as provided for in statute, as follows:
- 1) Assessment of a civil penalty as provided in Ark. Code Ann. § 15-71-114, § 15-72-103, § 15-72-202, or § 15-76-303;
 - 2) The revocation of a certificate of clearance on a state-wide basis, as provided for in Ark. Code Ann. § 15-71-110 (11);

- 3) The filing of a civil complaint in a court of competent jurisdiction in the County where the violation occurred, as provided for in Ark. Code Ann. § 15-72-108 or § 15-76-304;
- 4) The filing of a criminal complaint in any court of competent jurisdiction, as provided for in Ark. Code Ann. § 15-71-114, § 15-72-104 or § 15-76-303.

g) Civil Penalties

- 1) The Director shall determine whether to request the assessment of civil penalties based on failure to comply with the applicable abatement requirements for violations issued under subparagraphs (g) (2) and (3) below. The Director shall determine whether to request the assessment of civil penalties for violations issued under subparagraphs (g) (4) below. If a civil penalty is requested by the Director, the Director or his designee may file an application, in accordance with General Rule A-2, A-3, and other applicable hearing procedures, to request the issuance of the requested civil penalty. The Director's requested penalty shall be computed as provided in subparagraphs (g) (2) through (4) below.
- 2) Administrative violations, defined as failure to file required reports and forms and to provide required notices (excluding spill notice), including, but not limited to regulated activities such as, the failure to file production and well reports or other reports required by Commission rules, regulations, orders or permit conditions; failure to notify the Commission before the setting of surface casing, or the plugging of a well; failure to maintain required performance bond in force for the wells under permit; or pay annual well fees within the specified time. The Director may request the assessment of up to \$1000 per administrative violation and up to \$1000 per day for each day the violation remains unabated after the specified compliance date. The per administrative violation civil penalty request shall be calculated as follows:
 - A) No previous violation of the same rule: \$250. One previous violations of the same rule: \$500. Two or more previous violations of the same rule: \$1000.
 - B) The time frame used for determining previous violations shall be limited to the regulated entity's violation record for the preceding three full calendar years before the issuance of the violation.
- 3) Operating violations, defined as failure to maintain compliance with Commission rules on well drilling and operation, and production facility, pipeline and seismic operations and/or commencing operations requiring a permit prior to issuance of the required permit. These operations include, but are not limited to regulated activities such as, operating a well or natural gas line system without the proper permit or transfer of ownership, failure to maintain a well or crude oil flow line in a leak-free condition, failure to comply with non-jurisdictional natural gas line requirements, failure to notify of a spill occurrence, failure to maintain containment dikes. Multiple incidents of the same violation against a regulated entity on the same occasion shall not be considered separate violations. The Director may request the assessment of up to \$2500 per operating violation and up to \$2500 per day for each day the violation remains unabated after the

specified compliance date, with the exception that operating violations as specified in Ark. Code Ann. § 15-72-202, 15-71-114 and 15-76-303 are limited to a maximum of \$1,000 per operating violation. The per operating violation civil penalty shall be calculated as follows:

- A) No previous violation of the same rule \$500. One previous violation of the same rule, \$750; two or more previous violations of the same rule, \$1000.
 - B) The time frame used for determining previous violations shall be limited to the regulated entity's violation record for the preceding three full calendar years before the issuance of the violation; plus
 - C) If the violation had a low degree of probability to cause environmental impact to soil and/or land surface, vegetation or crops, surface water, groundwater, livestock or wildlife, add \$250; or, if the violation had a high degree of probability to cause environmental impact to soil and/or land surface, vegetation or crops, surface water, groundwater, livestock or wildlife, add \$500; or, if the violation caused environmental impact to soil and/or land surface, vegetation or crops, surface water, groundwater, livestock or wildlife, add \$1000, or
 - D) If the violation created a hazard to the safety of any person, such as the contamination of a potable water well or emission of hydrogen sulfide gas, add \$2000.
- 4) Except as limited in Ark. Code Ann. § 15-72-202, 15-71-114 and 15-76-303, significant violations may result in a request by the Director or his or her designee, of a civil penalty of up to \$2500 per violation and up to \$2500 per day for each day of the violation for the following types of violations: failure to comply with United States Department of Transportation, Office of Pipeline Safety jurisdictional natural gas line requirements, failure to comply with the provisions of General Rule A-7, failure to comply with well spacing provisions, operating a UIC well without a permit, operating an annular or casing injection/disposal well, operating a UIC well prior to establishing mechanical integrity, operating a UIC well with a failed mechanical integrity test, operating a UIC well with pressure on the annulus, failure to provide emergency response or remediate a crude oil or produced water spill, or the improper disposal or discharge of produced fluids. The per violation civil penalty shall be computed as follows:
- A) An initial amount of \$1000; plus
 - B) One or more previous violations of the same type: add \$500 per violation; plus
 - C) If the violation caused environmental impact to surface water, ground water or wildlife: add \$1000, or if the violation created a hazard to the safety of any person, such as the contamination of a potable water well or emission of hydrogen sulfide gas: add \$1500.

- D) The time frame used for determining previous violations shall be limited to the regulated entity's violation record for the preceding three full calendar years before the issuance of the violation.

- h) All civil penalties assessed and paid to the Commission shall be deposited in the Commission operating fund. Additionally, all civil penalties assessed and paid, for violations specified in Ark. Code Ann. § 15-72-202 shall be turned into the general fund of the county where the violation occurred to be used on roads, bridges, and highways at the discretion of the county court.

FINAL

GENERAL RULE H - CLASS II UIC WELLS

RULE H-1 - CLASS II DISPOSAL AND CLASS II COMMERCIAL DISPOSAL WELL PERMIT APPLICATION PROCEDURES

a) Definitions:

- 1) "Class II Disposal Well"--means a permitted Class II well in which Class II Fluids are injected into zones non-productive of oil and gas, within the field boundary established by an order of the Commission, where the well is located, for the purpose of disposal of those fluids.
- 2) "Class II Commercial Disposal Well"--means a permitted Class II well in which Class II fluids are injected, for which the Permit Holder receives deliveries of Class II fluids by tank truck from multiple oil and gas well operators, and either charges a fee at the disposal well facility or purchases the Class II fluids at the source for subsequent transport to the disposal well facility for the specific purpose of disposal of the delivered Class II fluids.
- 3) "Class II Fluids" means:
 - A) Produced water and/or other fluids brought to the surface in connection with drilling, completion, or fracture treatments, workover or recompletion and plugging of oil and natural gas wells, Class II or wells that are required to be permitted as water supply wells by the Commission; enhanced recovery operations; or natural gas storage operations; or
 - B) Produced water and/or other fluids from (A) above, which prior to re-injection have been used on site for purposes integrally associated to oil and natural gas well drilling, completion, or fracture treatments, workover or recompletion and plugging of oil and natural gas wells, Class II or wells that are required to be permitted as water supply wells by the Commission; enhanced recovery operations; or natural gas storage operations, or chemically treated or altered to the extent necessary to make them usable for purposes integrally related to oil and natural gas well drilling, completion, workover and plugging, oil and gas production, enhanced recovery operations, or natural gas storage operations, or commingled with fluid wastes resulting from fluid treatments outlined above, and including any other exempted oil and gas related fluids under the Resource Conservation and Recovery Act, provided the commingled fluid wastes do not constitute a hazardous waste under the Resource Conservation and Recovery Act; or
 - C) Waste fluids from gas plants (including filter backwash, precipitated sludge, iron sponge, hydrogen sulfide and scrubber liquid) which are an integral part of oil and gas production operations; and waste fluids from gas dehydration plants (including glycol-based compounds and filter

backwash), unless the gas plant or gas dehydration plant wastes are classified as hazardous under the federal Resource Conservation and Recovery Act.

- 4) “Confining layer” –means shales, anhydrites and other “impermeable” lithologies.
- 5) “USDW” means Underground Source of Drinking Water which is defined as an aquifer or its portion which:
 - A) Supplies any public water system; or
 - B) Contains a sufficient quantity of groundwater to supply a public water system and currently supplies drinking water for human consumption; or
 - C) Contains fewer than 10,000 mg/l total dissolved solids; and
 - D) Which is not an exempted aquifer (see 40 CFR)
- b) No person shall drill, recomplete or operate any well for use as a Class II Disposal or Class II Commercial Disposal Well without a permit from the Commission, application for which shall be made on forms prescribed by the Director. Permits shall remain valid only with ongoing compliance with established operating requirements specified in General Rule H-2. Failure to comply with the operating requirements in General Rule H-2 may result in revocation of the Class II Disposal Well or Class II Commercial Disposal Well permit.
- c) The application to drill, recompleted or operate a Class II Disposal or Class II Commercial Disposal Well shall include at a minimum:
 - 1) The information required by subparagraph (h) below, for the existing or proposed well and any additional information deemed necessary by the Director for the protection of USDWs; and
 - 2) Accompanied by any applicable fee as described in General Rule B-1, and a non-refundable fee of \$100.00 for a Class II Disposal Well or \$500.00 for a Class II Commercial Disposal Well; and
 - 3) Accompanied by the required financial assurance in accordance with General Rule B-2; and
 - 4) Accompanied by a Form 1 Organizational Report in accordance with General Rule B-13; and
 - 5) Be executed under penalties of perjury
- d) No person shall inject into USDWs or be issued a permit to inject into USDWs unless an aquifer exemption has been granted in accordance with US Environmental Protection Agency procedures.

- e) Unless otherwise approved by the Commission, no person shall inject into a well which does not have at a minimum, five hundred (500) feet for a Class II Disposal Well or seven hundred- fifty feet (750) for a Class II Commercial Disposal Well, of confining layers between the base of the lowermost USDWs and the top of the injection interval.
- f) If the application does not contain all of the required information or documents, the Director shall notify the Applicant in writing. The notification shall specify the additional information or documents necessary for an evaluation of the application and shall advise the Applicant that the application will be deemed denied unless the information or documents are submitted within sixty (60) days following the date of notification.
- g) Applications for a Class II Disposal Well shall contain the names of all permit holders who are to utilize the proposed disposal well.
- h) Contents of Application
 - 1) A specification as to the type of Class II well being permitted as a Class II Disposal Well or a Class II Commercial Disposal Well.
 - 2) The Applicant shall provide the name, address, phone, fax and e-mail (if available) of the local or on-site supervisory or field personnel responsible for the disposal well.
 - 3) If the well is not located within the boundaries of an operating oil and gas leasehold or drilling unit, the Applicant shall provide documentation, in the form of a surface use agreement or an affidavit of a surface use agreement, indicating the Applicant's right to drill and to operate the proposed disposal well. If well is located within the boundaries of an operating oil and gas leasehold or drilling unit, or the Applicant is someone other than the operator of the leasehold or drilling unit, the Applicant shall provide documentation, in the form of a surface use agreement, or an affidavit of a surface use agreement, indicating the Applicant's right to drill and to operate the proposed disposal well.
 - 4) A survey plat of the location and ground elevation of the proposed disposal well or if the application is for an existing well, the well name and permit number of the existing well. A new survey is not required for a well to be converted or deepened well or a plugged well to be re-entered, if the original well location was surveyed, a copy of which shall be submitted with the application.
 - 5) The name, geologic description and top and bottom elevation, from sub-sea, of the formation (indicating the perforated or open hole interval) into which fluid will be injected and the geologic description and top and bottom elevation, from sub-sea, of the above confining layers, in the proposed or existing disposal well. If an existing well is to be converted, a geophysical log of the well shall be submitted showing the above information. If for a proposed well, an induction log from a well in the immediate vicinity of the proposed disposal well shall be submitted. If the geologic name of the interval is unclear include any additional geological evidence such as a cross section, structure or isopach map that may be necessary to adequately define the proposed injection interval.

- 6) A well bore diagram of the proposed or existing well showing casing for the injection well, indicating from the well head to total depth of the well, all casings and cementing of casings, any obstructions within well, all plugs set, tubing and packer setting depth, and all perforations and or open hole intervals. If application is for an existing well, a cement bond log (CBL) shall be submitted with the application, or if submitted after the application is filed, the CBL shall be submitted prior to commencement of operations as a condition of the permit.
- 7) The proposed daily amounts to be injected, the source and the type of fluid to be injected, including a standard laboratory analysis representative of the various types of proposed disposal fluids, indicating chloride, pH, specific gravity, total dissolved solids (TDS) and total percent hydrocarbon (TPH). The sample shall be obtained and analyzed no earlier than one (180) days prior to the date of filing of the application.
- 8) The maximum injection pressure.
 - A) The maximum injection pressure at the wellhead shall be not more than 90% of that pressure, measured at the surface, required to fracture the injection formation or be no greater than 0.5 psig for each foot of subsurface depth to the injection zone, whichever is less.
 - B) An exception for this maximum injection pressure may be granted if the Applicant presents sufficient evidence to justify the requested increased injection pressure will not initiate or propagate fractures in the injection interval or overlying confining strata that could enable the injection fluid or the fluid in the injection interval to leave the permitted injection intervals or cause movement of the injection fluid or formation fluids into USDWs.
- 9) A map showing:
 - A) The surveyed location of the well proposed to be drilled, deepened or converted, showing distances to the nearest property or lease lines; and
 - B) The location of all municipal water supply wells and the approximate location of private water wells of public record, within the 1/2 mile radius from the proposed disposal well; and
 - C) The location of all plugged and unplugged wells, which penetrate the proposed injection interval, within the 1/2 mile radius from the proposed disposal well, and showing the status of each well as producing, shut-in, disposal, enhanced recovery, plugged and abandoned, or other status.
- 10) The Applicant shall submit evidence that all plugged and unplugged wells which penetrate the injection formation, within the 1/2 mile radius shown on the above plat in subparagraph h) 9) C), contain an adequate amount of cement and are constructed or plugged in a manner which will prevent the injection fluid and the fluid in the injection formation from entering USDWs. The types of evidence that will be considered acceptable include, but are not limited to: well completion

reports, cementing records, well construction records, cement bond logs, tracer surveys, oxygen activation logs, and plugging records.

- 11) The Applicant shall submit evidence and/or information showing that the proposed injection interval or formation is not a USDW.
 - i) Notice of the application shall be given by the Applicant by one (1) publication in a legal newspaper having a general circulation in the county, or in each county, if there shall be more than one, in which the one-half mile radius from the proposed disposal well is situated, and by mailing via certified mail, a copy of the application to each permit holder of all permitted, drilling or producing wells within a one-half mile radius of the proposed disposal well. Such notice shall be published or mailed no more than thirty (30) days, prior to the date on which the application is filed with the Commission. The cost of such notice and mailing of the application shall be paid for by the Applicant. Attached to the application shall be copies of the return mail receipts and a proof of publication of the application from the newspaper.
 - j) If notice is for a commercial disposal well, in addition to compliance with subparagraph i) above, the commercial disposal well application shall also be sent via certified mail, to the County Judge of the county where the well is located and to the landowner (surface owner) where the well is located. In addition, the public notice should be large font and surrounded by a printed border to highlight the published notice.
 - k) Objections received by the Director, stating the reasons why the proposed disposal well may cause damage to oil, gas resources or fresh water supplies, must be received by the Director within fifteen (15) days after the publication date of the notice and the date of mailing to all parties specified in subparagraphs i) and j) above.
 - l) If an objection is received or if the application does not satisfy the requirements of this Rule, the application shall be denied. If the application is denied under this section, the Applicant may request to have the application referred to the Commission for determination, in accordance with General Rules A-2 and A-3, and other applicable hearing procedures, except that no additional filing fee is required.
 - m) If objection is not received by the Director and the application is deemed complete, the permit shall be issued following the required notice period specified in subparagraph i) above, unless the Director deems it necessary, for the purpose of protecting USDWs or oil and gas resources, that the application may be referred to the Commission for determination.
 - n) The Commission retains jurisdiction to determine zones suitable for disposal injection based on the porosity, permeability, fluid capacity, structure, geology and overall suitability of the zone as a disposal injection interval with respect to protection of USDWs and oil and gas resources.

Final

H-2 - WELL CONSTRUCTION, OPERATING AND REPORTING REQUIREMENTS FOR CLASS II DISPOSAL WELLS

- a) No Class II Disposal Well, as defined in General Rule H-1 a) 1) (hereinafter referred to as “Class II Disposal Well”), for which a permit has been issued in accordance with General Rule H-1, shall be operated until well internal mechanical integrity has been established in accordance with sub-paragraph o) below, and an authority for initial commencement of injection operations is issued by the Director.
- b) Notice shall be provided to the Commission Regional Office where the Class II Disposal Well is located, prior to performing any well servicing activity, cementing, or any wireline logging activities, so as to allow commission staff to be present to observe the activity. Any well servicing which requires the resetting of the packer shall require an internal mechanical integrity test be run in accordance with subparagraph o) below, prior to re-commencement of injection.
- c) All well records for newly drilled Class II Disposal Wells shall be submitted in accordance General Rule B-5. Completion or recompletion reports and wireline logs for all subsequent well servicing, cementing or wireline logging activity performed on the well shall be filed no later than fifteen (15) days after completion of these activities.
- d) Following issuance of the permit to Drill and or Operate a Class II Disposal Well, an annual fee of \$100 per well shall be due each July 1st for the life of the well until the well is plugged.
- e) Surface and production casing requirements.
 - 1) Class II Disposal Wells shall be cased and cemented, in such manner that damage will not be caused to any USDW, as defined in General Rule H-1 a) 5) (hereinafter referred to as “USDW”), or oil and gas resources.
 - 2) For newly drilled Class II Disposal Wells
 - A) Set and cement surface casing 250 feet below the base of the lowermost USDW, and cement production casing to at least 250 feet above the proposed disposal zone; or
 - B) Set and cement surface casing to the base of the lowermost USDW, as and cement production casing back to the surface.
 - 3) For existing wells converted to Class II Disposal Wells
 - A) Unless otherwise approved by the Director, production casing in the existing well is required to be cemented to at least 250 feet above the proposed disposal zone. A cement bond (CBL), gamma ray (GR) and density log (VDL) shall be required to verify the presence of the required casing cement. The CBL should indicate at a minimum an 80% bond index over the 250 foot cemented interval.

- B) If a casing liner is required to provide well bore integrity above the required production cementing requirements in subparagraph e) 3) A) above, the liner must be set, at a minimum, below the cemented portion of the production casing and cemented back to surface.
- f) Tubing and packer requirements.
- 1) All injection shall be through tubing and packer. The packer shall be placed no higher than 100 feet above the uppermost perforations or the casing seat in an open hole completion, provided the packer is within the cemented portion of the production casing such that there is at least 50 feet of cement above the packer, and further provided the packer is no less than 500 feet below the base of the USDW.
 - 2) If the tubing and packer cannot be set or utilized in accordance with subsection f) 1) above, due to existing well construction conditions, the Permit Holder may request the Director to authorize an alternative packer setting depth or well construction. In determining an alternative packer setting depth or alternative well construction, the Director shall take into consideration the current construction of the well, the depth of the USDWs and the nature of the obstruction. If an alternative packer setting depth or well construction is authorized, the Director may require additional or more frequent internal mechanical integrity tests be performed on the well, or may require additional remedial or corrective work to assure that injection does not endanger USDWs.
 - 3) The Permit Holder shall contact the Regional Office in which the well is located at least 24 hours prior to the initial setting or any resetting of the packer in a Class II Disposal Wells to enable an inspector to be present when the packer is set.
- g) The wellhead shall be maintained in a leak-free condition, and must have a working pressure in excess of the maximum discharge pressure of the pump. The wellhead shall be configured to include a one half inch female fitting, with shut-off valve, to allow monitoring of the annulus between the production casing and the injection tubing and a one half inch female fitting, with shut-off valve, installed on the tubing to measure the injection pressure.
- h) The injection pressure shall not exceed the maximum injection pressure established in accordance with General Rule H-1 h) 8).
- i) No change shall be made in the permitted injection zones unless the new zone is permitted in accordance with General Rule H-1.
- j) Injection fluids shall be confined to the permitted injection zones. If the Director has reason to believe, based upon well records or field observations, that injection fluids are migrating into zones not permitted for injection or into USDWs or to the surface or is causing fluid migration into the USDWs, due to the operation of any Class II Disposal Well or resulting from a failure of internal or external mechanical integrity of the well, the Permit Holder shall be required to shut-in the well until all necessary corrective work, which may include plugging of the well, is completed.

- k) Internal mechanical integrity shall be maintained in accordance with subparagraph o) below.
- l) Only Class II Fluids, as defined in General Rule H-1 a) 3), and/or fresh water can be injected into a Class II Disposal Well.
- m) Each well shall have a legible sign placed near the well showing the Permit Holder and the well name and number and permit number and section, township and range as shown on the permit in the Commission records.
- n) The Permit Holder of each Class II Disposal Well shall file a Quarterly Well Status Report on forms prescribed by the Director. The report shall be filed within thirty (30) days after the end of each quarter of a calendar year commencing on January 1 of each year. The report shall include at a minimum:
 - 1) Name and permit number of the well;
 - 2) Names of all injection intervals;
 - 3) Maximum daily injection rates and pressures; and
 - 4) Monthly volumes of fluid injected.
- o) Establishment of Internal Mechanical Integrity.
 - 1) Internal mechanical integrity must be maintained at all times. If internal mechanical integrity is lost, the Permit Holder shall shut-in the well immediately and notify the Regional Office where the well is located, of loss of internal mechanical integrity. The well shall remain shut-in until the necessary remedial action necessary to restore internal mechanical integrity is completed and a new internal mechanical integrity test run and successfully passed.
 - 2) An internal mechanical integrity test shall be performed:
 - A) Prior to initial injection into a newly permitted Class II Disposal Well;
 - B) Prior to initial injection into a Class II Disposal Well after a change to a newly permitted injection zone;
 - C) Prior to resuming injection into any Class II Disposal Well after any workover of the well involving the resetting or movement of a packer;
 - D) Whenever the Director has reason to believe, based upon well records or field observation, that the Class II Disposal Wells may be leaking or improperly constructed; and
 - E) At least once every five (5) years measured from the date of the last successful test.
 - 3) Internal mechanical integrity test

A) The following tests shall be performed on Class II Disposal Wells to establish the internal mechanical integrity of the tubing, casing and packer of the well. The Permit Holder shall contact the Regional Office in which the well is located at least 48 hours prior to conducting the test to enable an inspector to be present when the test is done.

i) Pressure Test

The casing-tubing annulus above the packer shall be tested under the supervision of a Commission representative at a minimum pressure differential between the tubing and the annulus of 50 PSIG for a period of 30 minutes. In addition, the casing-tubing annulus starting test pressure shall not be less than 300 PSIG and may vary no more than 10 percent of the starting test pressure during the test. The well may be operating or shut in during the test. The test pressure shall not exceed 1000 psig.

ii) Radioactive Tracer Survey Test

For those wells in which alternative well construction has been approved by the Director in accordance with subparagraph f) 2) above, a radioactive tracer survey may be run in the well at a frequency to be determined by the Director to evidence mechanical integrity of the well by demonstrating that the injected fluid is being injected into the approved disposal zone.

B) Any Class II Disposal Well which fails an internal mechanical integrity test, or on which an internal mechanical integrity test has not been performed when required, shall be shut in until the well is successfully tested or remedial work is commenced and completed or the well is plugged. The necessary work shall be completed and an internal mechanical integrity test successfully completed within ninety (90) days. The Director may approve up to an additional ninety (90) days, with any greater length of time to be established by the Commission upon application by the operator.

p) If the Director has reason to believe, based upon well records or field observation, that any Class II Disposal Well is causing fluid migration into the USDWs resulting from a failure of internal or external mechanical integrity, the Permit Holder shall shut in the well until any necessary corrective work is commenced and completed and internal and external mechanical integrity is established.

q) Class II Disposal Wells no longer in service for periods greater than 24 months shall be plugged or temporarily abandoned in accordance with General Rule B-7.

Final

H-3 - WELL CONSTRUCTION, OPERATING AND REPORTING REQUIREMENTS FOR CLASS II COMMERCIAL DISPOSAL WELLS

- a) No Class II Commercial Disposal Well, as defined in General Rule H-1 a) 2) (hereinafter referred to as “Class II Commercial Disposal Well”) for which a permit has been issued in accordance with General Rule H-1, shall be operated until well internal mechanical integrity has been established in accordance with sub-paragraph o) below, and an authority for initial commencement of injection operations is issued by the Director.
- b) Notice shall be provided to the Commission Regional Office where the Class II Commercial Disposal Well is located, prior to performing any well servicing activity, cementing, or any wireline logging activities, so as to allow Commission staff to be present to observe the activity. Any well servicing which requires the resetting of the packer shall required an internal mechanical integrity test be run in accordance with subparagraph o) below, prior to re-commencement of injection.
- c) All well records for newly drilled Class II Commercial Disposal Wells shall be submitted in accordance General Rule B-5. Completion or recompletion reports and wireline logs for all subsequent well servicing, cementing or wireline logging activity performed on the well shall be filed no later than fifteen (15) days after completion of these activities.
- d) Following issuance of the permit to Drill and or Operate a Class II Commercial Disposal Well, an annual fee of \$100 per well shall be due each July 1st for the life of the well until the well is plugged.
- e) Surface and production casing requirements.
 - 1) Class II Commercial Disposal Wells shall be cased and cemented, in such manner that damage will not be caused to oil and gas resources or any USDW, as defined in General Rule H-1 a) 5) (hereinafter referred to as “USDW”).
 - 2) Existing wells shall be prohibited for re-completion as a Class II Commercial Disposal Well unless the well had been constructed at the time of original completion in accordance with subparagraph e) 3) below.
 - 3) Newly drilled Class II Commercial Disposal Wells:
 - A) Set and cement surface casing 250 feet below the base of the lowermost USDW, and cement production casing to at least 500 feet above the proposed disposal zone; or
 - B) Set and cement surface casing to the base of the lowermost USDW, as and cement production casing back to the surface.
 - C) A cement bond (CBL), gamma ray (GR) and density log (VDL) shall be required to verify the presence of the required casing cement. The CBL should indicate at a minimum an 80% bond index over the 500 foot cemented interval.

- f) Tubing and packer requirements.
- 1) All injection shall be through tubing and packer. The packer shall be placed no higher than 100 feet above the uppermost perforations or the casing seat in an open hole completion, provided the packer is within the cemented portion of the production casing such that there is at least 50 feet of cement above the packer, and further provided the packer is no less than 750 feet below the base of the lowermost USDW.
 - 2) The Permit Holder shall contact the District Office in which the well is located at least 24 hours prior to the initial setting or any resetting of the packer in a Class II Commercial Disposal Well to enable an inspector to be present when the packer is set.
- g) The wellhead shall be maintained in a leak-free condition, and must have a working pressure in excess of the maximum discharge pressure of the pump. The wellhead shall be configured to include a one half inch female fitting, with shut-off valve, to allow monitoring of the annulus between the production casing and the injection tubing and a one half inch female fitting, with shut-off valve, installed on the tubing to measure the injection pressure.
- h) The injection pressure shall not exceed the maximum injection pressure established in accordance with General Rule H-1 h) 8).
- i) No change shall be made in the permitted injection zones unless the new zone is permitted in accordance with General Rule H-1.
- j) Injection fluids shall be confined to the permitted injection zones. If the Director has reason to believe, based upon well records or field observations, that injection fluids are migrating into zones not permitted for injection or into USDWs, or to the surface, or is causing fluid migration into the USDWs, due to the operation of any Class II Commercial Disposal Well or resulting from a failure of internal or external mechanical integrity of the well, the Permit Holder shall be required to shut-in the well until all necessary corrective work, which may include plugging of the well, is completed.
- k) Internal mechanical integrity shall be maintained in accordance with subparagraph o) below.
- l) Only Class II Fluids, as defined in General Rule H-1 a) 3), and/or fresh water can be injected into a Class II Commercial Disposal Well.
- m) Each well shall have a legible sign placed near the well showing the Permit Holder and the well name and number and permit number and section, township and range as shown on the permit in the Commission records and an emergency telephone number.
- n) The Permit Holder of each Class II Commercial Disposal Well shall file a Monthly Well Status Report on forms prescribed by the Director. The report shall be filed within thirty (30) days after the end of each month of a calendar year commencing on January 1 of each year. The report shall include at a minimum:

- 1) Name and permit number of the well;
 - 2) Names of all injection intervals;
 - 3) Maximum daily injection rates and pressures; and
 - 4) Monthly volumes of fluid injected.
 - 5) In addition, each Class II Commercial Disposal Well facility must keep an accurate log of each shipment of fluids to be disposed. This log shall include the generator (operator) of the fluid, well name, number and location or permit number of the well, amount of fluid and the date the shipment was received. A copy of this log must accompany the above Monthly Well Status Report.
- o) Establishment of Internal Mechanical Integrity.
- 1) Internal mechanical integrity must be maintained at all times. If internal mechanical integrity is lost, the Permit Holder shall shut-in the well immediately and notify the Regional Office where the well is located, of loss of internal mechanical integrity. The well shall remain shut-in until the necessary remedial action necessary to restore internal mechanical integrity is completed and a new internal mechanical integrity test run and successfully passed.
 - 2) An internal mechanical integrity test shall be performed:
 - A) Prior to initial injection into a newly permitted Class II Commercial Disposal Well;
 - B) Prior to initial injection into a Class II Commercial Disposal Well after a change to a newly permitted injection zone;
 - C) Prior to resuming injection into any Class II Commercial Disposal Well after any workover of the well involving the resetting or movement of a packer;
 - D) Whenever the Director has reason to believe, based upon well records or field observation, that the Class II Commercial Disposal Well may be leaking or improperly constructed; and
 - E) At least once every year measured from the date of the last successful test.
 - 3) Internal mechanical integrity test
 - A) The following test shall be performed on Class II Commercial Disposal Wells to establish the internal mechanical integrity of the tubing, casing and packer of the well. The Permit Holder shall contact the Regional Office in which the well is located at least 48 hours prior to conducting the test to enable an inspector to be present when the test is done. The casing-tubing annulus above the packer shall be tested under the supervision of a Commission representative at a minimum pressure

differential between the tubing and the annulus of 50 PSIG for a period of 30 minutes. The pressure at which the mechanical integrity test is to be performed shall be fifty (50) psig over injection pressure with a maximum of 1,000 psig. The minimum test pressure shall be 300 psig.

- B) Any Class II Commercial Disposal Well which fails an internal mechanical integrity test, or on which an internal mechanical integrity test has not been performed when required, shall be shut in until the well is successfully tested or remedial work is commenced and completed or the well is plugged. The necessary work shall be completed and an internal mechanical integrity test successfully completed within ninety (90) days. The Director may approve up to an additional ninety (90) days, with any greater length of time to be established by the Commission upon application by the operator.

- p) All commercial facilities must have restricted entry to all nonessential traffic. A lockable gate must be maintained and shall be locked during all unmanned hours. Additionally, the Director may require a fence to limit entry to the facility.

- q) Permit Holders may be required to take periodic samples of the injection fluid and have those samples analyzed at a certified lab. Samples of the injection fluid may also be taken periodically by a Commission representative. Samples will be checked for compliance with Class II fluids as defined in General Rule H-1.

- r) If the Director has reason to believe, based upon well records or field observation, that any Class II Commercial Disposal Well is causing fluid migration into the USDWs resulting from a failure of internal or external mechanical integrity, the Permit Holder shall shut in the well until any necessary corrective work is commenced and completed and internal and external mechanical integrity is established.

- s) Class II Commercial Disposal Wells no longer in service for periods greater than 12 months shall be plugged in accordance with General Rule B-7.