

Sammy-Mar, LLC
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Statement as to why the Povlik #1 Injection Well is in Compliance with the Pennsylvania Oil and Gas Conservation Law.

Sammy-Mar contents the Povlik #1 Injection well is in compliance with the Oil and Gas Conservation law for the following reasons:

First the Povlik #1 does not meet the definition of "Well" as defined in the Act. Well under the Act's definition "means a bore hole or excavation for the purpose of producing oil or gas, or both". The purpose of the Povlik Injection Well is for the disposal of produced fluids from oil and gas wells by injection into a subsurface formation.

Second the Povlik Injection Well will be drilled in a depleted gas reservoir and any wells drilled into the Huntersville/Oriskany horizon would be incapable of producing gas in paying quantities. Paying quantities defined as production sufficient to pay back the capital costs of drilling the well and paying monthly production expenses

This is illustrated by the two observation wells mandated in UCI Permit # PAS2D030BCLE. The two wells are identified by their permit numbers and both are 1,320 feet from the Povlik Injection Well and penetrate the Oriskany formation. Well permit # 033-20263 is to the northwest of the Povlik and had reported surface pressure of 25 psi and total production of 14 MCF in 2015. Well permit # 003-20228 to the east and just slightly north of the Povlik had 2015 reported surface pressure of 20 psi and total yearly production of 43 MCF. See the comprehensive topographic map in the injection permit application for exact well locations. The pressures and production data from the wells are indicative of a depleted reservoir incapable of producing gas in paying quantities.

We conservatively estimate monthly operating costs at a minimum of \$400 per month. Gas prices of \$2 per MCF would require daily production of around 8 MCFD just to meet monthly operating costs. A price of \$4 per MCF requires production of around 4 MCFD to meet monthly operating costs. The two observation wells produce less than 1 MCFD and the pressures indicate there is little gas left in the reservoir. Ignoring drilling costs and just looking at operating costs, any existing wells drilled in to the Huntersville/Oriskany horizon would be incapable of producing oil or gas in paying quantities. Therefore there would be no waste of any oil or gas.