

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL RESOURCES
BUREAU OF OIL & GAS MANAGEMENT

IN THE MATTER OF THE APPLICATION OF	)	
CNG DEVELOPMENT COMPANY, FOR AN	)	INTEGRATION ORDER
INTEGRATION ORDER OF A 280.20	)	DOCKET NO. 15-1
ACRE UNIT AROUND THE HUDSON NO.	)	
1 WELL, IND-28382 LOCATED IN UNIT	)	
"C" OF SPACING ORDER NO. 15	)	

Integration Order No. 15-1

HISTORY

- 1) On February 18, 1985, CNG Development Company (CNGD) applied for the integration of interests for the Hudson No. 1 well in Unit "C" of the North Pineton Pool, Spacing Order No. 15.
- 2) On August 5, 1985, CNGD submitted an amended application excluding the Brewer lease for integration of Unit "C". It was found that the Brewer lease (3 acres) was originally part of the voluntary unit which comprises Unit "B". This change is reflected in Exhibit A-3.
- 3) On August 15, 1985, CNGD submitted the assignment of the Boring lease.
- 4) On February 28, 1986, CNGD submitted an amended application for integration of interests, updating unknown and unleased parties.
- 5) On March 13, 1986, CNGD submitted a letter concerning additional leases obtained by Harmony Gas and Oil and subsequently assigned to Fairman Drilling Company.
- 6) On May 28, 1986, CNGD submitted a letter containing an updated schedule of Non-Participating Operators.
- 7) On June 30, 1986, the Department of Environmental Resources, Bureau of Oil & Gas Management ("Department") sent notices to all involved and interested parties for the purpose of a public meeting on July 22, 1986.
- 8) On July 18, 1986, CNGD submitted exhibits for the public meeting containing the most current information.
- 9) On July 22, 1986, the Department held a public meeting in Room 3A of the Pittsburgh Regional Offices to discuss the integration of interests for Unit "C" of spacing Order No. 15.

CNGD's application for the Integration of Interests in Unit "C" as created by Spacing Order No. 15 contains the following:

- a) A survey map of Unit "C" known as Exhibit A-3 submitted August 5, 1985.
- b) Owners of record of royalty interests known as Exhibit B-3 submitted July 18, 1986.
- c) An Operating Agreement between CNGD and Fairman Drilling Company dated August 1, 1985, known as Exhibit C submitted February 28, 1986.
- d) Schedule of Non-Participating Operators in Unit "C" known as Exhibit D submitted July 18, 1986.
- e) Revised Well Cost Summary known as Exhibit E submitted July 18, 1986.
- f) Proposed Oil & Gas Lease offered to Participating operators known as Exhibit F, submitted February 28, 1986.

FINDINGS OF FACT

- 1) The application for the Integration of Interests in Unit "C" along with all of the exhibits, and Spacing Order No. 15 are made part of this order.
- 2) The Department finds that, in the interest of the protection of correlative rights and the prevention of waste, an integration order should be issued.

CONCLUSIONS OF LAW

- 1) Under all the circumstances an integration order is necessary to protect the correlative rights of the owners of economic interest within Unit "C" in accordance with Section 8 of the Oil and Gas Conservation Law, 58 P.S. 408 and the regulations promulgated thereunder, 25 Pa. Code 79.33
- 2) For the protection of the correlative rights of the parties involved an orderly plan should be provided for the administering of the Hudson No. 1 well and is described in the order which follows.

ORDER

NOW THEREFORE, on the 25th day of August, 1986, pursuant to Sections 5(b), 5(c)(1)(iv), 5(d) and 8 of the Oil & Gas Conservation Law, 58 P.S. 405 (b), (c)(1)(iv), (d), 408 and the regulations promulgated thereunder at 25 Pa. Code 79.33; it is hereby ordered that:

- 1) The division of interests, working and royalty, of the owners included in the Findings of Fact hereto, is approved by the Bureau of Oil & Gas Management. However, the Bureau assumes no responsibility as to title in various ownerships, and if title corrections are required, the operator shall inform the Bureau accordingly.
- 2) CNGD is authorized to be the operator of the Hudson No. 1 well.
- 3) The provisions of this order are limited to operations for and production from the Onondaga Chert-Oriskany Sandstone horizon.
- 4) With respect to the leased acreage the proportionate royalty shall be paid to the lessee for distribution to the appropriate royalty owners in accordance with the lease terms.
- 5) The operator shall be entitled to receive the share of production from the spacing unit accruing to the interest of each non-participating operator exclusive of the 1/8 of the production until the market value of such non-participating operators share of the production exclusive of such 1/8 of production equals double the share of such costs of drilling, equipping and operating the Hudson No. 1 well payable by or charged to the interest of such non-participating operator. In calculating such costs, a reasonable charge for supervision may be included together with costs of operation and for interest at the rate of 6% per annum from the time such costs were expended until such time as double such costs are recovered. The sharing of production shall be from the effective date of this integration order except that in calculating costs, credit shall be given for the market value of each operator's share of prior production from the well. If after double payout as described above an operating agreement with the non-participating operators is not agreed upon after double payout the Bureau will execute an operating agreement for the parties.
- 6) CNGD shall file records giving updated cost totals, production and income figures annually with the Department and the non-participating operators by January 30, of each year.
- 7) The costs of drilling and equipping the Hudson No. 1 well as submitted by CNGD are reasonable and are hereby approved.
- 8) All operations including, but not limited to the commencement, drilling or operation of the well in Unit "C" for which this integration order has been entered shall be deemed for all purposes the conduct of such operations upon each separately owned tract in the unit by the several owners thereof. That portion of the production allocated to a separately owned tract included in the unit, when produced, shall be deemed for all purposes to have been actually produced from such tract by a well drilled thereon.

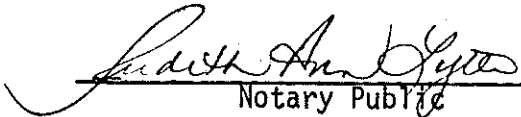
9. This Order shall be binding upon the Royalty owners, operator(s) and non-participating operators and their respective heirs, devisees, legal representatives, successors and assigns and shall constitute a covenant running with the lands, leases and interests covered hereby.
10. The Department hereby retains jurisdiction in these proceedings for all relevant purposes.
11. A copy of this Order has been sent to all known owners of record within Unit "C", thus constituting notice as required by Section 8 of the Oil & Gas Conservation Law, 58 P.S. 408.

This action of the Department may be appealable to the Environmental Hearing Board, Third Floor, 221 N. Second Street, Harrisburg, Pennsylvania 17101, (717-787-3483), by any aggrieved person pursuant to Section 1921-A of the Administrative Code of 1929, 71 P.S. Section 510-21; and the Administrative Agency Law, 2 Pa. C.S., Chapter 5A. Appeals must be filed with the Environmental Hearing Board within thirty (30) days of receipt of written notice of this action unless the appropriate statute provides a different time period. Copies of the appeal form and the regulations governing practice and procedure before the Board may be obtained from the Board. This paragraph does not, in and of itself, create any right of appeal beyond that permitted by applicable statutes and decisional law.


John A. Ifft, Oil & Gas Program Manager
Bureau of Oil & Gas Management
Department of Environmental Resources

JAI/MP/ld

Sworn and subscribed to before me
this 25th day of August 1986.


Notary Public

JUDITH ANN LYTLE, Notary Public
PITTSBURGH, PA ALLEGHENY COUNTY
MY COMMISSION EXPIRES
DECEMBER 26, 1988