

**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 08-31

October 18, 2012

HAKES 1.

Appearances of Counsel:

- Steven C. Russo, Deputy Commissioner and General Counsel (Jennifer L. Maglienti and David H. Keehn of counsel), for staff of the Department of Environmental Conservation
- The West Firm, PLLC (Thomas S. West and Sita Legac of counsel), for well operator Talisman Energy USA Inc.
- Reed Smith LLP (Michael P. Joy of counsel), for Angela Burton and Thomas White
- The Denton Law Office, PLLC (Christopher Denton of counsel), for Angela Burton and Thomas White

ORDER OF DISPOSITION OF THE CHIEF ADMINISTRATIVE LAW JUDGE

Proceedings

The Department of Environmental Conservation (Department) entered into a November 1, 2001, stipulation with well operator Pennsylvania General Energy Corp. (PGE) providing for field-wide spacing rules and the compulsory integration of mineral interests in the Black River natural gas formation within a field known as the Quackenbush Hill Field (the Field) located in Chemung and Steuben Counties, New York. Well operator Talisman Energy USA Inc. (Talisman) is the successor in interest to PGE.

In Matter of Quackenbush Hill Field, Commissioner Decision and Order, Jan. 23, 2002, the Commissioner incorporated the stipulation into the order, established spacing units for

four existing wells in the Field, and established procedures for future well spacing and compulsory integration in the Field. In Matter of Quackenbush Hill Field, Commissioner Decision and Order, Dec. 30, 2002, the Commissioner incorporated the stipulation into the order, established a spacing unit for an additional existing well in the Field, and established procedures for future well spacing and compulsory integration in the Field.

Pursuant to the Commissioner's orders, on August 7, 2003, Department staff issued a permit to drill the Hakes 1 natural gas well (API No. 31-101-23054-00-00) as an extension well in the Quackenbush Hill Field. Talisman is the present owner and operator of the Hakes 1 well.

Pursuant to the Commissioner's orders and the stipulation incorporated therein, the Director of the Division of Mineral Resources issued an interim order, dated April 4, 2005, establishing a spacing unit for the Hakes 1 well and directing the release of royalties to unleased owners in the unit. The Director's interim order also provided that if necessary, compulsory integration of mineral interests in the unit would be addressed by further proceedings as provided by the stipulation, and in accordance with former title 9 of ECL article 23.¹ In those further proceedings, unleased owners in the unit raised objections to the terms of their compulsory integration into the unit. Accordingly, Department staff referred the matter to the Department's Office of Hearings and Mediation Services for the conduct of adjudicatory proceedings pursuant 6 NYCRR part 624.

A legislative hearing and issues conference were duly noticed and conducted before the undersigned Chief Administrative Law Judge James T. McClymonds on June 23, 2008. After the issues conference, the Chief ALJ issued a ruling on issues and party status on September 15, 2008, identifying several issues for adjudication based upon the parties' stipulations (see Matter of Chemung SRA 1, et al., Ruling of the Chief ALJ on Issues and Party Status, Sept. 15, 2008).

¹ Effective August 2, 2005, ECL 23-0501 and ECL 23-0901 were significantly amended (see L 2005, ch 386). Because the well permit and spacing order for the Hakes 1 well were issued prior to August 2, 2005, the compulsory integration of mineral interests within the well are governed by the 2001 stipulation, and the practices and procedures in effect prior to the 2005 amendments (see L 2005, ch 386, § 10).

The well operator and objectors subsequently resolved their disputes without the need for adjudication, and objectors' interests are now controlled by the well operator. The well operator has provided the Department with an affirmation of acreage control, dated October 12, 2012, indicating that the Hakes 1 unit for the Black River formation is one hundred percent controlled. Because no uncontrolled owners remain in the unit, pursuant to paragraph IV.E of the 2001 stipulation, no compulsory integration order is required for the unit.

Order of Disposition

All issues raised by the objecting party at the issues conference and identified for adjudication in the September 15, 2008, Chief ALJ ruling have been resolved on mutual consent. As a result, no uncontrolled owners remain in the Hakes 1 unit. Accordingly, consistent with the Department's Organization and Delegation Memorandum 94-13, adjudicatory proceedings pursuant to part 624 are hereby concluded and the hearing record is closed.

/s/

James T. McClymonds
Chief Administrative Law Judge

Signed: October 18, 2012
Albany, New York

TO: Attached Service List