STATE OF INDIANA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

IN RE: PETITION OF ATLAS ENERGY INDIANA, LLC, FOR AN EXCEPTION TO 312 IAC 16-5-1, THE GENERAL OIL AND GAS WELL SPACING RULES AND 312 IAC 16-5-2, THE GENERAL OIL AND GAS DRILLING UNIT SIZE RULES

PETITION

COMES NOW Atlas Energy Indiana, LLC, an Indiana Limited Liability Company (hereinafter "Petitioner"), on behalf of itself and the owners of the oil and gas leasehold controlled by Petitioner located within the geographical area described below, by and through attorney Karen J. Anspaugh, and respectfully shows the Commission of the Department of Natural Resources of the State of Indiana the following:

1. Petitioner owns or is the duly authorized representative of the various interests, including working interests and royalty interests, in and to the oil and gas leaseholds covering a majority of the lands described below, located in Knox County and Sullivan County (hereinafter "Affected Area"). Attached hereto and incorporated herein, is Exhibit A, being a map that depicts the Affected Area.

Knox County

Town 4 North-Range 8 West, Washington Township:

- Donations 232, 233, 234 and 235

Town 5 North-Range 8 West, Widner Township:

- Donations 234, 235, 238, 239 and 240
- Locations 4, 30, 33, 112, 117, 122 and 123

Town 4 North-Range 9 West, Washington Township:

- Locations 198 and 1 (110)
- Donations 198, 232, 233 and 235

Town 5 North- Range 9 West, Widner Township:

- Surveys Numbered 1, 2 and 3
- Locations 4, 13, 16, 30, 33, 46, 81, 82, 197 and 198
- Donations 197, 198, 233, 235, 236, 237 and 238

Town 5 North-Range 9 West, Busseron Township:

- Donations 197 and 198

Sullivan County

Town 6 North-Range 9 West, Haddon Township:

- Locations 25, 28, 29, 32, 33 and 81

2. The Affected Area is not comprised of standard Quarter-Quarter Sections of land as established by the rectangular surveying system of the State of Indiana, but contains divisions of land known as Locations, Surveys and/or Donations, which have not been surveyed as part of the rectangular surveying system. To comply with well spacing and unit size requirements, the Petitioner seeks to establish drilling units pursuant to a superimposed grid overly, comparable to the rectangular surveying system of the State of Indiana.

3. All land located in the Affected Area is described in this Petition by its north and south running range lines and its east and west running township lines. The exterior boundary of the resulting sections of land shall be further defined by following said range and township lines to the intersection of these lines. Said Section shall be further subdivided into divisions of land commensurate with a Quarter-Quarter Section of land, containing 40 acres, more or less (hereinafter "Drilling Unit Blocks") using the same method. A portion of one or more Location, Donation and/or Survey may be located within the boundaries of a particular Drilling Unit Block.

4. As allowed by 312 IAC 16-5-3, Petitioner hereby seeks an exception, applicable only to the New Albany Shale formation underlying the Affected Area, to 312 IAC 16-5-1, the General Oil and Gas Well Spacing Rules and 312 IAC 16-5-2, the General Oil and Gas Drilling Unit Size Rules. The variances being requested are within the scope of 312 IAC 16-5-3, which does not prescribe minimum distances allowed between wells or maximum acreage allowed within a drilling unit. The variances hereby requested are for the following described purposes:

   a) To eliminate spacing restrictions applicable to the horizontal drilling of wells, except that the portion of the well bore entering the New Albany Shale (hereinafter "Formation") and all portions of the lateral section of the well bore located within the Formation shall be drilled no less than 330 feet from any unconsolidated property boundary; and

   b) To establish drilling units comprised of Drilling Unit Blocks for the drilling of the Formation within the Affected Area. Such drilling units shall be established only for horizontal drilling of the New Albany Shale within the Affected Area. The drilling units shall be comprised of two, three, four or five contiguous Drilling Unit Blocks, configured vertically, through which the horizontal drain hole shall traverse.

5. Petitioner herein respectfully submits to the Commission that said exceptions are supported by regional and geological characteristics and would allow for the most efficient and economic recovery of natural gas from said Formation:

   a) During the drilling and initial testing of wells near the Affected Area, commercial quantities of natural gas were encountered within the Formation.

   b) Subsequent testing of the Formation has indicated that permeability within the Formation is low and the drilling of horizontal wells has proven to be the most economical way to bring natural gas to the processing plants which process Formation gas from wells drilled near the Affected Area.

c) The drilling of horizontal wells will enhance the recovery of gas from the Formation by allowing the well bore to drill through the existing fracture pattern which exists within the Formation in this area (the fracture pattern being more vertical than horizontal in the Affected Area), thereby facilitating the flow of gas from the shale through the fractures, to the well bore.

d) The drilling of horizontal wells in the manner described herein can effectively and efficiently recover in an economical manner the natural gas resources within the proposed drilling units.

e) The proposed exceptions to the General Oil and Gas Well Spacing Rules and General Oil and Gas Well Size Rules will not result in a loss of resources within the Formation in the Affected Area. The variances will enhance recovery of the natural gas from the low permeability of the Formation within the Affected Area.

6. Petitioner is ready and willing to supply the Commission or its representatives such additional information as may be deemed pertinent or relative by the Commission in consideration of the above requested well spacing variance within the Affected Area, either at or prior to the consideration of this Petition.

7. Petitioner has not attached structure maps to this Petition, as structure has little impact upon the production of natural gas from the New Albany Shale. The quantity of natural gas recovered will depend instead upon the existing fracture patterns within the formation.

8. Petitioner represents to the best of its knowledge and belief it would be in the best interests of conversation and preservation, as well as the extraction of natural gas and its use, to grant the exception requested in Sections 2(a) and 2(b) above.

Therefore, Petitioner prays that, through an informal hearing, the above described exceptions to 312 IAC 16-5-1 and 312 IAC 16-5-2 be authorized and established, according to any further terms and conditions as the Commission may impose in this Order establishing such unit and spacing.

Respectfully Submitted,
Atlas Energy Indiana, LLC
10691 East Carter Road
Traverse City, Michigan 49684

By: _____
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Attorney for the Petitioner

For Notification: Atlas Energy Indiana, LLC
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Traverse City, Michigan 49684
Attention: James S. Stachnik

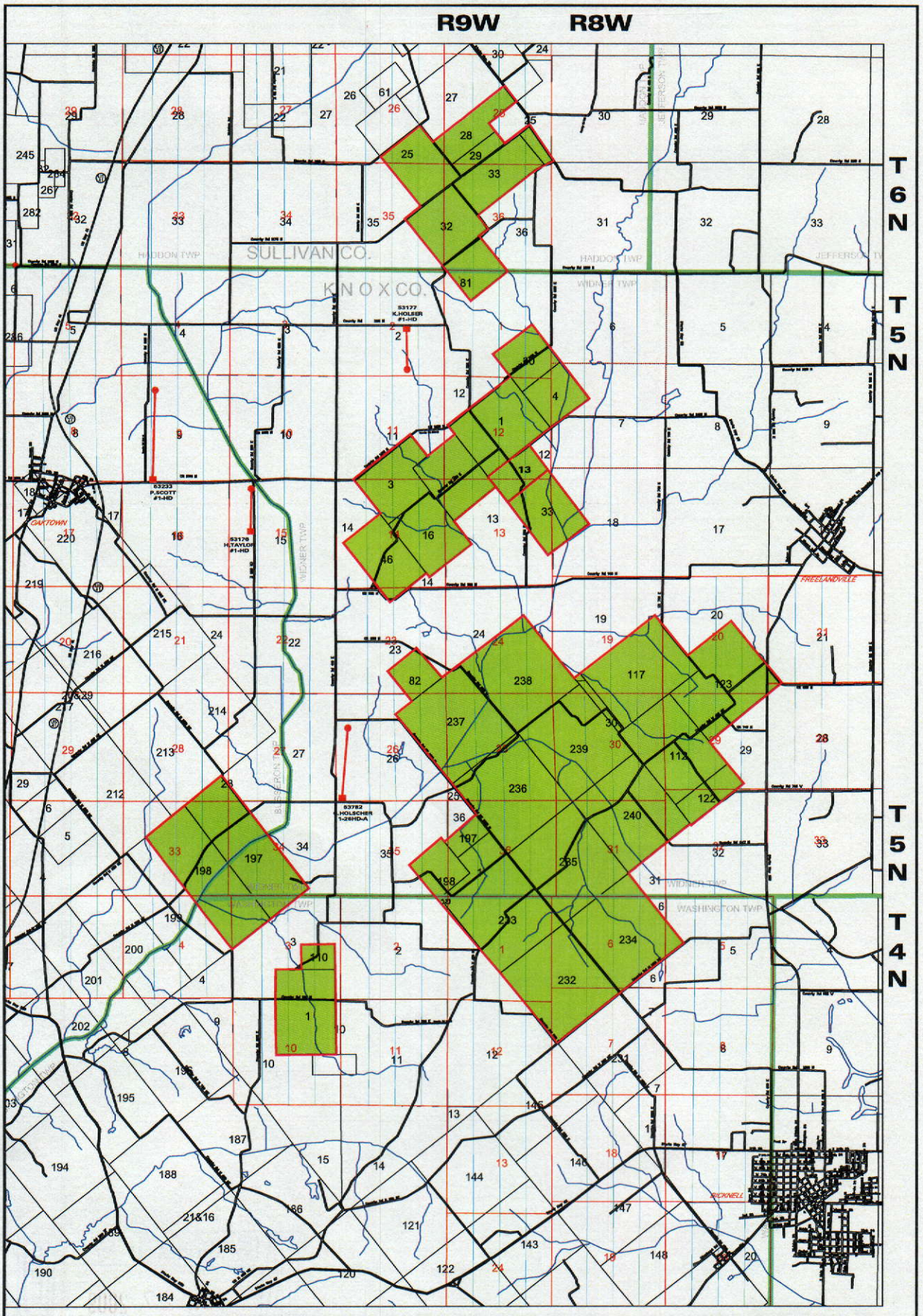

EXHIBIT "A" MAP

KNOX & SULLIVAN COUNTIES, INDIANA

Atlas Energy Resources, LLC

07/23/09

LEGEND

AFFECTED AREAS

R9W R8W

T6N T5N T5N T4N

SULLIVAN CO.
KNOX CO.
HADDON TWP
WIDNER TWP
JEFFERSON TWP
BUSSERON TWP
WASHINGTON TWP
OAKTOWN
FREELANDVILLE
BICKNELL

53177 K.HOLSER #1-HD
53233 P.SCOTT #1-HD
53176 H.TAYLOR #1-HD
53782 K.HOLSCHER 1-26HD-A

EXHIBIT "A" MAP

KNOX & SULLIVAN COUNTIES, INDIANA

Atlas Energy Resources, LLC

LEGEND

AFFECTED AREAS

07/22/09

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