

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

IN THE MATTER OF THE APPLICATION OF :
CONSOLIDATED NATURAL GAS DEVELOPMENT :
COMPANY FOR A SPACING ORDER FOR THE : SPACING ORDER
NORTH PINETON POOL IN GREEN TOWNSHIP : DOCKET NO. 15
INDIANA COUNTY, PENNSYLVANIA :

HISTORY OF THE CASE

1. On September 13, 1984, an application was filed with the Department of Environmental Resources, Bureau of Oil & Gas Management ("Department") by Consolidated Natural Gas Development Company ("CNGD") for a spacing order covering the Onondaga Chert-Oriskany Sandstone horizons within a 2.6 sq. mile area, referred to as the "North Pineton Pool".
2. On September 21, 1984, CNGD filed supplemental supporting information with the Department including a map showing the boundaries of the pool, two existing voluntary units, "A" and "B", and three proposed involuntary units, "C", "D" and "E".
3. On October 5, 1984, the Department sent a notice dated October 5, 1984 by regular mail to those parties known to be interested in the area proposed to be spaced that a conference would be held October 19, 1984 at 1:00 p.m. in Room 1601-2, State Office Building, Pittsburgh, Pennsylvania to gather additional data concerning the extent and shape of the North Pineton Pool. Notice was also sent to those others who had indicated to the Department that they wished to be notified of any hearing that may affect lands in the area.
4. On September 12, 1984, an application was filed with the Department by Felmont Oil Company ("Felmont") to drill the Douglas No. 1 well in Green Township, Indiana County. The proposed location was south of and near the proposed spacing order. The Department did not have sufficient information to determine if it was within the spaced area. The permit was withheld pending information on definite pool boundaries.
5. On October 19, 1984, a conference was held to consider the spacing request and the application of Felmont. At this conference CNGD was asked to submit further information on the pool boundaries, and the size and shape of involuntary units "C", "D", and "E".
6. On the basis of information submitted at the conference, the Department determined that the Douglas No. 1 well location was not within the North Pineton Pool and agreed to issue the permit on October 22, 1984.

7. On October 23, 1984, the Department sent a notice dated October 16, 1984 by certified mail to those parties known to be interested in the area proposed to be spaced that a public meeting would be held November 16, 1984 at 10:00 a.m. Eastern Standard Time in Room 3A Highland Building, 121 South Highland Avenue, Pittsburgh, Pennsylvania to consider the application for the spacing order. Said notification was also published October 22 and November 5, 1984 in the Indiana Evening Gazette, a daily newspaper in general circulation in Indiana County. Notice was also sent by regular mail to those others who had indicated to the Bureau that they wished to be notified of any hearings that may affect lands in the area.
8. On October 26, 1984, CNGD submitted the supplemental information requested at the conference on pool boundaries and revised unit boundaries. This submittal revised the pool size to 2.81 sq. miles and added two additional involuntary units, "F" and "G".
9. On November 7, 1984 the Department issued Temporary Spacing Order #15 for the North Pinetown Pool.
10. On November 16, 1984 the Department held a public meeting to consider the permanent spacing order.
11. On February 18, 1985 CNG filed an application for an Integration Order on Unit "C". CNG simultaneously submitted revisions of unknown/unleased operators within Unit "C".
12. On February 28, 1986 CNG submitted an amended application for Permanent Spacing Order #15. This amended application corrected a border discrepancy between Units "B" and "C".
13. On May 21, 1986 CNG submitted an application for Integration of Unit "D".
14. On June 26, 1986 the Department sent a notice to the known/unleased parties in Unit "C" that a public meeting would be held July 22, 1986 at 1:00 p.m. Daylight Savings Time in Conference Room 3A, Highland Building, 121 South Highland Avenue, Pittsburgh, Pennsylvania to consider the application for the integration of Unit "C". Said notification was also published June 30, 1986 and July 14, 1986 in the Indiana Evening Gazette, a daily newspaper in general circulation in Indiana County. Notice was also sent by regular mail to those others who had indicated to the Department that they wished to be notified of any meetings that may affect lands in the area.
15. On July 17, 1986 CNG submitted a revised schedule of ownership of Unit "C".
16. On July 27, 1986 the Department held a public meeting to consider the integration of Unit "C".
17. On August 7, 1986 the Department sent a notice to the known/unleased parties in Unit "D" that a public meeting would be held August 27, 1986 at 1:00 p.m. Daylight Savings Time in Conference Room 3A, Highland Building, 121 South Highland Avenue, Pittsburgh, Pennsylvania to consider the application for the integration of Unit "D". Said notification was also published August 11, 1986 and August 18, 1986 in the Indiana Evening Gazette, a daily

newspaper in general circulation in Indiana County. Notice was also sent by regular mail to those others who had indicated to the Department that they wished to be notified of any public meetings concerning applications for Spacing Orders and Integration Orders that may affect lands in the area.

FINDINGS OF FACT

1. Consolidated Natural Gas Transmission Company ("CNGT") is the operator of the B. Anderson No. 1 Well (Permit No. IND-25151), Green Township, Indiana County, Pennsylvania, completed on or about March 28, 1980 to a depth of 8,459 ft. obtaining production of 1,002 MCFD after fracture from the Onondaga Chert and Oriskany Sandstone wherein the top of the Onondaga Chert is at a depth of 8,234 ft. and the top of the Oriskany is at a depth of 8,324 ft. This well is the discovery well for the North Pineton Pool. A voluntary unit "Unit A" consisting of 294.24 acres exists around this well.
2. CNGD is the operator of the G. A. Rickard No. 1 Well (Permit No. IND-27109) Green Township, Indiana County, Pennsylvania, also completed in the North Pineton Pool on or about September 1, 1982 to a depth of 8,465 ft. obtaining production of 1,952 MCFD after fracture from the Onondaga Chert and Oriskany Sandstone. A voluntary unit Unit "B" consisting of 233.06 acres exists around this well.
3. On May 31, 1984, a permit was issued to Scott Oil & Gas ("Scott") on the Boring No. 1 Well (Permit IND-28023) in the North Pineton Pool, Green Township, Indiana County to drill to approximately 8500 ft. This permit was located in the proposed involuntary Unit "C" of the spacing application.
4. Scott was the operator of a lease on the Boring property in Unit "C".
5. Scott was obligated to drill a well on that lease by November 15, 1984 if that acreage was not unitized prior to that date.
6. On June 8, 1984, an application was received by the Department from Scott for a permit to drill the Boring No. 2 well to a depth of approximately 8500 ft. in the North Pineton Pool, Green Township, Indiana County. This application was accompanied by a request for a waiver of the 330 ft. minimum distance from lease lines required under Section 6 of the Oil & Gas Conservation Law, Act of July 25, 1961, P.L. 825 ("Oil & Gas Conservation Law") 58 P.S. §401 et seq.
7. This letter also requested the Department to advise on alternate methods of proceeding if the waiver request was unacceptable.
8. On June 29, 1984, the Department responded to Scott's letter stating its concern that granting the waiver could result in "waste" as defined by Section 2(12) of the Oil & Gas Conservation Law, 58 P.S. §402(12) and Section 79.1 of the Rules and Regulations of the Environmental Quality Board ("Rules and Regulations") 25 Pa. Code 79.1.
9. Scott was also advised in the Department's letter that a spacing order was an alternate means to insure adequate distance between wells to prevent waste.

The Department believed that because of the nature of the geologic structure of the North Pinetown Pool, drilling the Boring No. 1 well at its permitted location would not result in the most efficient drainage of the reservoir. This well was too low on the structure to adequately drain Unit "C". The Hudson No. 1 well was higher on the structure and would drain the unit without need of further wells being drilled. The drilling of both the Boring No. 1 well and the Hudson No. 1 well would not have protected correlative rights and would result in "waste".

Section 4 of the Oil & Gas Conservation Law, 58 P.S. §404 prohibits waste. Section 2(12)(D)(ii) of the Oil & Gas Conservation Law, 58 P.S. §402(12)(D)(ii) and Section 79.1 of the Rules and Regulations, 25 Pa. Code 79.1 define waste as "the drilling of more wells than are reasonably required to recover, efficiently and economically, the maximum amount of oil and gas from a pool."

Section 2 of the Oil & Gas Conservation Law, 58 P.S. §402 defines "correlative rights" as "the rights of each owner of oil and gas interests 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".

In considering a request for a spacing order, the Department 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 to prevent waste and to promote the efficient and economic development of the pool as a whole.

DISCUSSION

11. The Department received a letter from Scott, dated November 1, 1984, requesting the cancellation of the Boring No. 1 permit (IND-28023) located in Unit "C".
 12. The North Pinetown Pool covers an area of approximately 2.81 sq. miles and the boundary of the pool is delineated more or less by a fault zone on the southeast and by the gas-water contact at a sub sea elevation of approximately -6600 ft. to the west of the fault zone.
 13. The attached survey map of the North Pinetown Pool marked Map A-2 (Exhibit A) is hereby made a part of this Order.
 14. The interests of the owners of record in each unit of this Order are listed in the attached Exhibit B and are incorporated herein by reference.
10. On September 21, 1984, CNGD made application to the Department for a permit to drill the Hudson No. 1 well on the proposed involuntary Unit "C" in North Pinetown Pool, Green Township, Indiana County. This permit was withheld pending the outcome of the spacing application.

Under the protections afforded correlative rights in the Oil & Gas Conservation Law, operators should not have to drill "unnecessary wells" to prevent them from being drained by other operators. Units at least as large as the area which can be efficiently and economically drained by one well needed to be established. Temporary Spacing Order #15 was issued on November 7, 1984 to assure the economic and efficient development of the pool and to protect correlative rights.

The temporary Order established a 1,000 foot setback from unit lines. Subsequent data detailing the extent of underground mining within the area of the North Pineton Pool makes the 1,000 foot setback distance impossible.

CONCLUSIONS OF LAW

1. A Spacing Order is necessary to protect the correlative rights, prevent waste, and to promote the efficient and economic development of the North Pineton Gas Pool as a whole.
2. To promote efficient drainage of the pool, wells should be located near the center of approximately 250 acre contiguous units where possible.
3. The Department has the authority under Section 7(5)(ii) of the Oil & Gas Conservation Law 58 P.S. §407(5)(ii) "to make a unit conform to oil and gas property lines".
4. The Department under Section 8(a) of the Oil & Gas Conservation Law 58 P.S. 3408(a) "shall prescribe the terms and conditions upon which the royalty interest in the unit or units shall in the absence of voluntary agreement be deemed to be integrated without the necessity of a subsequent separate Order integrating the royalty interests".

ORDER

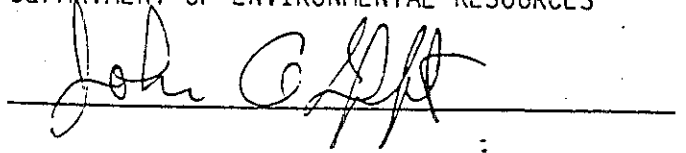
NOW, THEREFORE, on this 25th day of August, 1986, pursuant to Sections 5(c)(1)(iv), 5(d), 7(4) and 8 of the Oil and Gas Conservation Law, 58 P.S. Sections 405(c)(1)(iv)(d), 407(4), 408; it is ordered that:

1. The area covered by this Spacing Order is the 2.81 square mile area as outlined in the attached Map "A".
2. The Department accepts the voluntary unit around the Anderson No. 1 well as it exists and it is designated Unit "A".
3. The Department accepts the voluntary unit as corrected by CNG around the Rickard No. 1 well as it exists and it is designated Unit "B".
4. Five involuntary well spacing units which shall be known as units "C", "D", "E", "F" and "G" are established for the North Pineton Pool in Green Township, Indiana County, Pennsylvania as shown on Map "A-2" dated February 28, 1986.

5. Wells shall be drilled no less than 2,000 ft. distant from other wells drilled to the Onondaga Chert-Oriskany Sandstone horizon. Wells must also be no less than 750 ft. from the nearest unit boundary line.
 6. The royalty interests in the natural gas produced from the Onondaga Chert and Oriskany Sandstone formation in each of the separately owned tracts of land or parts thereof in each of the units established by this Order are hereby deemed to be integrated each into one unit.
 7. Production of natural gas from any one of the separately owned tracts in any of the units established by this Order shall constitute production of natural gas from every other tract included within such unit in which production occurs.
 8. All royalties accruing shall be treated as an entirety for such unit and shall be divided among and paid to the separate owners thereof at the rate provided by the pertinent lease or sublease contracts in the proportion that the acreage bears to the total acreage in such unit. Payment of said royalties shall be effective as of the date of first production from any such unit.
 9. All unleased owners shall be paid a share of a 1/8th royalty in proportion to that the acreage bears to the total acreage in each unit.
 10. As described in Exhibit B, the division of royalty interests of owners is approved by the Department. However, the Department assumes no responsibility as to title in the various ownerships and if title corrections are required the operator shall inform the Bureau accordingly.
 11. If an operator drills a productive well pursuant to a permit issued under this Order, the operator shall escrow, in an interest-bearing account, all royalty interest revenues attributable on an acreage basis to the interest of any unleased and unknown owner in that unit. Pending the location of such unknown owners, the operator will make annual reports to the Department stating the amounts escrowed to the account of each unknown owner, the interest earned thereon, any information obtained as to the identity or location of such owners and such other information as the Bureau may require.
 12. In the event that no wells have been drilled on Units "D", "E", "F" and "G" established and approved by this Order, within five (5) years from the date hereof, then any such unit or units on which no well has been drilled shall be released from any control by this Order without any further action by the Department.
 13. This Order supercedes and replaces Temporary Spacing Order #15 issued November 7, 1984.
- This action of the Department may be appealable to the Environmental Hearing Board, Third Floor, 221 N. Second Street, Harrisburg, PA 17101, (717-787-3483) by any aggrieved person pursuant to Section 1921-A of the

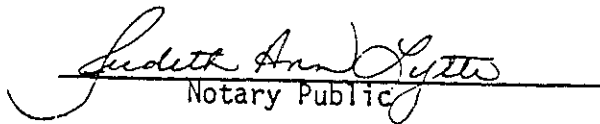
Administrative Code of 1929, 71 P.S. Section 510-21; and the Administrative Agency Law, 2 Pa. C.S., Chapter 5A. Appeals must be filed with the Environmental Hearing Board within 30 days of receipt of written notice of this action unless the appropriate statute provides a different time period. Copies 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.

BY JOHN A. IFFT, OIL & GAS PROGRAM MANAGER
BUREAU OF OIL AND GAS MANAGEMENT
DEPARTMENT OF ENVIRONMENTAL RESOURCES



JAI/MH/kld

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

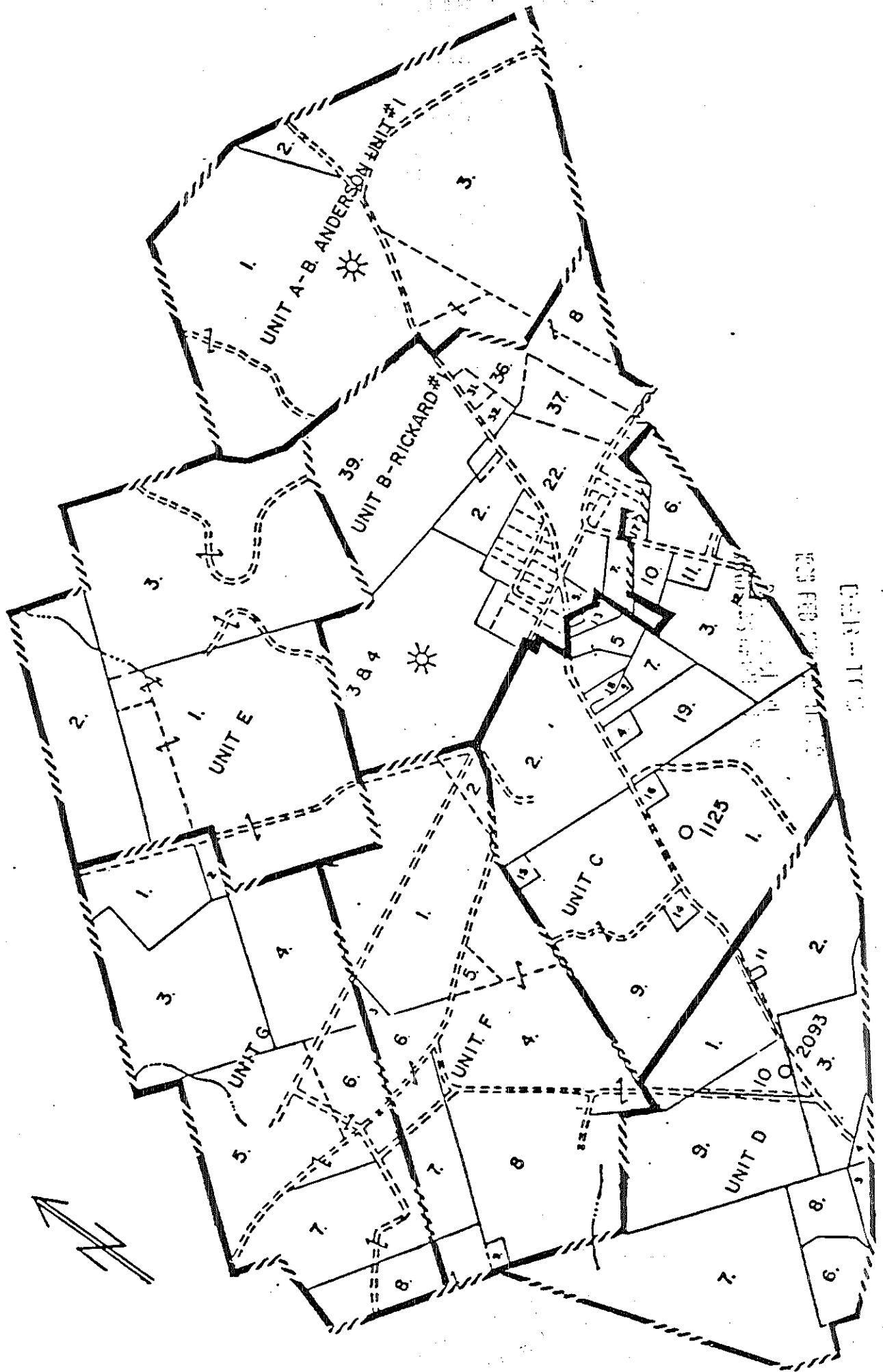


EXHIBIT A-2
NORTH PINETON POOL
 GREEN TOWNSHIP
 INDIANA COUNTY
 PENNSYLVANIA

Revised 02/07/86



REVISION NO. 1 OF
EXHIBIT B

<u>Tract No.</u>	<u>Leasehold Owner Lease No.</u>	<u>Acres</u>	<u>Name and Address of Royalty Owner</u>
1	Consolidated Gas Transmission Corporation (CGTC) 92333	159.99 AC out of 197 AC	Barbara A. Anderson, et via
2	CGTC 92331	6 AC	PA Mines Corporation
3	CGTC 79400	128.25 AC out of <u>194 AC</u>	Ernest H. Stiffler, et al
Total UNIT A		294.24 AC	

UNIT B

1	CGTC 92387	4	Dale A. Millar, et ux
2	CGTC 83536	8	Albert McManus, et ux
3	CGTC 84063	35	George A. Rickard, Jr., et ux
4	CGTC 67162	24	Greenwich Collieries Co.
5	CGTC 92305	2	Loleta Stahl
6	CGTC 92304	2	Garman G. Buterbaugh, et ux
7	CGTC 92314	3	Michael Truhan, et ux
8	CGTC 79400	17.06 out of 194	Ernest Stiffler, et al
9	CGTC 92371	1	Kenneth O. Travis, et ux
10	CGTC 92372	1	Doyle Rummel, et ux
11	CGTC 92373	1	Albert B. McManus, et ux
12	CGTC 92374	1	Albert B. McManus, et ux
13	CGTC 92375	1	Wayne Coble, et ux
14	CGTC 92376	1	Louise Shank
15	CGTC 92377	1	Marvin R. McCoy, et ux
16	CGTC 92378	1	James H. Roger, et al

REVISION NO. 1 OF
EXHIBIT B

Tract No.	Leasehold Owner	Lease No.	Acres	Name and Address of Royalty Owner
17	CGTC 92379		1	Ivan Berringer
18	CGTC 92380		1.5	James H. Lydic, et ux
19	CGTC 92381		1	Donald C. Berringer, et ux
20	CGTC 92382		1	Donald C. Berringer, et ux
21	CGTC 92383		1	Donald D. Berringer, et ux
22	CGTC 92384		7	Undertown Cemetery Assoc.
23	CGTC 92385		1	Carl R. Sensabaugh, et ux
24	CGTC 92386		1	Donald M. Borling, et ux
25	CGTC 92388		1	Oscar E. Kough, et ux
26	CGTC 92389		1	Paul R. Fleming, et ux
27	CGTC 92390		1	Eleanor G. Long
28	CGTC 92391		6	Charles R. Stein, et ux
29	CGTC 92392		1	George J. Galido, et ux
30	CGTC 92393		3.5	Marie B. Leamer
31	CGTC 92394		3.5	Robert W. Muir, et ux
32	CGTC 92395		2.5	Paul R. Fleming, et ux
33	CGTC 92396		3	Mable Korabaugh
34	CGTC 92397		1	Gary T. Lockard, et ux
35	CGTC 92398		1	Miles Lockard, Jr., et ux
36	CGTC 92399		7	Robert L. McGuire
37	CGTC 92404		17	Paul B. Ruggles, et ux

REVISION NO. 1 OF
EXHIBIT B

<u>Tract No.</u>	<u>Leasehold Owner Lease No.</u>	<u>Acres</u>	<u>Name and Address of Royalty Owner</u>
38	CGTC 97776	1	David L. Rosenbaum, et ux
39	CGTC 97689	66	Ruth M. Dillon
	Total UNIT B	233.06 AC	
<u>UNIT C</u>			
1	CNG Development Company (CNGD) DV6074	60 AC out of 94 AC (1/2 interest)	Irvan Hudson P.O. Box 32 Cherry Tree, PA 15724
	CNGD DV6074	60 AC out of 94 AC (1/4 interest)	Theodore S. Garman, Agent 5953 Arlington Boulevard Arlington, VA 22203
	Unleased	60 AC out of 94 AC (1/4 interest)	E. W. Smith Estate Address Unknown
2	CNGD DV18320	58 AC (29/40 interest)	Guy Fleming, Agent 5738 North 37th Avenue Phoenix, AZ 85019
	Unleased	58 AC (11/40 interest)	Heirs of W. I. Fleming Address unknown
3	CNGD DV1477	44 AC out of 105 AC	Rhuell J. Coble RD #2 Cherry Tree, PA 15724
4	CNGD DV7086	3 AC	William A Pershing RD #2, Box 128 Cherry Tree, PA 15724
5	CNGD DV1393 DV1394	7 AC	James T. Shaffer RD #2, Box 125 Cherry Tree, PA 15724
6	CNGD DV1476	16.4 AC out of 55	Larry D. Somerville RD #2, Box 105 Cherry Tree, PA 15724
7	CNGD DV7087	8 AC	James G. Duman RD #2, Box 127-A Cherry Tree, PA 15724
8	CNGD DV7088	1 AC	Edwin R. Good RD #2, Box 127 Cherry Tree, PA 15724
9	Scott Oil and Gas Co. (Lease No. P730)	51 AC out of 100 AC	David R. Boring RD #2, Box 196 Cherry Tree, PA 15724
	Total UNIT C	248.4 AC	

REVISION NO. 1 OF EXHIBIT B

Tract No.	Leasehold Owner	Lease No.	Acres	Name and Address of Royalty Owner
1	Scott Oil and Gas Co. (Lease No. P730)		49 AC out of 100 AC	David R. Borling RD #2, Box 196 Cherry Tree, PA 15724
2	CNGD	DV6074	34 AC out of 94 (1/2 Interest)	Irwan Hudson P.O. Box 32 Cherry Tree, PA 15724
	CNGD	DV6074	34 AC out of 94 (1/4 Interest)	Theodore S. Garman, Agent 5953 Arlington Boulevard Arlington, VA 22203
	Unleased		34 AC out of 94 (1/4 Interest)	E. W. Smith Estate Address Unknown
3	Unknown		80.4 AC	Susie Paterson Address Unknown
4	Unknown		11.6	Jack Hathell Address Unknown
5	Unknown		63.2	Blair Paterson Address Unknown
6	Unknown		10.8	John McGrail Address Unknown
7	Unknown		15.6 AC	PA Game Commission
Total UNIT D 264.6 AC				
UNIT E				
1	CNGD	DV13432	92 AC out of 94 AC	Lyle C. Stiffler RD #2, Box 187 Cherry Tree, PA 15724
2	CGTC	77223	51.6 AC out of 170 AC	Garman G. Butterbaugh RD #2 Cherry Tree, PA 15724
3	Unleased		108 AC	Pennsylvania Mines Co. Box 367 Ebensburg, PA 15931
Total UNIT E 251.6 AC				
UNIT F				
1	CGTC	67142	62 AC out of 97	O. K. Kough, Agent 3.89% Esther Johns, Agent 25.72% Richard L. Hartman, Agent 70.39% All of RD #2 Cherry Tree, PA 15724
2	CNGD	DV5759	5 AC	Edgar L. Gromley RD #2 Cherry Tree, PA 15724

REVISION NO.1 OF
EXHIBIT B

Tract No.	Leasehold Owner Lease No.	Acres	Name and Address of Royalty Owner
3	CGTC 92324	3 AC	Gerald L. McCullough RD #2 Cherry Tree, PA 15724
4	CNGD DVI748	70 AC (1/2 interest)	John E. Berringer, Agent 1300 Valley Drive Akron, OH 44312
	Unleased	70 AC (1/2 interest)	Notley Heirs Address Unknown
5	Unknown	4.4 AC	Unknown
6	Unknown	38 AC	Unknown
7	CNGD DV5760	18.5 AC out of 66 AC	Robert E. Berringer RD #2 Cherry Tree, PA 15724
8	CNGD DVI3985	57 AC	Effie Berringer RD #2, Box 133-B Cherry Tree, PA 15724
9	Keystone Energy Oil and Gas Production	3.2 AC out of 155 AC	Budd Stiffler RD #2 Cherry Tree, PA 15724
	Total UNIT F	261.1 AC	
		<u>UNIT G</u>	
1	CNGD DV6053	24 AC out of 50 AC	Emma V. Henry RD #2, Box 105 Cherry Tree, PA 15724
2	CNGD DVI3432	2 AC out of 94 AC	Lyle C. Stiffler RD #2, Box 187 Cherry Tree, PA 15724
3	CNGD DVI2476	56.4 AC out of 112 AC	Rhuel Coble, Agent RD #2 Cherry Tree, PA 15724 J. Leroy Coble, Agent 2107 Lawn Dale Drive Aliquippa, PA 15001 Cecil Coble 316 Highland Avenue Johnstown, PA 15902
4	CGTC 67142	35 AC out of 97 AC	O. K. Kough, Agent 3.89% Esther Johns, Agent 25.72% Richard L. Hartman, Agent 70.39% All of RD #2 Cherry Tree, PA 15724
5	CNGD DV 13986	34 AC	Effie Berringer RD #2, Box 133-B Cherry Tree, PA 15724
6	Spiker Energy	20 AC	Kinport Assembly of God RD #2 Cherry Tree, PA 15724

REVISION NO. 1 OF
EXHIBIT B

Tract No.	Leasehold Owner	Lease No.	Acres	Name and Address of Royalty Owner
7	CNGD	DV5760	47 AC out of 66 AC	Robert E. Berringer RD #2 Cherry Tree, PA 15724
8	Keystone Energy Oil and Gas Production		15.6 AC out of 155 AC	Budd Stiffler RD #2 Cherry Tree, PA 15724
			<u>234 AC</u>	
Total UNIT G				