

STATE OF NEW YORK
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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 Quackenbush Hill Field located in Steuben and Chemung Counties, New York

DECISION AND ORDER

(DEC File No. DMN 01-2)

Whereas:

1. This Decision and Order relates to the proposal of the New York State Department of Environmental Conservation Staff (“Department”) to establish well spacing in the Quackenbush Hill Field, a discovery of natural gas, in portions of Steuben and Chemung Counties. It also relates to the Department Staff’s proposal to establish procedures for future well spacing and compulsory integration, when needed, in the Quackenbush Hill Field. The well spacing and compulsory integration proposals are made pursuant to ECL Article 23, Titles 5 and 9, respectively;

2. Pursuant to a Notice of Public Hearing published on December 5, 2001, a public hearing and an issues conference were held before Administrative Law Judge (“ALJ”) Susan J. DuBois on January 3, 2002, and January 4, 2002, respectively, at the Holiday Inn, Highways 15 & 17, Painted Post, New York;

3. As stated in the Notice of Public Hearing, Pennsylvania General Energy (“PGE”) and Department Staff reached agreements on matters raised in the Department Staff’s proposal and embodied those agreements in an executed Stipulation, dated November 1, 2001 (“Stipulation”);

4. As stated in ALJ DuBois’ ruling of January 8, 2002, Department Staff requested by letter dated January 2, 2002 that, because no issues had been proposed regarding four of the five Spacing Units nor the future spacing and integration rules proposed for Quackenbush Hill Field, she issue a ruling which would allow Department Staff to prepare and complete a Commissioner’s Decision and Order establishing units and releasing royalties for the four units not affected by the proposed issues, and establishing future spacing and integration rules for Quackenbush Hill Field;

5. ALJ DuBois’ Ruling found that at the issues conference no persons proposed any issues for adjudication regarding either the future spacing and integration rules or the Lovell, Henkel, Rhodes and Hartman units and that no persons objected to Department Staff’s request;

6. ALJ DuBois’ Ruling further found that Department Staff’s request is consistent with the

procedure I directed in a similar situation which arose in the hearing on the Wilson Hollow Field (Interim Decision dated June 5, 2001); and

7. ALJ DuBois' Ruling concluded that Department Staff may prepare and complete a Commissioner's Decision and Order establishing units and releasing royalties for the Lovell, Henkel, Rhodes and Hartman units in Quackenbush Hill Field, and submit this proposed Decision and Order to me for review.

NOW, THEREFORE, having found that the Stipulation will result in the efficient and economical development of the gas pool as a whole; that no disputes exist regarding four of the five Spacing Units the Stipulation seeks to establish for the existing wells in the Quackenbush Hill Field; that the Stipulation establishes procedures for future well spacing and compulsory integration, when needed, in the Quackenbush Hill Field; and is necessary to carry out the policy provisions of ECL Section 23-0301, it is hereby ORDERED that:

I. The Stipulation executed by PGE and Department Staff, dated November 1, 2001, and its terms and conditions, including Exhibits "A" through "E", excluding "B5", are hereby incorporated by reference into and made a part of this Decision and Order. As set forth in the Stipulation, updated Exhibits "A" and "B1" through "B4" which reflect changes in property ownerships and descriptions may be prepared, if necessary, within 90 days of the effective date of this Decision and Order and made part hereof;

II. The Stipulation resolves the following issues: (1) well spacing in the Quackenbush Hill Field; (2) allocation of royalty interest due to unit owners affected by the production from existing wells in Spacing Units in the Quackenbush Hill Field; and (3) permit application procedures for any future proposed wells by any applicant. The Stipulation applies only to natural gas and/or oil production realized from that area in Steuben and Chemung Counties, New York, as identified on the map attached to the Stipulation as Exhibit "A," which shows those surface lands overlying the natural gas bearing pool within the Ordovician Trenton/Black River carbonates, and as extended or modified by additional wells drilled and completed pursuant to this Decision and Order;

III. PGE is authorized to immediately release royalty payments for the four Spacing Units established by this order and shown on Exhibits "B1" through "B4"; and

IV. As set forth in the Stipulation, PGE shall file a copy of this Order, including the Stipulation and Exhibits "A" and "B1" through "B4", with the Steuben and Chemung County Clerks against all parcels in the four Spacing Units established by this Order and shall submit proof of such filing to the Director of the Department's Division of Mineral Resources by three months after the effective date of this Order.

NEW YORK STATE DEPARTMENT OF
ENVIRONMENTAL CONSERVATION
ERIN M. CROTTY, COMMISSIONER

- signed -

Albany, New York
January 23, 2002

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