

RESOLUTION NO. 398-11

**RECOMMENDING CHANGES TO THE RULES THAT GOVERN
COMPULSORY INTEGRATION IN THE STATE OF NEW YORK**

WHEREAS, effective August 2nd, 2005, an applicant for a permit to drill an oil or gas well in New York State is required to submit a map to define the area assigned to that well (spacing unit); and

WHEREAS, in New York State this map may include some or all of a landowners acreage, even though they may not have entered into an oil and gas lease; and

WHEREAS, The NYS Department of Environmental Conservation is responsible for issuing a well permit and has developed a compulsory integration process to deal with those landowners that have not signed leases (uncontrolled owners); and

WHEREAS, the current compulsory integration policy in New York State can ensure that un-leased landowners in a spacing unit are reasonably compensated for their proportion of the natural gas extracted from beneath their un-leased acreage; and

WHEREAS, currently, an applicant is required to have 60% of the acreage in the unit secured through an oil and gas lease before the DEC will issue them a drilling permit; and

WHEREAS, the uncontrolled owners are then forced to participate in the extraction of gas or oil from below their property, and are given various options for how to participate in the extraction process; and

WHEREAS, a public hearing (integration hearing) for the integration is held in Albany, NY, making it difficult or impossible for the uncontrolled owner to attend; and

WHEREAS, the uncontrolled landowner is only given 21 days to respond to the letter asking them for their choice ("integrated non-participating owner" or an "integrated participating owner" or an "integrated royalty owner") in the integration process; and

WHEREAS, uncontrolled owners are given the lowest royalty payment percentage of the other leasees making up the spacing unit; and

NOW, THEREFORE, BE IT RESOLVED, that the Madison County Board of Supervisors recommends reform of the compulsory integration process, rather than repeal of the current rules which would result in a return to the "Rule of Capture"; and

BE IT FURTHER RESOLVED, that 80% of the acreage in a unit should be secured with leases before a permit can be issued; and

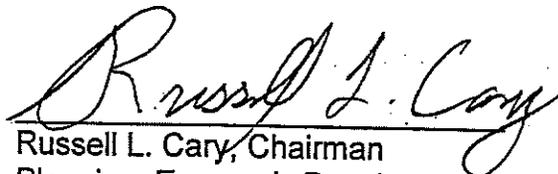
BE IT FURTHER RESOLVED, that the integration hearings should be set at a designated location within the municipality in which the drilling will take place, preventing uncontrolled landowners from having to travel to Albany to be heard; and

BE IT FURTHER RESOLVED, uncontrolled landowners should be allowed 28 days to make their election on how to proceed with the integration process, not the 21 days as currently required; and

BE IT FURTHER RESOLVED, that uncontrolled owners are given an average of the lease royalty payments being offered to participating leases within the spacing unit, not the lowest percentage as is currently required; and

BE IT FURTHER RESOLVED, that a copy of this resolution be sent to Senator David Valesky, Assemblyman William Magee, to Chairman of the State Senate Committee on Energy and Telecommunications George Maziarz, and to Chairman of the Assembly Committee on Energy Kevin Cahill, and Governor Andrew Cuomo.

DATED: November 14, 2011

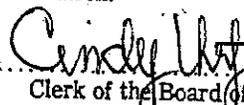


Russell L. Cary, Chairman
Planning, Economic Development,
Environmental And Intergovernmental
Affairs Committee

MADISON COUNTY
BOARD OF SUPERVISORS
WAMPSVILLE N. Y.

THIS IS TO CERTIFY THAT I, Cindy Urtz, Clerk of the Board of Supervisors of the County of Madison, have compared the foregoing copy of resolution with the original resolution now on file in this office, and which was duly adopted by the Board of Supervisors of said County on Nov. 14, 2011... and that the same is a true and correct transcript of said resolution and of the whole thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and the official seal of the Board of Supervisors of the County of Madison.


Clerk of the Board of Supervisors