

EXHIBIT

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pennsylvania
DEPARTMENT OF ENVIRONMENTAL
PROTECTION

August 12, 2015

Mr. Jim P. Ashbaugh
VP Engineering
Pennsylvania General Energy
120 Market Street
Warren, Pennsylvania 16365
CERTIFIED MAIL: 7003 2260 0004 3690 3845

Re: Suspension of Review of Marjorie C. Yanity Well #1025 Permit Application, Grant Township, Indiana County

Dear Mr. Ashbaugh:

This letter is to inform you that the Department has suspended its review of your permit application submitted on March 31, 2015 seeking to change the use of Well No. 37-063-31807-00-00 (Authorization ID 1069509) from production to injection. The proposed project is located in Grant Township, Indiana County, Pennsylvania.

The Department has nearly completed its technical review of this permit application, and is preparing responses to public comments the Department received pertaining to the application. However, a conflict between this project and an ordinance adopted by Grant Township entitled Community Bill of Rights Ordinance (Grant Township Ordinance) has been brought to our attention.

The Department is aware that you are disputing the validity of the Grant Township Ordinance in the United States District Court for the Western District of Pennsylvania (Dkt. No. 14-209). The Department also recognizes that there is a serious question regarding the constitutional validity of the Grant Township Ordinance, and that a similar local ordinance enacted by Blaine Township was determined to be invalid in *Penn Ridge Coal, LLC v. Blaine Township*, 2009 U.S. Dist. LEXIS 84428 (W.D. Pa. Sept 16, 2009). However, as part of its permit application review, the Department has an obligation to consider applicable local ordinances related to environmental protection and the Commonwealth's public natural resources. In the event of a conflict between a permit application and a local ordinance, the Department may suspend its review of the application until the conflict has been resolved.

As a result of the conflict between your application and the Grant Township Ordinance, and the potential for legal action against Department employees being brought pursuant to this local ordinance, the Department has decided to suspend its review of your permit application pending a court decision concerning the validity of the Grant Township Ordinance. The Department will take a final action regarding issuance of the permit once a court has determined the validity of the local ordinance.

If you have any questions regarding this letter, please contact me at 717-783-9438.

Sincerely,

Scott R. Perry
Deputy Secretary
Oil and Gas Management