

NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

In the Matter of the Application of Pennsylvania General Energy, Corp. for a Gas Well Spacing Order and Compulsory Integration Order for one gas well known as the PARKER 1401 (API No. 31-015-22891) in the Wilson Hollow Field located in the Town of Catlin, Chemung County, pursuant to Environmental Conservation Law Article 23, Mineral Resources

ORDER

WHEREAS:

1. The Commissioner's Decision and Order, dated June 21, 2001, in the matter of the order of field-wide well spacing rules and the integration of interests pursuant to Environmental Conservation Law ("ECL") §§ 23-0501 and 23-0901 for the Wilson Hollow Field located in Steuben and Chemung Counties, New York, establishes spacing units for four existing wells and procedures for future well spacing and compulsory integration.

2. The Commissioner's Decision and Order, dated September 13, 2001, in the matter of the order of field-wide well spacing rules and the integration of interests pursuant to Environmental Conservation Law ("ECL") §§ 23-0501 and 23-0901 for the Wilson Hollow Field located in Steuben and Chemung Counties, New York, establishes a spacing unit for one existing well and procedures for future well spacing and compulsory integration.

3. A Stipulation is incorporated into each 2001 Decision and Order which provides for the efficient and economical development of the Wilson Hollow Field. The incorporated Stipulation of December 27, 2000 ("Stipulation") between the New York State Department of Environmental Conservation ("Department") and Pennsylvania General Energy, Corp. ("PGE" or "Applicant") sets forth the conditions and procedures for future well spacing and compulsory integration in the Wilson Hollow Field.

4. This well spacing and compulsory integration order is made pursuant to ECL Article 23, Titles 5 and 9, respectively, and in accordance with the Commissioner's Decisions and Orders in this matter.

DISCUSSION

Section IV of the Stipulation, entitled "Permit Application Procedures for Future Wells," establishes procedural requirements that both the Applicant and the Department must follow before a new well can be drilled in the Wilson Hollow Field, before production can commence from a new well in Wilson Hollow Field, and before the Department can issue a well spacing and compulsory integration order in Wilson Hollow Field. The Stipulation requires, among other things, that the well be at least 5,280 feet from an existing well in Wilson Hollow Field and that the proposed spacing unit be no less than 320 acres and no more than 640 acres in size. Prior to production, the Applicant must document its control of at least 75 percent of the oil and gas interests within the proposed spacing unit, and must submit engineering and geologic data and analysis in support of the proposed spacing unit. Upon Department approval of the spacing unit, the Applicant must show proof of notification to all Operators and unleased interest owners in accordance with Paragraph IV.F.4.

FINDING OF FACTS

1. In accordance with Section IV of the Stipulation, PGE has submitted all required information to the Department. PGE has demonstrated, among other things, that it controls 98 percent of the oil and gas interests within the proposed Parker Spacing Unit. PGE is the only operator of record holding leases in the Parker Unit.

2. The Parker Unit consists of 76 parcels and contains 638.13 acres in the Town of Catlin, Chemung County. The breakdown of acreage within the unit is shown on the attached map and tabulation labeled Exhibit "B6".

3. PGE has informed unleased owners, consistent with the procedural requirements contained in Paragraph IV.F.4 of the Stipulation, that their interests are encompassed by the proposed Spacing Unit, and has provided the Department with copies of the notice letters and return receipts. The unleased owners have not submitted any comments objecting to or opposing compulsory integration.

4. In accordance with Paragraph IV.D. of the Stipulation, the Department notified PGE by letter dated September 26, 2001, of its approval of the proposed spacing unit.

NOW, THEREFORE, having considered the matter and been duly advised and having found that the establishment of the Parker Unit in the Town of Catlin, Chemung County, and compulsory integration of interests therein are necessary to carry out the policy provisions of ECL Section 23-0301, it is hereby ORDERED that:

- A. The Parker Unit is hereby established consisting of 76 parcels and containing 638.13 acres surrounding the Parker 1401 (API No. 31-015-22891) in the Town of Catlin, Chemung County, as shown on the attached map labeled Exhibit "B6" which shows the unit boundary, parcel boundaries and the bottom hole location of the well.
- B. Only those separately owned tracts or parts thereof listed on the attached Exhibit "B6" tabulation are included in the unit and integrated by this Order.
- C. Production from the Parker 1401 shall be allocated to each parcel within the Parker Unit based on the acreage of the parcel within the unit as a percentage of the total acreage in the spacing unit.
- D. PGE is the operator of the Parker Unit and is entitled to the working interest share of the production from the Parker 1401 well.
- E. As the only operator of record within the Parker Unit, PGE is responsible for costs and expenses of drilling, producing and plugging the Parker 1401 well.
- F. Parcels not under lease within the Parker Unit are compulsorily integrated into the Parker Unit on a non-surface entry basis, and owners of such parcels shall receive royalty payments equal to the lowest royalty fraction, but no less than one-eighth, contained in any oil and gas lease within the Parker Unit.
- G. Effective as of the date of this Order, all operations including, but not limited to, operation of the Parker 1401 and future drilling of an infill well in accordance with the terms of the Stipulation upon any portion of the Parker Unit shall be deemed for all purposes to be the conduct of such operations upon each separately owned tract in the Parker Unit by the owner or several owners thereof.

- H. That portion of the production allocated to each tract included in the integrated Parker Unit shall, when produced, be deemed for all purposes to have been produced from such tract by a well drilled thereon.
- I. PGE, as the unit operator, shall file a copy of this Order with the Chemung County Clerk against all parcels in the Parker Unit, and shall submit proof of such filing to the Director, Bureau of Oil and Gas Regulation, in the Department's Division of Mineral Resources by 90 days after the date of this Order.
- J. PGE is authorized to immediately release any escrowed royalty payments for the Parker Unit.

IN WITNESS WHEREOF: The Department of Environmental Conservation has caused this Order to be signed and issued and has filed the same in its office in the County of Albany, New York this 10th day of January, 2002.

DIVISION OF MINERAL RESOURCES
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
BRADLEY J. FIELD, DIRECTOR

-signed-

Albany, New York
January 10, 2002

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