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March 14, 2014

VIA EMAIL

Michael L. Bangs
Bangs Law Office, LLC
429 South 18th Street
Camp Hill, PA 17011

RE: In Re. Hilcorp Energy Company
MMS No. 2013-SLAP-000528
Docket No. 2013-01

Dear Mr. Bangs,

It is Hilcorp's position that Section 10(b) of the Oil and Gas Conservation Law requires that those parties who have an ownership interest in the "pool" have an opportunity to be heard at the hearing scheduled for March 25 and 26, 2014. Section 10(a) directs the Department to promulgate rules and regulations necessary for carrying out the Conservation Law. The first sentence of Section 10(b) provides for a hearing at which the public has the opportunity to be heard prior to issuance of rules and regulations that have the force of law. Any person living, doing business in, or otherwise connected to the Commonwealth is an interested party when it comes to the issuance of rules and regulations that carry the force of law because any person living or doing business in the Commonwealth will be subject to those rules and regulations. However, the second sentence of Section 10(b) narrows the scope of individuals who have a right to be heard when the hearing in question is related to Section 7 or Section 8 of the Conservation Law. An order issued pursuant to Section 7 or Section 8 only affects individuals who hold legal rights to oil and gas in a limited geographic area. The scope of the geographic area is defined by the land included in the "pool," or that could potentially be included in the "pool." A person who holds no such legal rights will not be legally affected by an order establishing spacing units or integrating the ownership interests in those spacing units, and as such has no right to be heard in a proceeding which is limited in scope to those legal rights.

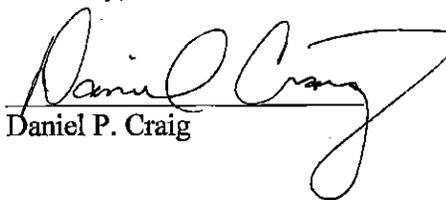
Essentially, Section 10 assures that any individual whose legal rights are affected when the Department acts pursuant to the Conservation Law is afforded due process. When the Department promulgates regulations, all persons who will be required to abide by those regulations are legally affected by the Department's action, and therefore must be provided due process. When the Department issues an order establishing spacing units over a "pool" of oil and gas or integrating the ownership interests in those spacing units, the only persons whose legal rights are affected are those persons who have an ownership interest in that "pool," and therefore have the right to due process prior to the issuance of such an order. Therefore, the Department is required to provide those persons who have an ownership interest in that "pool" with the opportunity to be heard, and that opportunity may be provided to them at the hearing scheduled

for March 25 and 26, 2014. Unfortunately, the law does not provide for an additional hearing for any and all other parties that claim to be interested.

If you determine that the law requires other parties who do not have an ownership interest in the "pool" are to be considered interested parties for the purpose of providing public testimony, Section 7(1) provides some useful guidance. Section 7(1) states, "No more than 10 square miles shall be included in any single application for a spacing order." Therefore, any person seeking to participate in a hearing that proves to the satisfaction of the Hearing Officer that he holds rights to oil and gas located no more than 10 miles from any point in the proposed well spacing unit would have the opportunity to be heard. Relevant testimony from this class of witnesses would be limited to (1) the size and shape of the "pool," (2) whether the oil and gas that he owns is a part of the "pool," and (3) whether the proposed spacing units represent the maximum area that can be efficiently and economically drained from a single well or well pad in order to assure that their rights are protected.

Thank you, and please contact me with any questions.

Sincerely,



Daniel P. Craig

cc: Donna Duffy, Esquire (via email)
Michael Braymer, Esquire (via email)
Elizabeth Nolan, Esquire (via email)