

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 223.21	)	DOCKET NO. 15-2
ACRE UNIT AROUND THE CRICHTON UNIT	)	
NO. 1 WELL, PERMIT NUMBER	)	
37-063-29167-00 LOCATED IN UNIT "D"	)	
OF SPACING ORDER NO. 15	)	

HISTORY

1. On November 7, 1984 the Department of Environmental Resources ("Department") issued Temporary Spacing Order #15 for the North Pineton Pool.
2. On May 21, 1986 CNG Development Company (CNGD) submitted an application to the Department to drill a well (Crichton Unit No. 1) within Unit "D". An application for the Integration of Interests of Unit "D" accompanied the application to drill the above mentioned well.
3. On July 25, 1986, the Department received a revised Exhibit D dated July 22, 1986.
4. On August 5, 1986, the Department sent notice of a public meeting to the Indiana Gazette for publication on August 11 and 18, 1986.
5. On August 7, 1986, the Department sent notices to all involved and interested parties advising them of a public meeting to be held on August 27, 1986.
6. On August 20, 1986, the Department received a letter from Louis Emanuel recommending to his client Mrs. Geraldine Livingston that she become a participating operator in Unit "D".
7. On August 25, 1986, the Department issued Spacing Order No. 15 which replaced the temporary order issued for the North Pineton Pool in Indiana County, Pennsylvania.
8. On August 27, 1986, the Department held a public meeting in Room 3A of the Pittsburgh Regional Office to discuss the integration of interests for Unit "D" within Spacing Order No. 15.
9. CNGD's application for the Integration of Interests in Unit "D" contains the following exhibits that were received on May 21, 1986.

Exhibit A-1 Survey Plat of Unit "D"

Exhibit A-2 Summary of Oil & Gas Ownership: Unit "D"

Exhibit B	Schedule of Ownership of Unit "D"
Exhibit C	Model Form Operating Agreement between CNGD and Fairman Drilling Company dated April 2, 1986
Exhibit D	Schedule of Non-Participants in Unit "D", with the Share of Estimated Well Costs Indicated
Exhibit E	Proposed Oil & Gas Lease Offered to Non- Participants

10. The Department has received the following revised exhibits:

July 25, 1986	Revised Exhibit D
August 27, 1986	Revised Exhibit B

FINDINGS OF FACT

- 1) The application for the Integration of Interests in Unit "D" along with 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 interests within Unit "D" 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 Crichton Unit No. 1 well and is described in the order which follows.

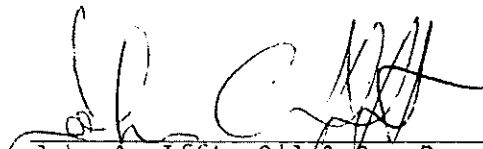
ORDER

NOW THEREFORE, on the 12th day of September, 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 Department. However, the Department assumes no responsibility as to title in various ownerships, and if title corrections are required, the operator shall inform the Department accordingly.
- 2) CNGD is authorized to be the operator of the Crichton Unit 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 Crichton Unit 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 Department 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 Crichton Unit 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 "D" 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.

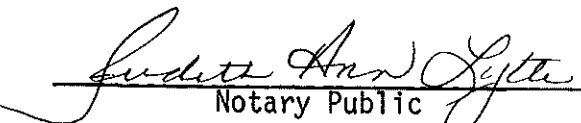
9. This Order shall be binding upon the Royalty owners, operator(s) and non-participating operators and their respective heirs, devisees, legal representatives, successors and assigns and shall constitute a covenant running with the lands, leases and interests covered hereby.
10. The Department hereby 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 "D", 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/lld

Sworn and subscribed to before
me this 12th day of September 1986


Notary Public

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