

**BEFORE THE
OIL & GAS COMMISSION**

OHIO VALLEY ENERGY SYSTEMS, :

Appellant, :

-vs- :

DIVISION OF MINERAL RESOURCES :
MANAGEMENT, :

Appellee. :

Appeal No. 816

Review of Chief's Order 2009-46

**ORDER OF THE
COMMISSION ADOPTING
CONSENT AGREEMENT
& DISMISSING APPEAL**

The Oil & Gas Commission has received and reviewed the parties' Consent Agreement and finds it well taken. Accordingly, the Commission hereby **ADOPTS** the Consent Agreement. There being no outstanding issues of law or fact, the Commission hereby **DISMISSES** appeal no. 816, with prejudice as to the YCC#2D Well, and without prejudice as to any other wells.

Date Issued: Dec. 9, 2009

JAMES H. CAMERON

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**BEFORE THE
OIL AND GAS COMMISSION
STATE OF OHIO**

OIL & GAS COMMISSION

OHIO VALLEY ENERGY SYSTEMS

Appellant,

Case No. 816

v.

Review of Chief's
Order 2009-46

DIVISION OF MINERAL
RESOURCES MANAGEMENT,

Appellee.

CONSENT AGREEMENT

Now come the parties, Appellant, Ohio Valley Energy Systems Corp. ("Ohio Valley"), and Appellee, Division of Mineral Resources Management ("Division"), in order to settle the presently pending administrative proceedings captioned Ohio Valley Energy Systems v. Division of Mineral Resources Management, case number 816, and stipulate to the following facts and conditions:

FACTS:

1. Ohio Valley is the operator of numerous oil and gas wells in the State of Ohio.
2. On April 14, 2009, Chief's Order No. 2009-17 was issued to Ohio Valley. The Chief's Order required water replacement for residences identified as "affected" and "probably affected" by an oil and gas well incident in Bainbridge Township, Geauga

County, Ohio. Chief's Order No. 2009-17 is the subject of Appeal No. 813, currently pending before this Commission.

3. The Division contends that, as of August 15, 2009, Ohio Valley failed to meet certain deadlines required by Chief's Order No. 2009-17, and was therefore determined by the Division to be in non-compliance with the order.

4. R.C. Section 1509.08 states, in part, that "the chief, by order, may refuse to issue a permit required by 1509.05 of the Revised Code to any applicant who, at the time of applying for the permit, is in material and substantial violation of this chapter or rules adopted or orders issued under it."

5. On September 9, 2009, Ohio Valley applied for a permit to drill the YCC Unit No. 2 D well, Trumbull County, Liberty Township, application #aPATT017266.

6. On September 22, 2009, Chief's Order No. 2009-46 was issued to Ohio Valley. The Chief's Order denied Ohio Valley's permit application for the YCC No. 2 D well on the grounds that Ohio Valley was in material and substantial violation of Ohio's oil and gas laws due to its non-compliance with Chief's Order No. 2009-17.

7. Ohio Valley appealed the issuance of Chief's Order No. 2009-46 to the Oil and Gas Commission on October 21, 2009.

CONDITIONS:

8. The Division shall promptly issue a permit to drill the YCC No. 2 D well to Ohio Valley.

9. Ohio Valley shall not place the YCC No. 2 D well into production until Ohio Valley confirms the following, in writing:

(a) That Ohio Valley has provided lateral connection to the water line being constructed in Bainbridge Township, Geauga County, Ohio, to all residents deemed "affected" or "probably affected" in Chief's Order No. 2009-17, and all residents are actually receiving water from the water line or have declined lateral connection. In the event that one or more of these residents declines the lateral connection, Ohio Valley shall provide a written statement to that effect; and

(b) That Ohio Valley has provided the Buddenhagen and Komaki residences the option to either receive a lateral connection to the water line being constructed in Bainbridge Township, Geauga County, Ohio, or, alternatively, has offered to either drill a new water well or rehabilitate the existing water well for each residence. Ohio Valley shall provide a written statement from each resident describing their choice.

10. Upon receipt of all necessary written confirmation described in Paragraph 9, Ohio Valley shall send all confirmations together by hand delivery or certified mail to Rick Simmers, Oil and Gas Program Administrator, 2207 Reiser Ave. SE, New Philadelphia, Ohio, 44663. The Division shall then have ten days from receipt to confirm that Ohio Valley is in compliance with the terms of Paragraph 9 and to respond with such confirmation to Ohio Valley in writing.

11. By entering into this Consent Agreement, Ohio Valley does not acknowledge any liability or that it is or was in material and substantial violation of any laws or orders.

12. In the event that Ohio Valley produces the YCC No. 2 D well before the terms of Paragraphs 9 and 10 of this consent agreement are satisfied, Ohio Valley shall

pay a penalty of \$1,000 per day for each day that the well is in production, until Paragraphs 9 and 10 have been complied with.

13. All work on the well site will be performed in a prudent and workmanlike manner and in compliance with the requirements of R.C. Chapter 1509 and Ohio Admin. Code Chapter 1501.

14. Nothing in this Consent Agreement shall be construed so as to prejudice the right of the Division to issue other decisions and orders to enforce the provisions of R.C. Chapter 1509 and Ohio Admin. Code Chapter 1501, including the seeking of additional civil penalties for any failure to comply with this Consent Agreement.

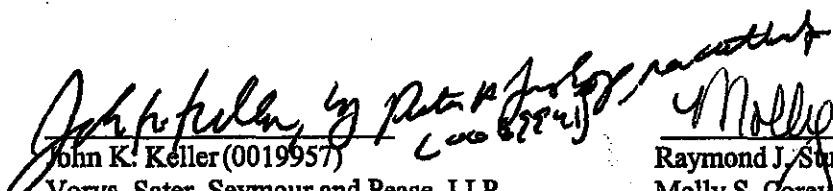
15. Nothing in this Consent Agreement shall be construed to contradict the oil and gas laws of the State of Ohio.

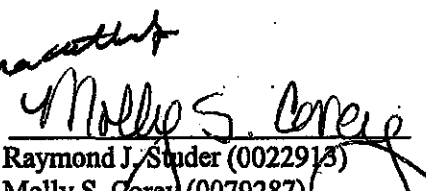
16. Appeal No. 816 is dismissed, with prejudice as to the YCC #2D Well and without prejudice as to any other wells.


17. This Consent Agreement shall have no affect on the appeal of Chief's Order No. 2009-17, pending before this Commission as Appeal No. 813, nor the civil action pending in the Geauga County Court of Common Pleas, Case No. 09 M 000990.

IN WITNESS WHEREFORE, The parties hereby acknowledge that they have read and understood the terms and conditions of this Consent Agreement and with full awareness of the legal consequences, make a voluntary, knowing, and intelligent commitment, and intend to be fully bound thereby.

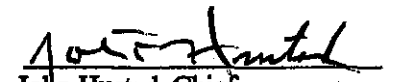
AGREED:


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*On behalf of and with authority to bind
Ohio Valley Energy Systems Corp.*


John Husted, Chief
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ODNR
2045 Morse Rd. B H-2
Columbus, Ohio 43229

*On behalf of the
State of Ohio, Department of
Natural Resources*