

RULE A-5: ENFORCEMENT PROCEDURES

- a) Definitions:
 - 1) “Commission” shall mean the Arkansas Oil and Gas Commission, 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.
 - 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, 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 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 may require a Notice of Violation to be issued in accordance with subparagraph (e) below:
 - A) Conducting any regulated activity specified in paragraph (b) above prior to issuance or re-issuance of the appropriate Commission permit or authority;
 - 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. Unless otherwise determined by the Commission after notice and a hearing, a regulated entity shall not be held responsible by the Commission for violations of oil, gas and/or brine statutes, or rules, regulations, 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;
 - J) Improper disposal or discharge of produced fluids; or
 - K) Any other violation for which a cessation requirement is authorized by an oil, gas and/or brine statute, or rule, regulation, order or permit condition.
- 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;
 - C) Failure to pay any monies due the Abandoned and Orphaned Well Plugging Fund as specified in General Rule G-1; or

- D) Failure to comply with the provisions of General Rule B-42, or General Rule E-3.
 - E) Any other violation for which a state-wide cessation requirement is authorized by an oil, gas and/or brine statute, or rule, regulation, order or permit condition.
- 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) and (5) below. If a civil penalty is requested by the Director, the Regulated Entity may voluntarily agree to the assessment and pay the civil penalty as requested or modified by the Director, or 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 by the Commission. The maximum amount of the Director's requested civil penalty shall be computed as provided in subparagraphs (g) (2) through (5) below. However, the Commission is not bound by the Director's request, or the amounts provided below, and may impose civil penalties of up to the maximum amounts permitted by law.

- 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. The fourth and each subsequent violation of the same rule shall be considered a significant violation in accordance with subparagraph g) 4) below.
 - 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 or re-issuance of the required permit or authority. These operations include, but are not limited to regulated activities such as, operating a well or natural gas pipeline 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 pipeline requirements, failure to notify of a spill occurrence, failure to maintain containment dikes, or operating an Exploration and Production Fluid Transportation System without a proper permit. 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. § 15-76-303 are limited to a maximum of \$1,000 per operating violation. The per operating violation civil penalty shall be calculated as follows:

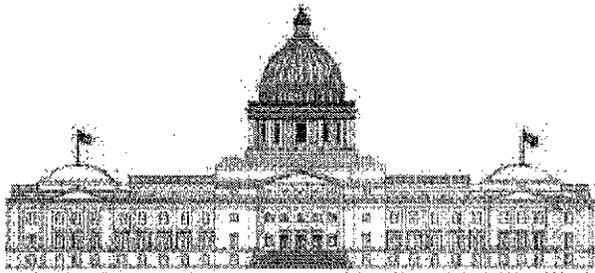
- A) No previous violation of the same rule \$500. One previous violation of the same rule, \$750; two or more previous violations of the same rule, \$1000. The fourth and each subsequent violation of the same rule shall be considered a significant violation in accordance with subparagraph g) 4) below.
 - 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. § 15-76-303, or as otherwise provided in subparagraphs g) 5) or 6) below, 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 the provisions of General Rule A-7, failure to comply with well spacing provisions, operating a UIC well without a proper 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.
- 5) In accordance with Ark. Code Ann. §15-72-103, the Director, or his or her designee, may request a civil penalty of up to \$100,000 for any person who transports a liquid or other substance and violates a rule, regulation, or order of the commission by dumping or disposing of the liquid or other substance improperly or without authorization at a well or well site.

- 6) The Director, or his or her designee, may request any amount in civil penalties authorized by applicable federal law for violations of the United States Department of Transportation, Office of Pipeline Safety jurisdictional natural gas line requirements.

- 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.

ARKANSAS REGISTER

Transmittal Sheet



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

For Office Use Only: Effective Date _____ Code Number _____

Name of Agency Arkansas Oil & Gas Commission

Department 0440

Contact Shane Khoury E-mail shane.khoury@aogc.state.ar.us Phone (501) 683-5814

Statutory Authority for Promulgating Rules A.C.A 15-71-110

Rule Title: General Rule B1 Application to Drill A Production

Intended Effective Date		Date
<input type="checkbox"/> Emergency	Legal Notice Published	<u>08/07/13</u>
<input type="checkbox"/> 10 Days After Filing	Final Date for Public Comment	<u>09/06/13</u>
<input checked="" type="checkbox"/> Other <u>01/19/14</u>	Reviewed by Legislative Council	<u>12/11/13</u>
	Adopted by State Agency	<u>01/19/14</u>

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

Electronic Copy of Rule e-mailed from: Shannon Hunter shannon.hunter@aogc.state.ar.us 12/19/13
Contact Person Email Address Date

CERTIFICATION OF AUTHORIZED OFFICER

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

Signature

(501) 683-5814 Shane. Khoury@aogc.state.ar.us
Phone Number E-mail Address

Deputy Director/ General Counsel

Title

12/19/14

Date

RULE B-1: APPLICATION TO DRILL A PRODUCTION WELL

a) Definitions:

- 1) “Production Well” means a well drilled, deepened, or re-entered after plugging, for the exploration or production of oil and/or gas or brine; or a well drilled, deepened or re-entered after plugging for a water supply for use in connection with an enhanced oil recovery project.
- 2) “Deepen” for a cased well means an operation whereby a well is drilled to a measured depth below the cement casing shoe. For an open hole completion, “Deepen” means an operation whereby a well is drilled below the original measured depth of the well.
- 3) “Drill” means the commencement of an operation to either set conductor pipe or the moving in a drilling rig capable of drilling to a depth to set the requisite amount of surface casing and spudding the well, if conductor pipe is not used.
- 4) “Permit Holder” means the person to whom the permit is issued and is responsible for all regulatory requirements relative to the production well.
- 5) “Re-enter” means an operation whereby access to a previously plugged wellbore is re-established for any purpose including replugging.
- 6) “Shale Operations” means drilling activities relating to the production of gas and other petroleum hydrocarbons directed at an unconventional shale gas formation in a county listed in Arkansas General Rule B-43(c) or (d). “Shale Operations” does not include: (i) the periodic inspection, maintenance, or repair of completion activities; (ii) preparatory activities such as inspection, surveying, or staking; or (iii) drilling additional wells, redrilling, or recompletion operations on an existing drilling pad if the operator does not expand the existing pad. For purposes of this rule, “Shale Operations” does include well site construction operations.
- 7) “Spud” means the commencement of drilling a wellbore to a depth to set the requisite amount of surface casing.

b) Permit Application Procedures for a Permit to Drill, Deepen or Re-enter a Production Well

- 1) No person shall drill, deepen, or re-enter a plugged production well, without a permit. A copy of the permit shall be posted on site prior to a well being spud or the commencement of deepening or re-entering operations.
- 2) The Permit Holder is required to provide notice to the surface owner in accordance with Ark Code Ann. § 15-72-203.
 - A) If notice is required in accordance with Ark Code Ann § 15-72-203 (c) and entry upon the surface owner’s surface estate is required on or after the effective date of this rule, the notice shall contain:

- i) the proposed date Shale Operations will commence; and
 - ii) the location of the proposed well and the pad location, including the section, township, range, and plat of the pad location, if available; and
 - iii) a statement that the Permit Holder has a pending or approved drilling permit for the proposed Shale Operations on the surface owner's property and that the permit shall be available for inspection by the surface owner on request by the surface owner; and
 - iv) the name, address, telephone number, fax number, and electronic mailing address of the Permit Holder or the Permit Holder's agent.
- B) The Notice shall be sent by certified United States mail or delivered personally, to the surface owner at the address of the surface owner stated in the public records of the county collector of the county in which the surface owner's property is located, at least fourteen (14) days before the Permit Holder proposes to begin Shale Operations on the surface owner's property.
- C) After written notice of the Permit Holder's intent to begin Shale Operations is given under this subsection, a Permit Holder is not required to give any other notice to begin, conduct, or complete Shale Operations on the surface owner's property.
- D) Written notice under this subsection is:
 - i) presumed delivered three (3) days after mailing by certified mail;
 - ii) effective immediately upon hand delivery;
- E) Written notice is not required:
 - i) for emergency situations in which the Shale Operations are required to protect the public health and safety or the environment; or
 - ii) if a surface owner has a contractual relationship with a Permit Holder or the Permit Holder's agent that specifies when or how the Permit Holder shall give notice regarding the beginning of Shale Operations.
- F) After receipt of a written notice of the Permit Holder's intent to begin Shale Operations under this subsection, the surface owner shall not make alterations to a proposed drilling location to interfere with the Shale Operations for which the surface owner received the notice.

- G) The provisions of subparagraphs b) 2) A) through F) above do not supersede, modify, or supplant the notice provisions of General Rule B-42.
- 3) The Permit Holder shall notify the appropriate Commission Regional Office by telephone, or other approved method, a minimum of twenty-four (24) hours prior to a well being spud or the commencement of deepening or re-entering operations. Commission staff may conduct site inspections as deemed necessary.
 - 4) No production well may be drilled at a surface location other than that specified on the permit, except that if a Permit Holder has commenced drilling operations and the production well is lost due to adverse drilling conditions prior to surface casing being set, the Permit Holder may request an amendment of the permit without a fee for the new location, provided the production well remains on the same surface owners' property where the production well was originally permitted. The Director may approve the commencement of drilling operations prior to the filing of an amended permit. Movement of the production well location off the original surface owners' property, or after surface casing has been set, requires the filing of a new permit application, along with a new permit fee and plat. Drilling may not commence prior to the issuance of a new permit.
 - 5) Application for a permit to drill, deepen or re-enter a plugged production well shall be made on forms prescribed by the Director. The application shall be executed under penalties of perjury, accompanied by a non-refundable permit fee of \$300.00; and the permit shall not be issued until any required financial assurance in accordance with General Rule B-2 is submitted and approved.
 - 6) If the application does not contain all of the required information or required documents, the Director, or his designee, 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 received within sixty (60) days following the date of mailing or personal delivery of the notification.
 - 7) Permits shall automatically expire six (6) months from the date of issuance, unless commencement of the drilling, deepening or re-entry of plugged production well operations authorized by the permit has occurred, which are to be continued with due diligence, but not to exceed 1 year from the date of commencement of the drilling, deepening or re-entry of plugged production well operations authorized by the permit, at which time the production well shall be plugged or a new permit application, along with a new permit fee and plat, must be filed.
 - 8) Permits for the drilling, deepening or re-entry of plugged production well are not transferable prior to the completion of drilling operations and the setting of surface casing. A new permit application, along with a new permit fee and plat must be filed.
 - 9) The permit application to drill, deepen or re-enter a plugged production well shall include at a minimum:

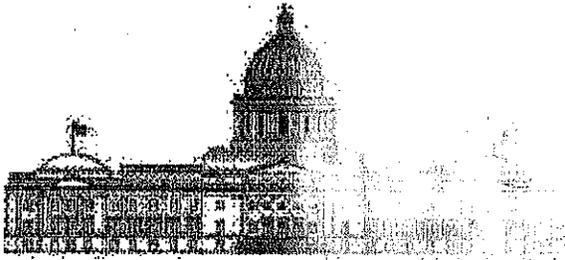
- A) The proposed name of the production well.
 - B) The surveyed location and ground elevation of the production well. A survey is not required for a deepened production well, or a re-entered plugged production well, if the original production well location was surveyed and shown on the original production well permit application. If the application is for a horizontal production well, the surface location and proposed bottom hole location of the lateral portion of the horizontal production well shall be shown. If applicable, a Form 25 must be submitted for horizontal production wells where the costs and production are to be shared between drilling units in accordance with General Rule B-43 or B-44, or a Form 5 must be submitted for a location exception in accordance with General Rule B-40.
 - C) A plat showing:
 - i) The exact location of the production well proposed to be drilled, deepened or re-entered; an outline of the proposed drilling unit and/or leasehold, whichever is applicable, unless the production well is a wildcat well; and the distance from the production well to the nearest section lines, drilling unit lines and or lease lines, whichever is applicable; and
 - ii) If the production well is located within a controlled oil or gas field, the plat shall also include the location of all producing wells completed or producing within the same common source of supply in the drilling unit and/or leasehold.
 - D) The name of the proposed drilling contractor.
 - E) The proposed depth of the production well, and the name of the deepest geologic formation to be tested.
- 10) The application for a permit to drill, deepen or re-enter a plugged production well shall be signed by a person authorized to sign for such owner as specified on the Organizational Report filed in accordance with General Rule B-13.
- 11) The applicant must be authorized to do business in the State or Arkansas, and by filing an application, the applicant irrevocably waives, to the fullest extent permitted by law, any objection to a hearing before the Commission.
- 12) If the applicant satisfies the requirements of all applicable statutes and this Rule, a permit shall be issued, and in no circumstances be unduly withheld, unless:
- A) The applicant has falsified or otherwise misstated any material information on or relative to the permit application;
 - B) No further permits or authorities may be issued in accordance with General Rule A-5.

c) Production Well Drilling Permit Revocation Procedures

- 1) The Director may revoke a production well drilling permit if the Permit Holder fails to meet permit conditions as specified in the production well drilling permit, the production well permit was issued in error, or the Permit Holder falsified or otherwise misstated any material information in the application form.
- 2) The Director shall notify the Permit Holder of the production well drilling permit in writing. Following the revocation notice the Permit Holder is required to plug the production well. The Permit holder shall have thirty (30) days from the date of the production well drilling permit to appeal the Director's Decision to revoke the production well drilling permit in accordance with General Rule A-2, A-3, and other applicable hearing procedures. Drilling or production may not commence or continue during the appeal process. A revocation of a production well drilling permit for which an appeal has not been filed, shall become a final administrative decision of the Commission thirty (30) days following the date of the revocation.

ARKANSAS REGISTER

Transmittal Sheet



Mark Martin
 Secretary of State
 Office Capitol Room 026
 Little Rock, Arkansas 72201-1094
 (501) 683-3527

For Office Use Only: Effective Date _____ Rule Number _____

Name of Agency Arkansas Oil & Gas Board

Department 0440

Contact Shane Khoury shane.khoury@ago.state.ar.us Phone (501) 683-5814

Statutory Authority for Promulgation of Rule _____

Rule Title: General Rule D-1

Intended Effective Date	Date
<input type="checkbox"/> Emergency	<u>08/07/13</u>
<input type="checkbox"/> 10 Days After Filing	<u>09/06/13</u>
<input checked="" type="checkbox"/> Other <u>01/19/14</u>	<u>12/11/13</u>
	<u>01/19/14</u>

Electronic Copy of Rule Provided _____

Electronic Copy of Rule e-mailed shane.khoury@ago.state.ar.us 12/19/13

Date _____

CERTIFICATE

I Herby Certify that the above rule was accepted and amended.

 (501) 683-3527
 Page 1 of 1

RULE D-17: GENERAL RULE FOR THE REGULATION OF NATURAL GAS PIPELINES

a) Definitions

- 1) Jurisdictional Pipeline means any onshore natural gas pipeline regulated under Federal Regulation 49 CFR Part 192 as amended, which is within the jurisdiction of the Arkansas Oil and Gas Commission in accordance with Ark. Code Ann. § 15-71-110 as amended.
- 2) Non-Jurisdictional Pipeline means any onshore natural gas pipeline, including but not limited to flowlines, production lines, or gathering lines, not under jurisdiction of Federal Regulation 49 CFR Part 192 as amended, which is within the jurisdiction of the Arkansas Oil and Gas Commission in accordance with Ark. Code Ann. § 15-71-110 as amended.
- 3) Perennial Stream means: a stream that has flowing water year-round during a typical year, the water table is located above the stream bed for most of the year, groundwater is the primary source of water for stream flow, and runoff from rainfall is a supplemental source of water for stream flow.
- 4) Pipeline Operator means any person who owns or operates and is responsible for the construction, operation and maintenance of a natural gas pipeline which transports natural gas from the well within the jurisdiction of the Arkansas Oil and Gas Commission in accordance with Ark Code Ann. § 15-71-110 as amended.

b) Applicability

- 1) For purposes of this Rule, the jurisdiction of the Arkansas Oil and Gas Commission, as specified in Ark Code Ann. Ann. § 15-71-110 as amended, extends and includes:
 - A) The production process or production facility as defined in Ark Code Ann. § 15-71-110 as amended; or
 - B) A natural gas pipeline or associated facility whose owner is not affiliated with an Arkansas natural gas public utility and the majority owner is either a production company or an affiliate of a production company.
- 2) Every Pipeline Operator transporting natural gas by pipeline from the well is subject to the applicable provisions of this rule. Natural gas pipelines from the well, to a custodial transfer meter located on the well pad, are exempt from the provisions of this rule.

c) General Requirements for all Jurisdictional and Non-Jurisdictional Pipelines:

- 1) Each Pipeline Operator shall apply, on a form prescribed by the Director, for an initial statewide permit to construct and operate a natural gas pipeline system. The initial permit application shall contain at a minimum the following:
 - A) Name, address and contact information for the Pipeline Operator;
 - B) Map, or other media acceptable to the Director, showing the location of all natural gas pipelines from the producing wells through any production or processing equipment or treating facility, and to the termination point of the

jurisdiction of the Arkansas Oil and Gas Commission, including all public road, railroads and perennial stream crossings;

- C) A determination as to what pipelines are jurisdictional;
 - D) Submission of the applicable permit fee as follows:
 - (i) no permit fee is required for 1 mile or less, provided the pipeline does not cross a public road, railroad or perennial stream.
 - (ii) less than 50 miles of pipeline, including pipelines in (c)(1)(D)(i) above which cross public roads, railroads or perennial streams - \$500.00
 - (iii) 50 miles to less than 100 miles of pipeline - \$1,500.00
 - (iv) 100 miles to less than 250 miles of pipeline - \$2,500.00
 - (v) 250 miles or more of pipelines - \$5,000.00
- 2) Each Pipeline Operator shall be required to submit an annual permit renewal by January 31 of each year.
 - 3) The renewal permit shall include a revised pipeline map showing any new pipeline additions constructed during the previous year, an annual report on a form prescribed by the Director, along with a permit renewal fee in accordance with paragraph (c)(1)(D) above. The renewal permit shall also contain the Pipeline Operator's determination as to which pipelines are jurisdictional.
 - 4) Each Pipeline Operator shall submit a Notice of Construction or Repair, on a form prescribed by the Director, prior to commencing construction or within 48 hours after completing repair, for each segment or project length of pipeline constructed during the year. The Notice shall indicate the location and extent of the natural gas pipelines to be constructed or repaired.
 - 5) Each Pipeline Operator shall notify the Director, or his or her designee, within five (5) calendar days of exceeding any natural gas pipeline's established maximum allowable operating pressure. This shall be submitted on a form prescribed by the Director.
 - 6) Each Pipeline Operator shall submit a Notice of Incident, on a form prescribed by the Director for each incident of release due to natural gas pipeline failure which results in:
 - A) A death or personal injury requiring in-patient hospitalization; or
 - B) A total cost of repair, including the value of natural gas lost, of ten thousand dollars (\$10,000) or more; or
 - C) An event that is significant, in the judgment of the operator, even though it did not meet the criteria of subparagraphs (A) or (B) above.
- d) Requirements for all Non-Jurisdictional Pipelines

- 1) All pipelines crossing any stream or stream bed shall comply with applicable state and federal rules and regulations. Additionally, any stream crossing of perennial streams, constructed on or after December 16, 2007, shall maintain a minimum of fifty (50) feet of undisturbed stream bank for the protection of the stream. However, the fifty (50) feet of undisturbed stream bank requirement may be modified by the Director provided that the Pipeline Operator provides proof that the Pipeline Operator has received approval for the crossing from a state or federal agency.
 - 2) Each Pipeline Operator shall place and maintain appropriate signage at all natural gas pipeline crossings of public roads and railroads. The marker should include the words "Warning", "Caution" or "Danger" followed by the words "Gas Pipeline" along with the Pipeline Operator's name and telephone number where the Pipeline Operator can be reached at all times.
 - 3) Each Pipeline Operator which operates natural gas pipelines within the limits of any incorporated or unincorporated city, town or village, shall be a member of a qualified one-call program.
 - 4) All natural gas pipelines, constructed after the effective date of this rule, shall be buried at least twenty-four (24) inches below ground surface, or in accordance with other applicable state or federal laws.
- e) Requirements for Jurisdictional Pipelines
- 1) All Jurisdictional Pipelines shall be in compliance with construction, operation and maintenance requirements contained in Federal Regulations 49 CFR Part 192 Subpart A thru Subpart P as amended, which are herein incorporated by reference.
 - 2) All Jurisdictional Pipelines shall be subject to the applicable enforcement provisions of Federal Regulation 49 CFR Part 190 as amended, which are herein incorporated by reference.
 - 3) All Jurisdictional Pipelines shall be subject to the applicable incident and other reporting requirements contained in Federal Regulation 49 CFR Part 191 as amended, which are herein incorporated by reference, and all such reports shall be submitted to the Arkansas Oil and Gas Commission.
 - 4) All Pipeline Operator of Jurisdictional Pipelines shall be subject to the applicable drug and alcohol testing requirements contained in Federal Regulation 49 CFR Part 199 as amended, which are herein incorporated by reference.
 - 5) All Jurisdictional Pipelines which contain over 100 PPM hydrogen sulfide shall also be subject to the provisions of subparagraph (f) below, unless the provisions of subparagraph (f) are less stringent than any applicable requirement of this subparagraph (e).
- f) Additional Requirements for All Pipelines Containing 100 PPM or Greater Hydrogen Sulfide.
- 1) Construction, Operating and Maintenance Requirements:

- A) All pipeline materials must be chemically compatible with any natural gas transported by the natural gas pipeline and such pipeline shall maintain structural integrity under the anticipated temperatures and environmental conditions for which the natural gas pipeline may be exposed, and
 - B) All piping must be of sufficient thickness or must be installed with adequate protection to withstand anticipated external pressures and loads that will be imposed on the pipe after installation, and
 - C) No natural gas pipeline may be operated after new construction, repair or relocation until it has been successfully tested for at least one hour with a minimum pressure of 1.25 times the maximum operating pressure to substantiate the maximum operating pressure with all leaks located and eliminated, and
 - D) All metallic natural gas pipelines must be adequately protected from both external and internal corrosion and the Pipeline Operator is required to submit an annual report, by March 31st of every year for the preceding calendar year, of the effectiveness of the company's corrosion program, with such protection efforts performed by an independent contractor specializing in the control of corrosion.
- 2) Each Pipeline Operator shall prepare, maintain and follow for each natural gas pipeline, a manual of written procedures for conducting operations, maintenance activities and emergency response. This plan must be reviewed and updated as often as necessary. A review must be conducted annually but not to exceed 15 months between reviews.
- 3) Each Pipeline Operator shall have a procedure for continuing surveillance of its facilities and take appropriate action regarding, failures, corrosion and operating conditions.
- 4) Each Pipeline Operator must develop and carry out a damage prevention program to prevent damage to its natural gas pipelines from excavation activities. Each Pipeline Operator shall be a member of the state wide "one-call" system. The plan must have a method of communicating to excavators in the area where the natural gas pipeline is located of the existence of the natural gas pipeline, provide a means of receiving and recording notification of planned excavation activities, provide for temporary marking of the natural gas pipeline and inspection of the natural gas pipeline when the Pipeline Operator has reason to believe it could be damaged by excavation activities.
- 5) Each Pipeline Operator shall establish written procedures to minimize the hazards resulting from a natural gas pipeline emergency event. Each plan must include at a minimum:
- A) Methods of receiving and identifying an event which requires immediate response; and
 - B) Methods for establishing and maintaining adequate communication with appropriate emergency response and public officials; and
 - C) Methods for determining safe areas related to evacuation and security during an event; and

- D) Methods for training employees of their duties and responsibilities during an event.
- 6) Each Pipeline Operator shall develop and implement a written continuing public awareness plan which includes provisions for educating the public, appropriate governmental organizations and persons engaged in excavation activities. Use of a one-call notification prior to conducting excavation, possible hazards associated with unintended releases from the natural gas pipeline, physical indications that such a release may have occurred, steps that should be taken for the safety of the public, procedures for reporting such an event. The program must include activities to advise affected municipalities, schools, businesses and residents along the pipeline right of way. The program and media used must be as comprehensive as necessary to reach all areas in which the Pipeline Operator shall transport gas.
 - 7) Each Pipeline Operator shall establish procedures for analyzing accidents and failures for the purpose of determining the cause of the failure and minimizing the possibility of subsequent reoccurrence.
 - 8) Each Pipeline Operator shall not operate any natural gas pipeline at a pressure that exceeds the documented pressure at which the natural gas pipeline may be safely operated.
 - 9) Each Pipeline Operator shall have a patrol program to observe surface conditions on and adjacent to its pipeline right-of-way for indications of leaks, construction activity, erosion, condition of signage, conditions at public road and railroad crossings and other factors affecting safety and operation of the pipeline. Patrols shall be conducted and documented at least twice each calendar year, not to exceed 7 ½ months between patrols.
 - 10) Each Pipeline Operator shall maintain appropriate pipeline markers at all public road and railroad crossings and along the pipeline at intervals necessary to identify the location of the buried pipeline. The marker should include the words "Warning", "Caution" or "Danger" followed by the words "Gas Pipeline" along with the Pipeline Operator's name and telephone number where the Pipeline Operator can be reached at all times.
 - 11) Each pressure relieving device in a compressor station, pressure limiting station or regulator station must be inspected, tested and operated at the pipelines maximum operating pressure, once each calendar year and not to exceed 15 months to determine proper operation.
 - 12) Each remote controlled shutdown device must be inspected and tested once each calendar year and not to exceed 15 months to determine proper operation.
 - 13) Each line valve that serves to block a segment of pipeline and or might be used in an emergency, must be inspected and partially operated once each calendar year and not to exceed 15 months.
 - 14) Each Pipeline Operator shall maintain records associated with operation and maintenance of the pipeline required in this section.
 - 15) Each natural gas pipeline abandoned in place must be disconnected from all sources of gas, purged of gas, filled with freshwater or inert material and sealed at both ends. When

a pipeline is being purged all efforts must be taken to (i) prevent the formation of a hazardous mixture of gas and air, (ii) ensure that all safety equipment necessary is present, (iii) remove all non-essential persons from the area and (iv) ensure the public is adequately protected.