

**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 (e) below and in accordance with the procedure described in Rule B-8. applicable commission rules, unless an extension of time to plug is granted in accordance with subparagraph (c) below.~~

- 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 applicable commission rules.~~ 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: In the case of "staged" drilling operations, where multiple drilling rigs are used to drill the well over a period of time, production shall be set and cemented within 120 days after setting of the surface casing or the well shall be plugged, unless an extension of time to plug is granted in accordance with subparagraph 2) below.~~

 - 2) The Director however, may grant an extension of time to plug an uncased well. In determining whether to grant an extension and in determining the length of an extension, the Director may consider:
 - A) The permit holders specific plans for further wellbore utilization,
 - B) The total depth of the well,
 - C) The depth of surface and any intermediate 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.

 - 3) 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 applicable commission rules ~~General Rule B-8 when no longer used for the wells intended purpose or, at the discretion of the Director, when after~~ 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, unless an application is filed to request temporary abandonment status for the well in accordance with subparagraph h) below. Upon such determination by the Director or if temporary abandonment status is denied, the Permit Holder shall commence plugging the well within 30 days after notification by the Director. Failure to commence plugging the well within 30 days after notification by the Director may result in the initiation of well abandonment proceedings in accordance with General Rule G-1.
- 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.
- h) Temporary Abandonment Status
- 1) An application for temporary abandonment status shall be made on form prescribed by the Director and, if approved, shall be valid for a period not to exceed three (3) years from the date of the Director's approval. At the expiration of the three (3) year period the Permit Holder shall commence plugging operations within thirty (30) days, or file an application to request a hearing before the Commission in accordance with General Rules A-2, A-3 and other applicable hearing procedures to request an extension of the three (3) year period of the temporary abandonment status. Wells in an approved waterflood/enhanced oil recovery unit are

exempt from the three (3) year time limit as long as the unit remains active.

- 2) Wells which have not produced for more ten (10) years are not eligible for approval by the Director of temporary abandonment status. Temporary abandonment status for these wells may only be granted by the Commission after notice and a hearing in accordance with General Rule A-2, A-3 and other applicable hearing procedures.
- 3) Temporary abandonment status shall be approved by the Director provided:
 - A) The well is secured with a suitable wellhead with no leakage of any substance at the surface, and
 - B) The well site is maintained in accordance with General Rule B-26 i), and
 - C) Proper well identification is maintained in accordance with General Rule B-26 b), and
 - D) Useable groundwaters are protected using utilizing one of the following methods:
 - i) Set a drillable, retrievable or other type of mechanical bridge plug above the producing interval, in the cemented portion of the production casing, but at least 150 feet below the base of the lowest usable groundwater in the area, and secured at the surface with a wellhead and valve in operable condition; or
 - ii) Set a packer run on tubing above the producing interval, in the cemented portion of the production casing, but at least 150 feet below the base of the lowest usable groundwater in the area, and secured at the surface with suitable well head packoff equipment and closed to the atmosphere or with a wellhead and valve in operable condition;
 - iii) Run a casing inspection log confirming the mechanical integrity of the production casing and secured at the surface with a wellhead and valve in operable condition; or
 - iv) Conduct a fluid level test by wireline or other approved electronic or mechanical means, which determines that

the static fluid level is at least 150 feet below the base of the lowest usable groundwater in the area, and which must be witnessed by commission staff upon no less than 48 hours notice prior to conducting the fluid level test. The fluid level test shall be conducted annually, on the anniversary date of the temporary abandonment during each year of the three (3) year temporary abandonment period.

- 4) Failure to maintain any of the above conditions will result in revocation of the temporary abandonment status and require the well to be plugged in thirty (30) days, unless an extension of time to plug is granted after notice and hearing.
- 5) Wells returning to active status from temporary abandonment status shall file for authorization to commence production operations on a form prescribed by the Director.

FINAL

**GENERAL RULE C-10 - ESTABLISHMENT OF WELL SET-BACK REQUIREMENTS
FOR OIL PRODUCTION WELLS.**

- a) This rule pertains to oil well setback provisions specified in certain established field rules in Ashley, Bradley, Calhoun, Columbia, Hempstead, Lafayette, Miller, Nevada, Ouachita, and Union Counties.

- b) In all established field rules covered by this general rule, all oil well set back provisions which are measured from a boundary other than the drilling unit boundary, and which are commonly referred to as “bull’s-eye” or “race-track” locations for:
 - 1) ten (10) acre drilling units, described as a quarter ($\frac{1}{4}$) quarter ($\frac{1}{4}$) quarter ($\frac{1}{4}$) of a governmental section;
 - 2) twenty (20) acre drilling units, described as the east one-half (E/2), west one-half (W/2), north one-half (N/2) or south one-half (S/2) of a quarter ($\frac{1}{4}$) quarter ($\frac{1}{4}$) of a governmental section;
 - 3) forty (40) acre drilling units, described as a quarter ($\frac{1}{4}$) quarter ($\frac{1}{4}$) of a governmental section; and
 - 4) eighty (80) acre drilling units described as the east one-half (E/2), west one-half (W/2), north one-half (N/2) or south one-half (S/2) of a quarter ($\frac{1}{4}$) of a governmental section;

are set at two hundred and eighty (280) feet from the drilling unit boundary and all existing “bull’s-eye” or “race-track” field rule setback requirements for the above drilling units are abolished.

- c) Established field rules with well setback requirements less than two hundred and eighty (280) feet from the above drilling unit boundaries, shall remain unchanged.

- d) 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 approved by the Commission after notice and a hearing in accordance with General Rules A-2, A-3 and other applicable hearing procedures.

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RULE D-2 - POTENTIAL OPEN FLOW

Rule Repealed Effective February 19, 2009

RULE D-3 - PRESSURE TEST

Rule Repealed Effective February 19, 2009

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RULE D-4 - SUPERVISION OF OPEN FLOW AND PRESSURE TESTS

Rule Repealed Effective February 19, 2009

RULE D-5 - DURATION OF TESTS

Rule Repealed Effective February 19, 2009

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RULE D-6 - NOTICE OF TESTS

Rule Repealed Effective February 19, 2009

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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. 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.