

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL RESOURCES
DIVISION OF OIL AND GAS REGULATION

IN THE MATTER OF THE APPLICATION OF)
THE BUREAU OF FORESTRY/BUREAU OF)
STATE PARKS FOR A SPACING ORDER FOR)
THE DRY RIDGE GAS POOL IN DERRY AND)
UNITY TOWNSHIPS, WESTMORELAND COUNTY,)
PENNSYLVANIA; AND FOR AN INTEGRATION) SPACING ORDER
ORDER OF A PROPOSED 320-ACRE UNIT) DOCKET NO. 14
AROUND THE TER-EX, INC. RAMALEY)
NO. 2 WELL, DRILLING PERMIT WES-21883)
LOCATED WITHIN THE PROPOSED SPACING)
ORDER)

SPACING ORDER NO. 14

APPEARANCES

At the hearing held July 7, 1982:

John E. Childe, Jr., Esq. on behalf of DER Bureau of Parks

John W. Carroll, Esq. on behalf of DER Office of Chief Counsel

Melinda J. Holland, Esq. on behalf of DER Office of Chief Counsel

John A. Bonya, Esq. on behalf of Martin L. Bearer

William A. Jones, Esq. on behalf of Ter-Ex, Inc.

Lawrence A. Demase, Esq. on behalf of Pennsylvania Natural Gas Association

HISTORY OF THE CASE

1. On December 14, 1981, and January 8, 1982, an application and amendment thereto was filed by the Bureau of Forestry ("Forestry") on behalf of the Bureau of Parks ("Parks") requesting a spacing order for the Onondaga Chert-Oriskany Sandstone Pool within the Dry Ridge Gas Field and an integration order for a proposed 320-acre unit around the Ter-Ex, Inc., Ramaley No. 2 well.
2. Notification of a public hearing to be held July 7, 1982, at 9:30 a.m. in Room 852 of the Kossman Building, 100 Forbes Avenue, Pittsburgh, Pennsylvania, was provided in accordance with Section 7(2) of the Oil and Gas Conservation Law Act of July 25, 1961, P.L. 825 ("Oil & Gas Conservation Law") 58 P.S. 401 et seq.
3. At the July 7, 1982, hearing, the Division of Oil and Gas Regulation ("Division") heard testimony of John Walker, Geologist for Parks; and Paul Bossart, President, Ter-Ex, Inc. ("Ter-Ex"). Oral statements were given by John Bonya, Esq., representing Martin L. Bearer, Dennis Xander representing N. Paul Lemmon, Jr., and Bernard J. Lynch representing Standard Steel.

FINDINGS OF FACT

1. Ter-Ex is the operator of the Ramaley No. 2 well, Derry Township, Westmoreland County, completed without stimulation on or about July 10, 1981, at a depth of 7,730' with an initial open flow of 300,000 cubic feet per day ("CFD") and a rock pressure of 3,150 pounds per square inch ("psi") after being shut-in for six (6) days.

2. The Peoples Natural Gas Company was the operator of the Roskovensky No. 1 well, Unity Township, Westmoreland County, Pennsylvania, completed on or about August 25, 1963, at a depth of 7,511 to 7,692 feet, with an original open flow, before any stimulation, of 5,000 cubic feet per day which increased, after fracture, to 4,300,000 cubic feet per day. The rock pressure was 4,264 psi after having been shut-in for 9 days. The discovery of gas in this well established the existence of a Chert-Oriskany gas pool at the location and the depth described; said pool having been called the Dry Ridge Gas Pool, and being so referred to herein.
3. The pool covers an area approximately 36,500' long and 3,740' wide trending southwest-northeast. The pool is structurally situated on the northwest limb of an anticline and limited on the southeast (up dip) side by a fault trending N 40° E. The other boundaries of the pool are delineated more or less by the gas water contact which is at a sub-sea elevation of approximately -6,600'.
4. Between 1963 and 1980, six additional wells were drilled in the Dry Ridge Gas Pool approximately 4,000 feet apart. These wells had reported initial open flows before stimulation ranging between 15,000 CFD and 2,500,000 CFD and rock pressures ranging between 3,200 psi and 3,980 psi after being shut-in for a period from one to seven days.
5. The Ramaley No. 2 well is located in the Dry Ridge Gas Pool.
6. Of the eight (8) voluntary well units drilled in the requested spacing area of the Dry Ridge Gas Pool, all are over three hundred-twenty (320) acres in size, with the exception of the Ramaley No. 2 well unit, which is one hundred fifty-two (152) acres in size.

ISSUES

1. Is a spacing order necessary to protect correlative rights?
2. Is a spacing order necessary for the continued efficient and economic development of the pool as a whole?
3. If a spacing order is necessary, what should be its terms and conditions?
4. Is an integration order necessary? If so, what are its terms and conditions?

DISCUSSION

In considering a request for a spacing order, the Division has two major areas of concern to address: if correlative rights in a common supply of oil and gas need to be protected and if a spacing order is necessary for the efficient and economic development of the pool as a whole.

Section 2 of the Oil and Gas Conservation Law, 58 P.S. §402 defines "correlative rights" as "the rights of each owner of oil and gas interest in a common pool or source of supply of oil or gas, to have a fair and reasonable opportunity to obtain and produce his just and equitable share of the oil and gas in such pool or sources of supply without being required to drill unnecessary wells or incur other unnecessary expense to recover or receive such oil or gas or its equivalent."

It is the opinion of the Division that the Dry Ridge Gas Pool extends to the northeast of the area surrounding the Ramaley No. 2 well and is draining lands owned by Parks.¹ This conclusion is based upon the structure of the pool, the

¹The Division received a letter from the United States Department of Interior that the government owns surface and mineral rights adjacent to the existing voluntary unit of the Ramaley No. 2 well. Based on the information available to the Division, a portion of the government land is also being drained by the Ramaley No. 2 well.

location of the fault line, the production history of the pool, the elevation of the gas-water contact, and the production history of the Ter-Ex Ramaley No. 2 well. Under the protections afforded correlative rights in the Oil and Gas Conservation Law, Parks and the U.S. Government should not have to drill "unnecessary wells" on its lands to prevent them from being drained by the Ramaley No. 2 well. Thus a spacing order should be established to assure the economic and efficient development of the undeveloped northeast portion of the pool and to protect Parks' and the U. S. Government's correlative rights.

A spacing unit at least as large as the area which can be efficiently and economically drained by the Ramaley No. 2 well should be established. Based upon the past spacing of wells in the pool by the operators and the production history of the pool, the depth to the producing formation and the spacing employed in similar nearby pools, it is our opinion that 320-acre units are reasonable for the Dry Ridge Gas Pool. Spacing units in the developed portion of the pool in which wells were drilled prior to the Ramaley No. 2 well may vary in size and shape to accommodate the location of those existing wells as provided for in Section 7(5) of the Oil and Gas Conservation Law and Section 79.23(a)(6) of the Rules and Regulations of the Environmental Quality Board (Rules and Regulations), 25 Pa. Code §79.23(a)(6).

The spacing unit established by the Division embraces interests of Ter-Ex, Parks, and the U.S. Government. Integration of the interests of these parties is necessary for the shared participation in the development, operation and production of the Ramaley No. 2 well.

CONCLUSIONS OF LAW

1. The Ramaley No. 2 well drains lands owned by Parks and the United States Government.

2. A spacing order is necessary to protect correlative rights and to promote the efficient and economic development of the Dry Ridge Gas Pool as a whole.
3. To promote efficient drainage of the pool, wells should be located near the center of approximately 320-acre square contiguous units where possible.
4. Integration of interests in the unit around the Ter-Ex Ramaley No. 2 well is necessary but cannot be accomplished until a survey is made identifying the proportions of interest within the unit or a stipulation is filed in accordance with Section 79.31(1) of the Rules and Regulations, 25 Pa. Code 79.31(1). An Integration Order can be issued after receipt of this information.
5. Parks and the U. S. Government, as non-participating operators, are entitled to a proportionate share of production from Ter-Ex's Ramaley No. 2 well on a limited or carried basis as provided in Section 8(c) of the Oil and Gas Conservation Law, 58 P.S. §408(c). Determination of when Parks' and the U. S. Government's non-participating operator share accrues cannot be made until Ter-Ex submits data on the costs of drilling, equipping and operating the well. A survey of the Ramaley No. 2 well unit or a stipulation as described in Section 79.31(1) of the Rules and Regulations, 25 Pa. Code, §79.31(1) is also necessary to determine the non-participating operator's proportionate share.

NOW THEREFORE, on this 16th day of June, 1983, pursuant to Sections 5(b), 5(c)(iv), 5(d), 7(4) and 8 of the Oil and Gas Conservation Law, 58 P.S. §§405, 407, 408; it is Ordered that:

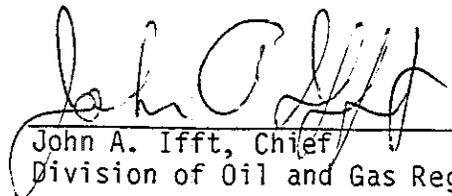
1. The area covered by this spacing order is the rectangular area 3,740' x 36,500' as outlined on the attached Latrobe 7 1/2' U.S.G.S quadrangle (labeled "Map A").

2. Well spacing units are established for the Dry Ridge Gas Pool in Derry and Unity Townships, Westmoreland County, Pennsylvania. The units are to be contiguous, consisting of 320 acres, more or less, approximately square in shape, with the well located approximately in the center.
3. The first unit around the Ramaley No. 2 well shall be as described on the attached plat labeled "Map B."
4. The second unit shall contain the undeveloped 3,740' x 3,740' square tract adjacent to and north east of the Ramaley No. 2 unit. The second unit shall be located so that its southwest boundary coincides with the northeast boundary of the first unit. The minimum distance from the nearest boundary of this spacing unit at which a well may be drilled shall be 1200'. In the event a well is not drilled on this unit before five (5) years from the date of this Order, the unit shall be released from any control by this order without further action by the Division.
5. The size and shape of the remaining units for the existing wells in the pool drilled prior to the Ramaley No. 2 may vary in size and shape to take into account the location of the existing wells and to conform to oil and gas property lines as provided for in §7(5) of the Oil and Gas Conservation Law, 58 P.S. 407(5).
6. Ter-Ex and Paul N. Bossart shall submit to the Division within sixty (60) days of receipt of this Order all relative data on the costs of drilling, equipping and operating the Ramaley No. 2 well, to enable the Division to determine the proportionate amount of those costs attributable to Parks and the U. S. Government, as non-participating operators.
7. Parks shall submit to the Division within sixty (60) days of receipt of this Order, a survey of the entire Ramaley No. 2 spacing unit, as

shown on the attached plat labeled "Map B", showing the locations, acreage content and owners of all tracts or portions of tracts included within the spacing unit; or file a stipulation as described in 25 Pa. Code 79.31(1), Section 79.31(1) of the Rules and Regulations, wherein all operators and royalty owners included in the unit agree on the amount of acreage contained in each tract within the unit.

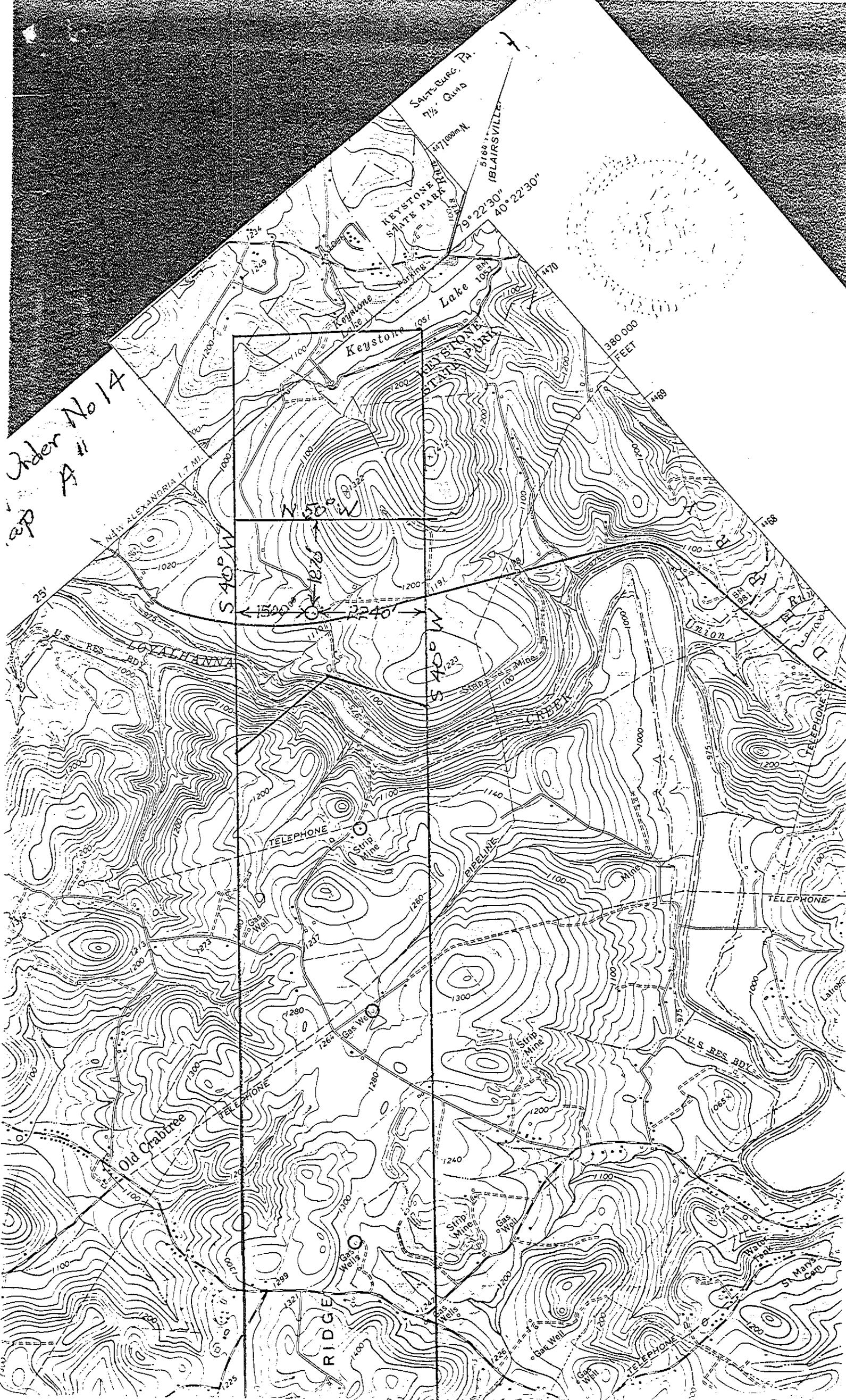
This action of the Department may be appealable to the Environmental Hearing Board, Third Floor, 221 N. Second Street, Harrisburg, Pennsylvania 17101, (717-787-3483), by any aggrieved person pursuant to Section 1921-A of the Administrative Code of 1929, 71 P.S. Section 510-21; and the Administrative Agency Law, 2 Pa. C.S., Chapter 5A. Appeals must be filed with the Environmental Hearing Board within thirty (30) days of receipt 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.

by


John A. Ifft, Chief
Division of Oil and Gas Regulation

Dated: June 16, 1983

Order No 14
A #1



SALT SPRING, Pa.
7 1/2 Miles

KEYSTONE STATE PARK

BLAIRSVILLE

Keystone

KEYSTONE STATE PARK

380 000
FEET

MAIN ALEXANDRIA 1.7 MI.

LOYALHANNA

TELEPHONE

Strip Mine

PIPELINE

Old Crabtree

RIDGE

Strip Mine

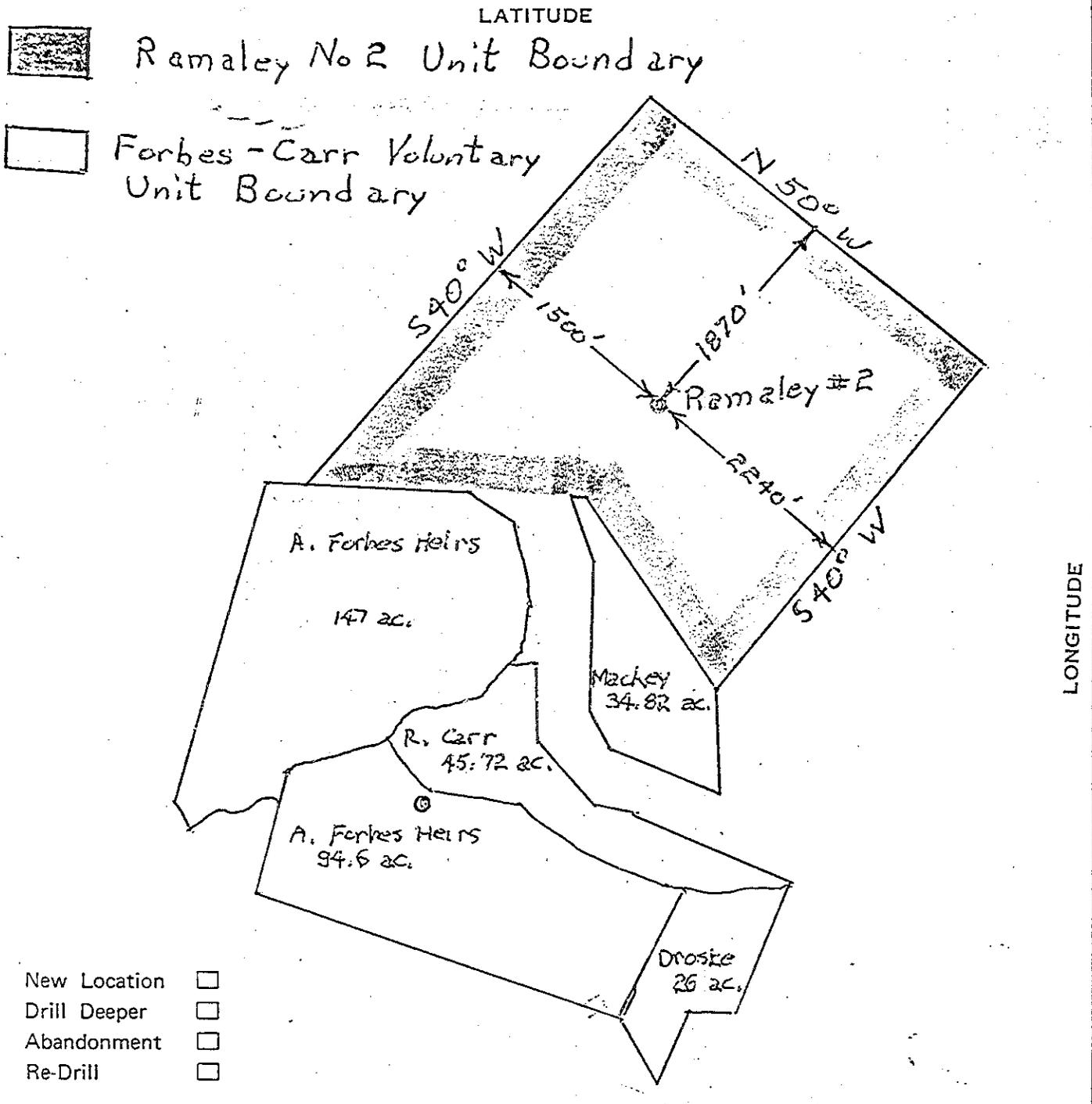
U.S. RES. BODY

TELEPHONE

St. Marys Camp

TELEPHONE

Spacing Order No. 14 "Map B"



- New Location
- Drill Deeper
- Abandonment
- Re-Drill

Company _____
 Address _____
 Farm _____
 Tract _____ Acres _____ Lease No. _____
 Well (Farm) No. _____ Co. Serial No. _____
 Angle of Deviation, if any _____
 Elevation _____ Quadrangle _____
 Township _____ County _____
 Engineer or Surveyor W. Ifft
 Registration No. _____
 File No. _____ Drawing No. _____
 Date 3/1/83
 Scale 1" = 1320'

COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF ENVIRONMENTAL RESOURCES
 BUREAU OF OIL AND GAS REGULATION
 PITTSBURGH, PENNSYLVANIA 15222
WELL LOCATION MAP

Dept. File No. _____
 Denotes Values of Well on United States Topographic Maps.
 Scale 15' 7 1/2'
WORKABLE COAL SEAMS, IF ANY

NAME OF SEAM	OWNER OF SEAM

