

Exhibit "A"

State of New York
Department of Environmental Conservation

**In the matter of the commencement for production of the
Covert No. 2 and Ballam-Carter No. 1 Wells within the
boundaries of the proposed field wide well spacing rules
pursuant to Environmental Conservation Law ("ECL") §23-0501**

Stipulation

**GLODES CORNERS ROAD FIELD
Steuben County, New York**

WHEREAS:

A. Upon the request of the New York State Department of Environmental Conservation ("DEC" or "Department"), a public hearing to determine the necessity for and the order of field wide spacing rules and to order the integration of interests in Spacing Units for the Glodes Corners Road Field, Steuben County, New York, was held on June 22, 1999. (DEC File No. DMN 99-1)

B. Pursuant to ECL §23-0501(8), no additional wells may be commenced for production in the pool after the date of notice for a hearing to establish spacing units, unless authorized by order of the Department.

C. Columbia Natural Resources, Inc. ("CNR") drilled the following wells after the Notice of Public Hearing was issued:

<u>WELL NAME</u>	<u>CNR WELL NUMBER</u>	<u>API NUMBER</u>
Covert No.2	623222	31-101-22768
Ballam-Carter No. 1	623218	31-101-22769

D. Supplemental permit condition No. 15 on the permit to drill issued by the Department for the Covert No. 2 and Ballam-Carter No. 1 Wells requires that production unit justification be submitted to the Department prior to product sales. At the public hearing, Department Staff described justification for proposed spacing units for the Glodes Corners Road Field which has been presented by CNR and which formed the basis for the Department position that the proposed spacing units be adopted. This same justification would apply to the proposed spacing units for the Covert No. 2 and Ballam-Carter No. 1 Wells depicted on Exhibit 5(G), "Map showing outlines of proposed units, Glodes Corners Road Field (Public File Item H (2/2, 6/21/99))."

E. Supplemental permit condition No. 5 on the permits to drill issued by the Department

for the Covert No. 2 and Ballam-Carter No. 1 Wells require that the wells cannot be released to commercial production until CNR provides documentation that all royalty interests have been placed into an interest bearing escrow account, and that royalty revenue cannot be released until the approved production unit is formally established.

F. CNR controls the right to produce natural gas reserves from 75% or more of the unit acreage in the proposed spacing units for the Covert No. 2 and Ballam-Carter No. 1 Wells as depicted on Exhibit 5(G).

G. In Administrative Law Judge ("ALJ") Frank Montecalvo's Rulings After Public Hearing in the matter of the Glodes Corners Road Field, dated October 28, 1999, the ALJ ordered further proceedings, subject to the Commissioner's determination of any appeals regarding the proposed units.

H. To date, there has been no issuance by the Commissioner of a final order ("the Order") for the proposed Glodes Corners Road Field.

I. No further public notice and hearing is required for the issuance of an order from the DEC pursuant to ECL §23-0501(8) to enable CNR to commence Covert No. 2 and Ballam-Carter No. 1 producing operations and abide by its Supplemental permit conditions in the escrow of royalties from said Wells.

J. In his October 28, 1999 Ruling on the DEC's June 11, 1999 motion for an order requiring CNR to escrow royalties attributable to unleased properties within units for existing wells in the Glodes Corners Road Field, ALJ Frank Montecalvo stated that further public notice and hearing was necessary prior to the consideration of the issuance of such an order. CNR agrees with this Ruling.

K. DEC disputes this Ruling of the ALJ and reiterates its position that CNR immediately escrow royalties attributable to unleased tracts within existing well units identified in Exhibit 5(G) within Glodes Corners Road Field in an interest bearing account and to pay royalties for existing Lessors in units identified in Exhibit 5(G) based on the oil and gas lease agreements in effect pending issuance of a final Order of the Commissioner without the need for an interim public hearing (See, Appeal of NYS Department of Environmental Conservation of the Ruling dated October 28, 1999, from ALJ Frank Montecalvo in the Matter of the proposed order of field-wide well spacing rules and the integration of interest pursuant to ECL 23-0501 and §23-0901 for the Glodes Corners Road Field, Ruling on Motion to escrow proceeds of production or to shut-in production, dated November 15, 1999.)

L. CNR and DEC agree that, notwithstanding any other provision of this Stipulation, these terms do not release CNR from its obligation to comply with Rulings of the ALJ and Orders of the Commissioner, including any further ordered proceedings regarding additional information requirements to substantiate the size, shape and location of proposed units.

