

**STATE OF NEW YORK
DEPARTMENT OF ENVIRONMENTAL CONSERVATION**

In the Matter of the Integration of
Interests Pursuant to Environmental
Conservation Law ("ECL") § 23-0901(3)
within an Individual Spacing Unit Known
as,

ORDER OF DISPOSITION

DEC Order No.
DMN 09-71

March 27, 2012

EATON 2.

Appearances of Counsel:

- Steven C. Russo, Deputy Commissioner and General Counsel (Jennifer L. Maglienti of counsel), for staff of the Department of Environmental Conservation
- The West Firm, PLLC (Thomas S. West of counsel), for well operator Inflection Energy, LLC
- The Denton Law Office, PLLC (Christopher Denton of counsel), for Wysox Natural Resources, LLC

ORDER OF DISPOSITION OF THE CHIEF ADMINISTRATIVE LAW JUDGE

Proceedings

Staff of the Department of Environmental Conservation (Department) issued a well permit as defined by Environmental Conservation Law (ECL) § 23-0501(1)(b)(3) for the Eaton 2 natural gas well on October 27, 2009, and thereby established a spacing unit for the Oriskany natural gas formation. The spacing unit is located in the Town of Owego, Tioga County.

Pursuant to ECL 23-0901(3), a compulsory integration hearing (CI hearing) was held on December 16, 2009, before Compulsory Integration Hearing Officer Donald J. Drazan. As a result of objections to the draft compulsory integration order raised by well operator MegaEnergy Operating, Inc., Hearing Officer Drazan referred the matter to the Department's Office of Hearings and Mediation Services (OHMS) for adjudicatory proceedings under part 624 of title 6 of the Official Compilation of Codes, Rules and Regulations of the State of New York (6 NYCRR). MegaEnergy's objections solely concerned the

draft integration order's terms governing uncontrolled owners' well data and well site access.

Upon referral, the undersigned Chief Administrative Law Judge (ALJ) was assigned as presiding ALJ. Before a notice of adjudicatory hearing was published, the parties requested adjournment of the matter pending settlement discussions. I granted the request on May 4, 2010.

In October 2011, MegaEnergy's successor in interest, Inflection Energy, LLC, informed the parties that the well was drilled as a dry hole. Inflection Energy had temporarily abandoned the well with plans to plug back to another natural gas formation at some future date. By email dated March 20, 2012, Inflection Energy requested that the compulsory integration order be finalized and entered to resolve all outstanding accounting issues associated with the uncontrolled owners in the Oriskany unit.

On a conference call conducted with the parties on March 26, 2012, Inflection Energy confirmed that the objections raised concerning the draft integration order have been resolved by the Commissioner's interim decision in Matter of Beach W1, et al. (Aug. 26, 2011). Inflection Energy withdrew its hearing request provided that the compulsory integration order be modified to reflect the Commissioner's decision in Beach W1 concerning the well data and site access issue. No party raised any objection to Inflection Energy's proposal.

Order of Disposition

All issues raised by the objecting party at the CI hearing have been resolved on mutual consent. No other parties to the draft integration order have raised any issues requiring adjudication. Accordingly, consistent with the Department's Organization and Delegation Memorandum 94-13, the matter is hereby remanded to Department staff for issuance of a final order of integration, provided the order is modified consistent with the Commissioner's interim decision in Matter of Beach W1, et al. The hearing record in this matter is hereby closed.

_____/s/_____
James T. McClymonds
Chief Administrative Law Judge

Signed: March 27, 2012
Albany, New York

TO: Attached Service List