

BEFORE THE OIL & GAS COMMISSION

BECK ENERGY CORP.,	:	Appeal Nos. 805 THROUGH 809
	:	
Appellant,	:	Review of Chief's Orders 2008-74,
	:	2008-75, 2008-81, 2008-82 & 2008-83
-vs-	:	
	:	
DIVISION OF MINERAL RESOURCES	:	
MANAGEMENT,	:	
	:	<u>ORDER OF THE</u>
	:	<u>COMMISSION DISMISSING</u>
Appellee.	:	<u>APPEALS</u>

Upon Joint Notice of Dismissal filed by Appellant and Appellee as part of the Consent Agreement filed in the above-captioned matters, the Commission hereby **DISMISSES** appeal nos. 805, 806, 807, 808 & 809, with prejudice.

Date Issued: Jan. 29, 2009

see attached sheet
M. HOWARD PETRICOFF, Chairman

James H. Cameron
JAMES H. CAMERON *LWO*

see attached sheet
TIMOTHY C. McNUTT, Secretary

Robert W. Chase
ROBERT W. CHASE *LWO*

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Appellant,

-vs-

DIVISION OF MINERAL RESOURCES
MANAGEMENT,

Appellee.

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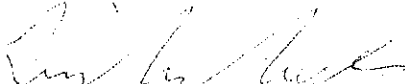
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JAN 6 2009

**BEFORE THE
OIL AND GAS COMMISSION
STATE OF OHIO**

OIL & GAS COMMISSION

BECK ENERGY CORP.,	:	
	:	
Appellant,	:	Case Nos. 805-809
	:	
v.	:	Review of Chief's Order
	:	Nos.: 2008-74
	:	2008-75
DIVISION OF MINERAL	:	2008-81
RESOURCES MANAGEMENT,	:	2008-82
	:	2008-83
	:	
Appellee.	:	

CONSENT AGREEMENT

Now come the parties, Appellant, Beck Energy Corporation, and Appellee, Division of Mineral Resources Management, in order to settle the presently pending administrative proceedings captioned Beck Energy Corp. v. Division of Mineral Resources Management, case numbers 805, 806, 807, 808 and 809, stipulate to the following facts and conditions:

FACTS:

1. Beck Energy Corp. ("Beck Energy") is the owner and operator of a number of oil and gas production wells in the State of Ohio, including the following wells which have recently been the subject of enforcement action by the Division of Mineral Resources Management:

<u>WELL NAME & NO.</u>	<u>PERMIT NO.</u>	<u>COUNTY</u>	<u>TOWNSHIP</u>
Yonak No. 2	4137	Monroe	Center
Fairgrounds No. 1	4104	Monroe	Center
Block No. 2	4181	Monroe	Malaga
Rohrer No. 1	3610	Stark	Lake
Lloyd Miller No. 2	6396	Washington	Salem

2. On March 14, 2008, Beck Energy submitted a permit application to the Division requesting a permit to drill the well to be identified as the Landefield No. 1, Malaga Township, Monroe County. This application was denied by Chief's Order No. 2008-74, issued on September 5, 2008.

3. On April 10, 2008, Beck Energy submitted a permit application to the Division requesting a permit to drill the well to be identified as the Francis Block No 1, Malaga Township, Monroe County. This application was denied by Chief's Order No. 2008-75, issued on September 5, 2008.

4. On June 18, 2008, Beck Energy submitted a permit application to the Division requesting a permit to drill the well to be identified as the Village of Woodsfield No. 1, Center Township, Monroe County. This application was denied by Chief's Order No. 2008-83, issued on September 18, 2008.

5. On July 25, 2008, Beck Energy submitted a permit application to the Division requesting a permit to drill the well to be identified as the Breezewood No. 1, Brookfield Township, Trumbull County. This application was denied by Chief's Order No. 2008-82, issued on September 18, 2008.

6. On September 4, 2008, Beck Energy submitted a permit application to the Division requesting a permit to drill the well to be identified as the Paoloni No. 1,

Franklin Township, Portage County. This application was denied by Chief's Order No. 2008-81, issued on September 18, 2008.

7. Beck Energy appealed the issuance of Chief's Order Nos. 2008-74, 2008-75, 2008-81, 2008-82, and 2008-83 to the Oil and Gas Commission ("Commission") on October 16, 2008.

8. The violations pending on the wells referenced in Paragraph 1 of this Consent Agreement are not the subject of any appeals pending before the Commission; however, Beck Energy has agreed to take the actions stated below in regard to these wells in order to resolve the pending appeals before the Commission.

AGREED COMPLIANCE SCHEDULE:

9. By June 30, 2009, Beck Energy shall plug or commercially produce the **Rohrer No. 1** well, listed in Paragraph 1. To meet the standard of commercial production, the well, in accordance with Division approval, must be fitted with equipment that is used for the recovery and sale of oil and gas; the well must be hooked up with a gas meter; tanks; separator; gathering, sales, and/or production lines; and other required equipment; and the well must include a sales point for any natural gas. As soon as Beck Energy reserves such rig or equipment to plug or rework this well, Raymond Beck, as the President of Beck Energy, will contact Jay Cheslock, North Region Assistant Manager for the Division, and provide him with the name of each rig and/or equipment operator. Commercial production specifically excludes swab production of oil and domestic use of natural gas. Failure to comply with this deadline will result in a \$2,000.00 penalty. An additional \$1,000.00 penalty will be paid by Beck Energy Corp.

for every 30-day period or part of a 30-day period during which the Rohrer No. 1 well remains neither plugged nor commercially produced. If Beck Energy Corp. plugs the well, Beck Energy Corp. shall notify the landowner(s) by certified mail within the scheduled timeframe pursuant to R.C. 1509.13.

10. By September 1, 2009, Beck Energy shall plug or commercially produce the **Lloyd Miller No. 2** well, listed in Paragraph 1. To meet the standard of commercial production, the well, in accordance with Division approval, must be fitted with equipment that is used for the recovery and sale of oil and gas; the well must be hooked up with a gas meter; tanks; separator; gathering, sales, and/or production lines; and other required equipment; and the well must include a sales point for any natural gas. As soon as Beck Energy reserves such rig or equipment to plug or rework this well, Raymond Beck, as the President of Beck Energy, will contact Jay Cheslock, North Region Assistant Manager for the Division, and provide him with the name of each rig and/or equipment operator. Commercial production specifically excludes swab production of oil and domestic use of natural gas. Failure to comply with this deadline will result in a \$2,000.00 penalty for each well. An additional \$1,000.00 penalty for each well will be paid by Beck Energy Corp. for every 30-day period or part of a 30-day period during which the Lloyd Miller No. 2 well remains neither plugged nor commercially produced. If Beck Energy plugs the well, Beck Energy shall notify the landowner(s) by certified mail within the scheduled timeframe pursuant to R.C. 1509.13.

11. By December 15, 2008, the **Yonak No. 2** and **Fairgrounds No. 1** wells listed in Paragraph 1 must have site remediation completed. Pipelines, plumbing, or other apparatus used to improperly dispose oilfield wastes shall be permanently removed.

Use of such equipment shall immediately cease at all locations. Brine and other oilfield wastes at all locations shall be stored, handled, and ultimately disposed in accordance with Chapter 1509 ORC and Chapter 1501 OAC. Site restoration shall include the removal and proper disposal of all contaminated soils. Contaminated soils shall be replaced with similar uncontaminated soils in volumes equal to volumes removed. Locations shall be graded, seeded, and mulched. Measures including, but not limited to, silt fence, staked straw bales, and landscape fabrics shall be installed to control erosion and sediment loads in waterways or public ditches. Sites shall be monitored until May 30, 2009, to ensure compliance with the terms of this agreement. Beck Energy shall make all necessary repairs to the site(s) within seven (7) days of discovery or notification by the Division. If problems are discovered by Beck Energy or its agents, notice shall be made to the Division within 1-hour of such discovery. Failure to comply with this deadline will result in a \$2,000.00 penalty. An additional \$1,000.00 penalty will be paid by Beck Energy Corp. for every 30-day period or part of a 30-day period during which the Yonak No. 2 and Fairgrounds No. 1 wells remain in violation of 1509 ORC or 1501 OAC.

12. By December 15, 2008, the **Block No. 2** well, listed in Paragraph 1, must have site remediation completed. Site restoration must include removal and proper disposal of all contaminated soils. Contaminated soils shall be replaced with similar uncontaminated soils in volumes equal to volumes removed. The location shall be graded, seeded, and mulched. Measures including, but not limited to, silt fence, staked straw bales, and landscape fabrics shall be installed to control erosion and sediment loads in waterways and public ditches. Sites shall be monitored until May 30, 2009, to ensure

compliance with the terms of this agreement. Beck Energy shall make all necessary repairs to the site within seven (7) days of discovery or notification by the Division. If problems are discovered by Beck Energy, or its agents, notice shall be made to the Division within 1-hour of such discovery. Failure to comply with this deadline will result in a \$2,000.00 penalty. An additional \$1,000.00 penalty will be paid by Beck Energy for every 30-day period or part of a 30-day period during which the Block No. 2 well remains in violation of 1509 ORC or 1501 OAC.

13. By December 30, 2008, an **unpermitted location** on municipal property in the **City of Woodsfield, Monroe County**, must have measures including, but not limited to, silt fence, staked straw bales, and landscape fabrics installed to control erosion and prevent sediment loads in waterways or public ditches. The site shall be monitored until May 30, 2009, to ensure compliance with the terms of this agreement. Beck Energy shall make any necessary repairs to the site within seven (7) days of discovery or notification by the Division. If problems are discovered by Beck Energy, or its agents, notice shall be made to the Division within 1-hour of such discovery. Failure to comply with this deadline will result in a \$2,000.00 penalty. An additional \$1,000.00 penalty will be paid by Beck Energy for every 30-day period or part of a 30-day period during which the unpermitted, City of Woodsfield location remains in violation of 1509 ORC or 1501 OAC.

14. Pursuant to R.C. 1509.072, each well plugged pursuant to this agreement shall be reclaimed within six months of the completion of plugging. For each reclamation deadline that is not met, a penalty of \$1,000.00 for every 30-day period or part of a 30-day period, per well, will be paid by Beck Energy.

15. If the notification requirements discussed in Paragraphs 9 and 10 above are complied with, the Division may be asked to agree to reasonable extensions based on the contractors' schedule and obligations. In order to obtain any extension, Beck Energy bears the burden of showing that the reason(s) for the extension were circumstances outside of the reasonable control of Beck Energy such as strikes, unusual weather, or the unavailability of equipment which was timely contracted. Timely contracted means that Beck Energy has prepaid any plugging rig and/or other equipment as described in Paragraphs 9 and 10 above. Lack of necessary funds shall not be a valid reason for an extension request.

16. All work on the well sites will be performed in a prudent and workmanlike manner and in compliance with the requirements of R.C. Chapter 1509 and Ohio Admin. Code Chapter 1501. If the original vegetation planted pursuant to reclamation requirements does not grow, additional planting will be performed until the well sites are in compliance.

PERMIT APPLICATION CONSIDERATION:

17. Beck Energy may re-apply for permits to drill the Landefield No. 1 well; Francis Block No. 1 well; Village of Woodfield No. 1 well; Breezewood No. 1 well; and Paoloni No. 1 well.

18. The Division agrees that it will not deny any pending permit applications or applications re-submitted for the wells listed in Paragraph 17 on the basis that Beck Energy is in material and substantial violation.

19. The Division reserves the right to deny a permit application if the permit fails to meet other requirements as stated in R.C. Chapter 1509 and O.A.C. Chapter 1501:9.

CIVIL PENALTIES

20. Beck Energy shall pay a penalty of five thousand dollars (\$5,000) for the unlawful storage or disposal of brine and/or other oilfield wastes at the Yonak No. 2 well described in Paragraph No. 1.

21. Beck Energy shall pay a penalty of five thousand dollars (\$5,000) for the unlawful storage or disposal of brine and/or other oilfield wastes at the Fairgrounds No. 1 well described in Paragraph No. 1.

22. Beck Energy shall pay a penalty of five thousand dollars (\$5,000) for the unlawful storage or disposal of brine and/or other oilfield wastes at the Block No. 2 well described in Paragraph No. 1.

23. Beck Energy shall pay a penalty of two thousand five hundred dollars (\$2,500) for the violations of the Urban Drilling statutes/rules at the unpermitted, City of Woodsfield location described in Paragraph 13.

24. All penalties due under Paragraphs 20, 21, 22 and 23 (for a total of seventeen thousand five hundred dollars (\$17,500)) shall be paid to the Division within fourteen (14) days of the adoption of this Consent Agreement by the Oil and Gas Commission, and shall be made by certified check or cashier's check, payable to the order of Treasurer, State of Ohio, and delivered to counsel for the Division, Assistant

Attorney General Molly S. Corey, Ohio Attorney General's Office, 2045 Morse Road,
Building D-2, Columbus, Ohio 43229.

25. An additional four thousand dollar (\$4,000) penalty will be paid by Beck Energy for every thirty (30) day period or part of a thirty (30) day period beyond the fourteen (14) days during which payment of the penalties stated in paragraphs 20, 21, 22 and 23 remain unpaid.

PRESERVATION OF RIGHTS:

26. Nothing in this Consent Agreement shall be construed so as to prejudice the right of the Division to issue other decisions and orders to enforce the provisions of R.C. Chapter 1509 and Ohio Admin. Code Chapter 1501:9, including the seeking of civil penalties for the failure to comply with this consent agreement.

27. Nothing in this Consent Agreement shall be construed to contradict the oil and gas laws of the State of Ohio.

28. The payment required herein shall not be construed as a valuation of any civil penalty and the Division reserves the right to seek civil penalties if a breach of the Consent Agreement occurs.

29. Raymond Beck shall be personally liable to insure payment of all penalties due under this Agreement.

30. The Division reserves all rights to enforce R.C. Chapter 1509 and Ohio Admin. Code Chapter 1501:9, including but not limited to the right to file a civil enforcement action seeking injunctive relief and civil penalty for noncompliance with this Consent Agreement.

31. Appeal Nos. 805, 806, 807, 808 and 809 are dismissed with prejudice.

IN WITNESS WHEREFORE, The parties hereby acknowledge that they have read and understood the terms and conditions of this Consent Agreement and with full awareness of the legal consequences, make a voluntary, knowing, and intelligent commitment, and intend to be fully bound thereby.

AGREED:



RAYMOND BECK,
Personally and as an officer of
Beck Energy Corp.



John Husted, Chief
Division of Mineral Resources Mgmt.
2045 Morse Road, H-3
Columbus, OH 43229



Molly S. Corey (0079287)
Assistant Attorney General
2045 Morse Road, D-2
Columbus, OH 43229

Counsel for Division of Mineral Resources Management