

STATE OF NEW YORK
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

In the Matter of the Proposed Field-wide Spacing and Integration Rules for the Terry Hill South Field Pursuant to Article 23 of the Environmental Conservation Law and Parts 550 through 559 of Title 6 of the Official Compilation of Codes, Rules and Regulations of the State of New York.

ORDER EXTINGUISHING
SPACING UNITS

DEC Order No.
DMN 02-03

An October 9, 2002, stipulation (“Stipulation”) entered into between the New York State Department of Environmental Conservation (“Department”) and Fairman Drilling Company (“Fairman”) proposed well spacing and compulsory integration rules, and eight Trenton-Black River spacing units in the Terry Hill South Field (“Field”). Fairman’s responsibilities in the Field were assumed by Fortuna Energy Inc. (“Fortuna”) pursuant to an Administrative Order dated November 4, 2002.

Pursuant to a notice of public hearing published on November 6, 2002 in the Department’s *Environmental Notice Bulletin* and on November 5, 2002 in the *Elmira Star-Gazette*, a public hearing and an issues conference on the establishment of field-wide spacing and integration rules for the Terry Hill South Field were held before Administrative Law Judge (“ALJ”) Maria E. Villa on December 3, 2002, and December 4, 2002, respectively, at the Holiday Inn in Painted Post, New York.

ALJ Villa’s Ruling on Issues and Party Status dated June 17, 2004 found no adjudicable issues were raised by the petitioners and party status was denied. ALJ Villa directed Department staff to prepare a decision and order.

In a decision dated December 21, 2004, then-Commissioner Erin M. Crotty issued a First Interim Decision, ruling that the petitioners failed to raise adjudicable issues concerning the configuration of field boundaries and the spacing units proposed in the Field, and directed Department staff to prepare an order establishing the proposed units and releasing escrowed royalties to all interest owners other than the petitioners.

On May 9, 2001, the Department issued a permit to drill the Gublo 1 unit well (API No. 31-015-22910-00-00). The well was drilled but unsuccessful and no production has occurred. Permits to drill issued for the Lant 2 and Hinman 1 units expired on October 29, 2002, and November 6, 2002, respectively, without the wells having been drilled. On October 3, 2003, the Department issued a permit to drill the Hammond 1 unit well (API No. 31-015-23017-00-00). The well was drilled but plugged back after Fortuna determined it was non-commercial in the target formation. Subsequent drilling was unsuccessful and no production has occurred.

By letter dated April 13, 2006, from Fortuna’s parent company, Talisman Energy Inc., the Department was notified that Fortuna had no further plans to develop the Trenton-Black

River formation within the four aforementioned units. A Second Interim Decision, dated June 7, 2007, was issued by Assistant Commissioner Henry L. Hamilton* in the Matter of the Proposed Field-wide Spacing and Integration Rules for the Terry Hill South Field. The Second Interim Decision directed Department staff to prepare an order extinguishing the Gublo 1, Hinman 1, Hammond 1 and Lant 2 units.

On or about December 24, 2009, Fortuna, a Delaware corporation authorized to do business in New York State, duly filed Certificates of Amendment with the Delaware State Secretary of State and the New York State Department of State, changing its corporate name from Fortuna Energy Inc. to Talisman Energy USA Inc. ("Talisman").

NOW, THEREFORE, having considered the matter, it is hereby ORDERED that:

1. In accordance with ECL 23-0503(7), the units designated as the Gublo 1, Hinman 1, Hammond 1 and Lant 2 are hereby extinguished. Those separately owned tracts or parts thereof within the extinguished units are eligible for inclusion in subsequent spacing units.
2. Talisman shall file a copy of this order with the County Clerk where the units were proposed, against all parcels in the former units.

For the New York State Department
of Environmental Conservation

/s/

By: _____
Henry L. Hamilton
Assistant Commissioner

Dated: April 12, 2010
Albany, New York

cc: Attached Service List

* By memorandum dated April 14, 2006, Commissioner Denise M. Sheehan delegated decision making authority in this matter to Assistant Commissioner Henry L. Hamilton. By memorandum dated May 10, 2007, Commissioner Alexander B. Grannis reconfirmed the delegation of decision making authority in this proceeding to Assistant Commissioner Henry L. Hamilton.