

**CONSENT AGREEMENT**  
**BETWEEN BECK ENERGY CORPORATION and**  
**OHIO DEPARTMENT OF NATURAL RESOURCES,**  
**DIVISION OF MINERAL RESOURCES MANAGEMENT**

This Consent Agreement is by and between Beck Energy Corporation (hereinafter "Beck Energy"), whose place of business is P.O. Box 1070, Ravenna, OH 44266, and the State of Ohio, Department of Natural Resources, Division of Mineral Resources Management (hereinafter "Division").

**WHEREAS**, The Chief of the Division of Mineral Resources Management ("Chief") is charged with the responsibility of administering, implementing, and enforcing Ohio Revised Code ("RC") Chapter 1509 and Ohio Administrative Code ("Ohio Adm. Code") Chapter 1501:9 and,

**WHEREAS**, Beck Energy conducts business in the State of Ohio and is a "person" as that term is defined in RC 1509.01(T) and Ohio Adm. Code 1501:9-1-01(A)(2); and,

**WHEREAS**, Beck Energy is an "owner" and "operator", as those terms are defined in RC 1509.01(K) and Ohio Adm. Code 1501:9-1-01(A)(22), respectively, of the oil and gas well known as the Harry Cisler No. 3, Permit No. 4264, Benton Township, Monroe County, Ohio; and,

**WHEREAS**, RC 1509.22(A) states, in pertinent part "\* \* \* no person shall place or cause to be placed brine in surface or ground water or in or on the land in such quantities or in such manner as actually causes or could reasonably be anticipated to cause either of the following: (1) Water used for consumption by humans or domestic animals to

exceed the standards of the Safe Drinking Water Act; (2) Damage or injury to public health or safety or the environment.”; and,

**WHEREAS**, RC 1509.22(C)(1) requires, in pertinent part, that “Brine from any well except an exempt Mississippian Well shall be disposed of only by injection into an underground formation, \* \* \*; and,

**WHEREAS**, RC 1509.22(C)(2) states that “Muds, cuttings, and other waste substances shall not be disposed of in violation of any rule”; and,

**WHEREAS**, RC 1509.22(C)(3) states, in pertinent part, that “Pits may be used for containing brine and other waste substances resulting from, obtained from, or produced in connection with drilling, fracturing, reworking, reconditioning, plugging back, or plugging operations, but the pits shall be constructed and maintained to prevent the escape of brine and other waste substances. \* \* \*”; and,

**WHEREAS**, RC 1509.22(E) states, in pertinent part, that “The owner holding a permit \* \* \* and the operator of a well shall be liable for a violation of this section or any rules adopted or orders or terms or conditions of a permit issued under it.”; and,

**WHEREAS**, Ohio Adm. Code 1501:9-1-07(A) requires that “All persons engaged in any phase of operation of any well or wells shall conduct such operation or operations in a manner which will not contaminate or pollute the surface of the land, or water on the surface or in the subsurface”; and,

**WHEREAS**, Ohio Adm. Code 1501:9-3-08(A) states, in pertinent part, that “All pits used for the temporary storage of saltwater and oilfield wastes shall be liquid tight and constructed and maintained so as to prevent escape of saltwater and oilfield wastes. \* \* \*”; and,

**WHEREAS**, Ohio Adm. Code 1501:9-3-08(C) states, in pertinent part, “Pits may be used for the temporary storage of frac-water and other liquid substances produced from the fracturing process, but upon termination of the fracturing process, pits not otherwise permitted by this rule shall be emptied, the contents disposed of in accordance with law \* \* \*”; and,

**WHEREAS**, on June 19, 2010 Division Supervisor Robert Stonerock received a call from the Ohio Environmental Protection Agency (“OEPA”) emergency dispatcher alleging oilfield contaminants were being released into Rock Camp Run, which flows through sections of the Wayne National Forest. Rock Camp Run enters the Little Muskingham River. Division Inspector David Ball responded to the complaint at approximately 10:00 PM on June 19, 2010. Turbidity was observed in the waters of Rock Camp Run, but an obvious contaminant source was not located; and,

**WHEREAS**, Division Inspector Pat Shreve conducted a follow-up inspection on June 21, 2010. According to Mr. Shreve, the turbid water was traced to its source, which was determined to be the Harry Cisler No. 3 Well, Permit 4264, Benton Township, Monroe County, Ohio. During his inspection the Division represents that Inspector Shreve witnessed Rob Armstrong, who identified himself as a contractor of Beck Energy, breaching the lined frac pit with a trac hoe. The site was photographed and water samples were collected and analyzed. The Division claims that the chemical evidence indicates saline waters were released into Rock Camp Run. The Division’s review of the logs of Beck Energy’s brine hauler also demonstrate to the Division that 1200 barrels of frac flowback waters were transported from the Tuel No. 1 and the Beaver No. 1 wells, both of which are owned by Beck Energy, to the Harry Cisler No. 3 Well location. The



Division determined to its satisfaction that release of the pit water resulted in very turbid water with elevated chemical constituents of oil field brine into Rock Camp Run; and,

**WHEREAS**, Notice of Violation No. 1278508985 was issued to Beck Energy on June 21, 2010 for violations of R.C. Section 1509.22; and,

**WHEREAS**, On June 25, 2010, the Division informed Beck Energy that based on the inspection dated June 21, 2010, material and substantial violations of the RC Chapter 1509 and the rules promulgated thereunder existed on the referenced well site. Beck Energy requested an informal hearing with the Chief which was held on July 7, 2010. Evidence presented by Beck Energy did not change the Division's position that the actions taken by Beck Energy at the Harry Cisler No. 3 Well site resulted in material and substantial violations of R.C. Chapter 1509 and the rules promulgated thereunder; and,

**WHEREAS**, on July 15, 2010 the Division issued Chief's Order No. 2010-25 finding that the actions taken by Beck Energy on June 21, 2010 constituted separate violations of R.C. Sections 1509.22(A)(1), 1509.22(A)(2), 1509.22(C)(1), 1509.22(C)(2), 1509.22(C)(3) and 1509.22(C)(5) and Ohio Adm. Code sections 1501:9-1-07(A), 1501:9-3-08(A) and 1501:9-3-08(C) and ordering, pursuant to R.C. 1509.03 and R.C. 1509.08, that these violations and actions constitute Material and Substantial Violations of R.C. Chapter 1509 and the rules promulgated thereunder; and,

**WHEREAS**, on October 9, 2009, Beck Energy filed application #aPATT017367 to drill the Stow Community Church No. 1 Well, City of Stow, Summit County, Ohio. This application was denied by Chief's Order No. 2010-26 on July 15, 2010 as a result of having been found in material and substantial violation of RC Chapter 1509 and the rules promulgated thereunder by Chief's Order No: 2010-25; and,

**WHEREAS**, on June 17, 2010, Beck Energy filed application #aPATT018372 to drill the Leasure No. 1 Well, Jackson Township, Monroe County, Ohio. This application was denied by Chief's Order 2010-27 on July 15, 2010 as a result of having been found in material and substantial violation of RC Chapter 1509 and the rules promulgated thereunder by Chief's Order No. 2010-25; and,

**WHEREAS**, on March 10, 2010, Beck Energy filed application #aPATT017880 to drill the Bechter Unit No. 1 Well, City of Monroe Falls, Summit County, Ohio. This application was denied by Chief's Order 2010-28 on July 15, 2010 as a result having been found in material and substantial violation of RC Chapter 1509 and the rules promulgated thereunder by Chief's Order No. 2010-25; and,

**WHEREAS**, on August 16, 2010, Beck Energy filed a Notice of Appeal with the Ohio Oil and Gas Commission for Chief's Order No. 2010-25, Chief's Order No. 2010-26, Chief's Order No. 2010-27, and Chief's Order No. 2010-28. The Notices of Appeal were accepted by the Commission, and were given the following docketing numbers: Appeal No. 825 (Chief's Order No. 2010-25); Appeal No. 826 (Chief's Order No. 2010-26); Appeal No. 827 (Chief's Order No. 2010-27); and Appeal No. 828 (Chief's Order No. 2010-28).

**NOW, THEREFORE,** for and in consideration of the promises and mutual agreements of the parties hereto, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Beck Energy shall pay Sixty-six Thousand Four Hundred and Thirty-five Dollars (\$66,435) to the Division for the above discussed brine and oil-field waste disposal violations at the Harry Cisler No. 3 Well.
  - a. Payment of Sixty-six Thousand Four Hundred and Thirty-five Dollars (\$66,435) shall be made no later than September 15, 2010. Payment shall be made by delivery of a certified check payable to the order of the "Treasurer, State of Ohio" and delivered to Counsel for the Division, Assistant Attorney General Molly Corey, 2045 Morse Rd., Bldg. D-2, Columbus, Ohio 43229-6693.
  - b. The area directly downslope of the breached pit on the Harry Cisler No. 3 Well shall be restored by undertaking all necessary grading, seeding, fertilizing, and mulching to establish vegetative cover to prevent erosion of the hillside and sedimentation into Rock Camp Run. The work to prevent the erosion and sedimentation into Rock Camp Run must be completed no later than October 15, 2010, weather permitting; it being understood that vegetation may not actually be "established" by that date.
  - c. For a period of one (1) year from the date the Chief approves this Consent Agreement and prior to initiating any oilfield waste disposal, Beck Energy agrees to submit to the Division a written plan for the proper handling and disposal of all fluids at drilling, frac, completion,

plugging, plugback and workover sites for each well and/or facility owned and/or operated by Beck Energy. Beck Energy agrees it will not initiate any oilfield waste disposal actions until all plans have been reviewed and approved by the Division. Beck Energy agrees to complete all required work in a diligent and workmanlike manner within the time-frames established by the Division.

- d. In the event Beck Energy or any of its employees, agents, servants, successors-in-interest or those persons in active concert or participation with them dispose of brine, oil, or oil-field wastes in violation of RC Chapter 1509 and/or the rules promulgated thereunder within the one-year period set forth herein, the Division will initiate additional enforcement actions. Any payment received pursuant to paragraph 1 (a) of this Agreement shall in no way affect the Division's right to take additional enforcement action against Beck Energy for subsequent violations, or prevent the Division from seeking maximum civil penalties if such violations occur.
- e. Beck Energy agrees to withdraw the following appeals pending before the Ohio Oil and Gas Commission within fourteen (14) days of the execution of this Consent Agreement: Appeal No. 825 (Chief's Order No. 2010-25); Appeal No. 826 (Chief's Order No. 2010-26); Appeal No. 827 (Chief's Order No. 2010-27); and Appeal No. 828 (Chief's Order No. 2010-28).

- f. Beck Energy may submit new applications for the permits denied by Chief's Order No. 2010-26, Chief's Order No. 2010-27, and Chief's Order No. 2010-28. The Division agrees not to deny these permits on the basis that Beck Energy is in material and substantial violation; however, 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.
2. Any payment required herein shall not be construed as a valuation of any civil penalty claim available pursuant to RC 1509.33, nor shall any payment be construed to satisfy any civil penalty liability which may accrue should this Consent Agreement be breached. If this Agreement should be breached, the Division reserves the right to freely pursue all remedies available. Nothing in this Consent Agreement shall be construed so as to prejudice the right of the Division to issue other orders and enforce the provisions of RC Chapter 1509 and Ohio Adm. Code Chapter 1501:9.
3. In the event of any default of the terms set forth herein, the Division may elect any and all remedies it deems appropriate. Further, in the event of default, Beck Energy, its heirs, assigns, and successors-in-interest agree that, in any litigation brought by the Division to enforce this Consent Agreement:
- a. Venue shall be proper in the Franklin County Court of Common Pleas;
  - b. Service of process and summons thereof are hereby waived; and




- c. Interest on the aforementioned payment shall be assessed at a rate of ten percent (10%) per annum, along with costs and reasonable attorney fees.
- 4. It is the intention of each party named herein that this debt shall not be reduced or released in the event a petition in bankruptcy is filed affecting the assets of Beck Energy, its heirs or his successors-in-interest.
- 5. This Consent Agreement addresses only claims against Beck Energy brought by the Ohio Department of Natural Resources, Division of Mineral Resources Management, and has no affect on any claims brought by other Divisions of the Ohio Department of Natural Resources or by other State or local governmental agencies or officials.
- 6. By entering into this Consent Agreement, agreeing to the obligations imposed under its terms, and making the payments described herein, Beck Energy does not expressly, or by implication, admit liability for the events described herein. According, the parties agree that this Consent Agreement shall not be admitted in any judicial or administrative proceeding for the purpose of establishing the liability of Beck Energy for the allegations listed in Chief's Order Nos. 2010-25, 2010-26, 2010-27, and 2010-28.

**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. By signing this Agreement the parties acknowledge they each have the legal authority and intent to fully bind the parties to this Agreement.

**AGREED:**

BECK ENERGY CORPORATION  
P.O. Box 1070  
Ravenna, OH 44266

By:   
Raymond Beck, Title PRES.

Date: 9.7.2010

**AGREED:**

STATE OF OHIO,  
DEPARTMENT OF NATURAL RESOURCES,  
DIVISION OF MINERAL RESOURCES MANAGEMENT  
2045 Morse Rd. Bldg. H-3  
Columbus, OH 43229-6693

By:   
JOHN F. HUSTED, Chief  
Division of Mineral Resources Management

Date: 9.9.10

**APPROVED AS TO FORM:**

STATE OF OHIO,  
DEPARTMENT OF NATURAL RESOURCES  
2045 Morse Rd. Bldg. D-2  
Columbus, OH 43229-6693

By:   
MOLLY COREY, Assistant Attorney General

Date: 9/9/10