

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA**

**IN THE MATTER OF THE REQUEST BY  
CHESAPEAKE APPALACHIA, L.L.C., FOR  
AN ORDER FROM THE COMMISSION  
ESTABLISHING SPECIAL FIELD RULES IN  
BOONE, LINCOLN AND LOGAN COUNTIES,  
WEST VIRGINIA, COVERING THE LOGAN,  
AMHERSTDALE, HENLAWSON, CLOTHIER,  
MADISON AND MUD QUADRANGLES.**

**DOCKET NO. 180**

**CAUSE NO. 165**

**ORDER NO. 1**

**REPORT OF THE COMMISSION**

Chesapeake Appalachia, L.L.C. ("Chesapeake") requested a hearing before the Commission for the establishment of special field rules covering all acreage it now owns or controls or may acquire in the future within the area shown on the map attached hereto as Exhibit "A" and incorporated herein by reference, which designated area is located in Boone, Lincoln and Logan Counties, West Virginia. Chesapeake wishes to drill wells in the special field rule area in order to produce from the Marcellus Shale formation and other shallower formations. Although the Marcellus Shale is a "shallow" formation, Chesapeake proposes to drill up to 75 feet into the Onondaga Group to enable the logging and completion of the entire Marcellus Shale section. Chesapeake will not perforate or complete any formation below the base of the Marcellus Shale formation; however, by definition, since the proposed wells will be drilled in excess of twenty feet into the Onondaga Group, they will be considered deep wells. Therefore, Chesapeake requested that the Commission set spacing for any proposed wells drilled by Chesapeake under these special field rules to conform to the following: 1,000' between wells and 50' from a lease line or unit boundary.

**FINDINGS OF FACT**

1. Applicant, Chesapeake, is an operator within the meaning of paragraph (4) subsection (a) of West Virginia Code §22C-9-2.
2. Chesapeake currently owns or controls approximately 17,000 acres of leasehold interests in the area for which special field rules have been requested as shown on Exhibit "A", which area is located in Boone, Lincoln, and Logan Counties of West Virginia. Chesapeake may acquire additional acreage within this area in the future. One of the target formations in this area is the Marcellus Shale, which lies directly above the Onondaga Group. Chesapeake wishes to drill wells in the special field rule area utilizing up to 75 feet of rat hole in the Onondaga Group. Chesapeake's witnesses testified that 75 feet of rat hole is necessary to effectively log, complete, and produce the wells in the Marcellus formation. The 75 feet of rat hole will allow Chesapeake to get cementing tools, logging tools, casing and tubing, and

perforating tools to a sufficient depth below the Marcellus formation to effectively develop the natural gas reserves from the Marcellus formation in a safe and efficient manner. Without the additional rat hole, the Marcellus Shale cannot be completed through its entire interval and reserves of natural gas may not be produced.

3. Chesapeake's witnesses stated that the Onondaga Group would not be produced or completed in any wells without additional approval from the Commission.
4. It would not be prudent to develop the Marcellus Shale reserves under the spacing requirements imposed on deep wells because recoverable reserves would be left in place. In order to avoid leaving recoverable reserves in place and to provide flexibility in spotting well locations, exceptions to Operational Rule §39-1-4.2 or the establishment of special field rules is necessary. Chesapeake's witness testified that Chesapeake has approximately 125 future locations in the special field rule area. Chesapeake is requesting special field rules from the Commission as it is the most cost effective and administratively efficient manner in which to address the issues faced in drilling, logging, completing and producing Marcellus Shale wells, rather than requesting spacing exceptions on case-by-case or a well-by-well basis.
5. Chesapeake asked the Commission to set spacing for wells drilled under the special field rules at a minimum distance of 1,000' between wells and 50' from a lease line or unit boundary. The Commission, however, believed it was more appropriate to space these wells at a minimum distance of 1,000' between wells and 100' from a lease or unit boundary in order to maintain uniformity with existing special field rules obtained by Eastern American Energy Corporation covering Marcellus Shale wells, subject to paragraph 6 below.
6. Pocahontas Land Corporation by letter dated May 29, 2007, filed a written objection to Chesapeake's request for special field rules. Pocahontas, through counsel, withdrew its objection but only insofar as it related to this particular hearing based upon agreement with Chesapeake that in the event a coal seam owner or operator objected to the proposed drilling or deepening of a well to the Marcellus Shale, then the terms and provisions of West Virginia Code §22C-8-8 would apply.
7. Chesapeake's witness testified that the Onondaga Group is between 130 feet and 190 feet thick in the area subject to the request for special field rules.
8. Chesapeake has complied with the requirements of the statute and Operational Rule §39-1-6.

## CONCLUSIONS OF LAW

1. That due notice of the time, place and purpose of the hearing has been given in all respects as required by law.
2. Definitions found in §22C-9-2(11-12) state that shallow well means any well drilled and completed in a formation above the top of the uppermost member of the "Onondaga Group": provided, that in drilling a shallow well the operator may penetrate into the "Onondaga Group" to a reasonable depth, not in excess of twenty feet, in order to allow for logging and completion operations, but in no event may the "Onondaga Group" formation be otherwise produced, perforated or stimulated in any manner, and deep well means any well, other than a shallow well, drilled and completed in a formation at or below the top of the uppermost member of the "Onondaga Group".
3. That Marcellus Shale wells drilled more than twenty feet into the Onondaga Group are deep wells.
4. That Operational Rule §39-1-4.2 requires that all deep wells drilled shall be not less than 3,000 feet from a permitted deep well location or from a deep well drilling to or capable of producing hydrocarbons from the objective pool of the deep well and no deep well shall be less than 400 feet from a lease or unit boundary. Operational Rule §39-1-4.3 allows for an exception to Operational Rule §39-1-4.2 or for the establishment of special field rules.
5. That pursuant to Chapter §22C, Article 9, Code of West Virginia of 1931, as amended, the Commission has jurisdiction over the subject matter embraced in said notice, and the persons interested therein, and jurisdiction to promulgate the hereinafter prescribed Order.

## ORDER

Now, therefore, based on the Findings of Fact and Conclusions of Law, the request by Chesapeake for the establishment of special field rules is granted upon the following grounds:

1. The designated area covered by these special field rules is shown on the map attached hereto as Exhibit "A" and incorporated herein by reference, containing approximately 167,000 acres.
2. The special field rules apply only to leases or property owned or controlled, now or hereinafter, by Chesapeake.
3. The special field rules shall allow Chesapeake to drill wells in the designated area to a depth not to exceed 75 feet into the Onondaga Group or to the base of the Onondaga Group, whichever is shallower. Each well drilled under the special field

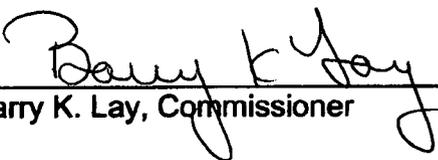
rules shall be located a minimum distance of 1,000 feet from each well covered by this Order and 100 feet from a lease line or unit boundary.

4. In the event that a coal seam owner or operator objects to the drilling or deepening of a well to the Marcellus Shale under these special field rules, then the terms and provisions of West Virginia Code §22C-8-8 will apply.
5. For each well covered by these special field rules, Chesapeake shall submit a deep well permit application. Upon completion of any well drilled under these special field rules, Chesapeake shall submit a copy of the open hole log, perforating log and an affidavit signed by a principal of the company stating that no formation below the top of the Onondaga Group has been perforated or produced in any manner. Thereafter, Chesapeake shall not, perforate, frac or otherwise stimulate the Onondaga Group, unless it subsequently files for, and receives a permit to rework, deepen or complete the Onondaga Group.
6. The Commission waives the requirement that Chesapeake must submit a site safety plan and hold a pre-spud meeting for the drilling of wells covered by this Order. However, Chesapeake is required to maintain H<sub>2</sub>S monitoring equipment on site for use, if needed.

IN THE NAME OF THE STATE OF WEST VIRGINIA:

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA

By: \_\_\_\_\_

  
Barry K. Lay, Commissioner

Dated this 10<sup>th</sup> day of July, 2007, at Charleston, West Virginia.

Dockets  
180-181  
-164 -165

Keith Moffatt	CHESAPEAKE	353-5221
BRETT LOELIN	"	391-5518
Ed Rothman	Chesapeake	353-5205
Rob Schindler	"	542-1655
Jeff Cable	"	353-5149
Khurram (Chaudhry) Ahmed	"	391-5514
James 'Eddy' Grey	"	353-5120
TINKI WILLIAMS	"	353-5180
William Mohler	Consol	353-8124
JOE HOLSEN	PETROEDGE	713-954-3663
KENNETH TAWNEY	JACKSON KELLY (PetroEdge)	340-1189
Douglas M. Reid	Dominion EOP, Inc	304-884-2043
Gregory Cunningham	Dominion EOP, INC	304-884-2168
John O'Hare	ARL (ARID)/ARCH COAL, INC	304-357-5712
Mark Kinder	PLC	304-324-2417
NICK PRESERVATI	Preservati Law	304-346-1431
KEVIN WALL	NRP	304-522-5757
Chris Mullen	ECA	925-6100
Valerie Raupp	LGCR/Penn VA	345-2000
Ben Sullivan	EPC	348-3830
Becky Barnes	EPC	348-3808
Vicki Dugan	EPC	348-3845

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Lincoln Journal, Inc 55-0743799

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328 Walnut Street  
Hamlin, WV 25523

## Invoice

DATE INVOICE #  
8/16/2007 20019

**BILL TO**

WV Dept Of Env Protection/Cindy Raines  
Oil & Gas Conservation Commission  
601 57th Street, SE  
Charleston, WV 25304

P.O. NO. TERMS RATE  
Due on receipt 0115

ITEM	QTY	Issue	DESCRIPTION	AD SIZE	RATE	AMOUNT
Legal	1	5/30/2007	Notice of Hearing Chesapeake Appalachia LLC Legal Publication	1x8	121.44	121.44
Legal	1	6/6/2007	2nd Insertion 75% Legal Publication Sales Tax		91.08 6.00%	91.08 0.00

*Called Patty  
She will write-off  
did not rec  
into prior to 7/31/07*

Thank you for your business. If you have any question call Patty at 304-824-5101.

**Subtotal** \$212.52  
**Total** \$212.52  
**Balance Due** \$212.52

Publishers Of: The Lincoln Journal / The Weekly News Sentinel / The Lincoln Times

**AFFIDAVIT OF PUBLICATION**

Cost of Publication: \$ 212.52

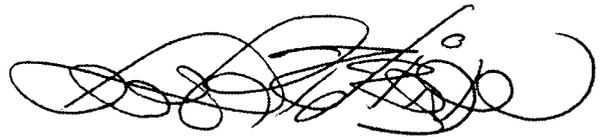
STATE OF WEST VIRGINIA COUNTY OF LINCOLN, to wit:

I, **THOMAS A ROBINSON**, Publisher, being duly sworn upon my oath do depose and say that I am proprietor of the entitles:

*The Lincoln Journal* and *The Lincoln News Sentinel* two separate newspapers, both being a **weekly** newspaper; plus our internet site [www.lincolnjournal.com](http://www.lincolnjournal.com) and [www.lincolnnewsentinel.com](http://www.lincolnnewsentinel.com) where your legal advertisement appeared at no extra cost to you; that such papers have been published for more than one year prior to publication of the annexed notice described below; that such newspapers are regularly published weekly, for at least fifty weeks during the calendar year, the Municipality of Hamlin, Lincoln County, West Virginia; that such newspapers are newspapers of "general circulation" as that term is defined in article three, chapter fifty-nine of the Code of West Virginia 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspapers average in length of four or more pages, exclusive of any cover, per issue; that such newspapers are circulated to the general public at a definite price or consideration; that such newspapers are newspapers to which the general public resorts for posting of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements, and other notices; that the annexed notice of

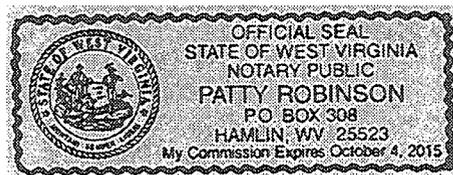
**Notice of Hearing Chesapeake Appalachia LLC**

was duly published in said newspapers once a week for 2 week(s), commencing with the issue 30th day of May 2007 and ending with the issue of the 6th day of June 2007 that said annexed notice was published on the following dates: May 25, June 6, 2007



Thomas A Robinson, Publisher

Taken, subscribed and sworn before me in my said county this 15th day of August 2007.



Patty Robinson, Notary Public of Lincoln County, West Virginia. My commission expires **October 4, 2015**.

**LEGAL ADVERTISEMENT**

West Virginia Department of  
Environmental Protection  
Oil and Gas Conservation  
Commission  
601 57th Street, SE  
Charleston, West Virginia  
25301

**BEFORE THE OIL AND GAS  
CONSERVATION COMMISSION  
OF THE STATE OF  
WEST VIRGINIA**

**DOCKET NO. 180**

**CAUSE NO. 165**

**IN THE MATTER OF THE  
REQUEST BY CHESA-  
PEAKE APPALACHIA, LLC  
FOR AN ORDER FROM THE  
COMMISSION ESTABLISH-  
ING SPECIAL FIELD RULES  
IN BOONE, LINCOLN AND  
LOGAN COUNTIES, WEST  
VIRGINIA COVERING MAD-  
ISON, MUD, HENLAWSON,  
CLOTHIER, LOGAN AND  
AMHERSTDALE QUADRAN-  
GLES**

**NOTICE OF HEARING**

Chesapeake Appalachia, LLC (Chesapeake) has requested a hearing before the Commission for the establishment of special field rules covering Boone, Lincoln and Logan Counties. Chesapeake wishes to drill several Marcellus shale wells in the designated area. Although the Marcellus is a "shallow" formation, Chesapeake proposes to drill 75 feet into the Onondaga limestone to enable the logging and completion of the entire Marcellus shale section. Chesapeake will not perforate or complete any formation below the base of the Marcellus shale formation; however, by definition, since the proposed wells will be drilled in excess of twenty feet into the Onondaga limestone, they will be considered deep wells. Therefore, Chesapeake is requesting the Commission set spacing for the proposed wells to conform to the following: 1000' between wells and 50' from a lease line or unit boundary.

Notice of the pre-hearing conference was given as required by law by Chesapeake Appalachia, LLC to all interested parties.

DATE: June 7, 2007

TIME: Immediately following the 9:00 pre-hearing

PLACE: Department of Environmental Protection, 601 57th Street, SE, Charleston, WV 25304

**OIL AND GAS CONSER-  
VATION COMMISSION OF  
THE STATE OF WEST VIR-  
GINIA**

By: Barry K. Lay  
Commissioner

Dated this 7th day of May,  
2007, at Charleston, West  
Virginia

2/6-7-07

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY  
CHESAPEAKE APPALACHIA, LLC, FOR  
AN ORDER FROM THE COMMISSION  
ESTABLISHING SPECIAL FIELD RULES  
IN BOONE, LINCOLN AND LOGAN  
COUNTIES, WEST VIRGINIA, COVERING  
MADISON, MUD, HENLAWSON, CLOTHIER,  
LOGAN AND AMHERSTDALE QUADRANGLES.

Docket No. 180

Cause No. 165

Transcript of proceedings taken on the  
7th day of June, 2007, at 10:07 a.m., in the offices  
of West Virginia Department of Environmental  
Protection located at 601 57th Street, Southeast,  
Charleston, West Virginia, pursuant to notice.

ORIGINAL

**BONNIE K. WOLFE**  
Certified Court Reporter  
1211 Ellen Drive  
South Charleston, West Virginia 25303  
(304) 744-4318

## APPEARANCES:

## BOARD:

Barry Lay, Chairman  
Christie Utt, Attorney  
James Martin  
Anthony Gum  
Robert Radabaugh

ON BEHALF OF THE APPLICANT:  
Keith Moffatt, Esquire

ON BEHALF OF EASTERN COAL COMPANY:  
Chris Mullen, Esquire

ON BEHALF OF PETROEDGE, NORTH STAR ENERGY AND  
TRANS ENERGY:  
Kenneth Tawney, Esquire

ON BEHALF OF CONSOL:  
William Mohler, Esquire

ON BEHALF OF PENN VIRGINIA AND  
LGCR:  
Valerie Raupp, Esquire

ON BEHALF OF EQUITABLE (EPC):  
Ben Sullivan, Esquire

ON BEHALF OF ARK LAND/ARCH COAL, INC.:  
John O'Hare, Esquire

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<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIR</u>	<u>RECR</u>	<u>EXAM</u>
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Ed Rothman	19				29 32
Rob Schindler	33				40 41 43
Jeff Cable	45				47 50

<u>APPLICANT'S EXHIBITS</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
A (Notice of Hearing)	4	4
B (Baisden Letter)	5	5
C (Hager Letter)	5	5
D (Preservati Law Letter)	5	5
E (Notices of Publication)	6	6

CHESAPEAKE EXHIBITS

Nos. 1-5	4	17
No. 6	13	29
No. 7	25	29
No. 8	27	29

Reporter's Certificate 63 and 63

1 (WHEREUPON, said documents  
2 were identified as Chesapeake  
3 Exhibits 1-5.)

4 CHAIRMAN LAY: Before the Oil and  
5 Gas Conservation Commission, State of West Virginia,  
6 the matter of the request by Chesapeake Appalachia,  
7 LLC, for an order from the Commission establishing  
8 special field rules in Boone, Lincoln and Logan  
9 Counties, West Virginia. This is Docket No. 180,  
10 Cause No 165.

11 Let the record show that present  
12 are members of the Commission, Bob Radabaugh, Barry  
13 Lay, Anthony Gum, James Martin. Also present are  
14 counsel, Christie Utt, and Staff Cindy Raines.

15 I'd like to place of record a copy of  
16 the Notice of Hearing, along with the return receipt  
17 cards, collectively as Exhibit A.

18 (WHEREUPON, said document was  
19 identified as Exhibit A and is  
20 attached hereto and made a part  
21 hereof.)

22 CHAIRMAN LAY: I've got two letters  
23 of objection, one from Steven D. Baisden, the other

1 from Johnney Hager dated June 1st and June 2nd which  
2 were received after the objection deadline that I  
3 would like to place of record as Exhibit B  
4 collectively.

5 (WHEREUPON, said document was  
6 identified as Exhibit B and is  
7 attached hereto and made a part  
8 hereof.)

9 CHAIRMAN LAY: I have a letter of  
10 objection from Preservati Law dated May 29th to  
11 place of record as Exhibit C.

12 (WHEREUPON, said document was  
13 identified as Exhibit C and is  
14 attached hereto and made a part  
15 hereof.)

16 CHAIRMAN LAY: And I have a letter  
17 dated May 2nd from Chesapeake Natural Gas requesting  
18 the hearing, Exhibit D.

19 (WHEREUPON, said document was  
20 identified as Exhibit D and is  
21 attached hereto and made a part  
22 hereof.)

23 CHAIRMAN LAY: I have collectively

1 three notices of publication from the Commission  
2 from Boone, Lincoln and Logan Counties collectively  
3 as Exhibit E.

4 (WHEREUPON, said documents were  
5 identified as Exhibit E and are  
6 attached hereto and made a part  
7 hereof.)

8 CHAIRMAN LAY: At this time, the  
9 Commissioner will take appearances.

10 MR. MOFFATT: Yes. My name is  
11 Keith Moffatt appearing on behalf of Chesapeake  
12 Appalachia. And with me here today are Brett  
13 Loflin; to his left, Ed Rothman; to his left, Rob  
14 Schindler. And then the gentleman on the end is  
15 Jeff Cable.

16 CHAIRMAN LAY: Any other parties  
17 here representing anyone?

18 MR. PRESERVATI: Thank you.  
19 Nick Preservati on behalf of Pocahontas Land  
20 Corporation and Argus Energy. With me today is  
21 general counsel for Pocahontas Land, Steve Hopta,  
22 and Engineer Special Projects, Mark Kinder.

23 MR. MOHLER: Bill Mohler, on behalf

1 of Consolidation Coal Company.

2 MR. O'HARE: John O'Hare on behalf  
3 of Ark Land.

4 MR. TAWNEY: Kenneth Tawney on  
5 behalf of PetroEdge Resources, WV LLC, North Star  
6 Energy Corporation and Trans Energy Corporation.  
7 With me here today is Joe Olson with PetroEdge.

8 MS. RAUPP: Valerie Raupp on behalf  
9 of Penn Virginia.

10 CHAIRMAN LAY: Anyone else? At  
11 this time, rather than swear all the witnesses at  
12 one time, I'd like to do that individually, and we  
13 can have them right here beside the court reporter.  
14 So Mr. Moffatt, if you want to call your first  
15 witness--

16 MR. MOFFATT: Would you like to  
17 address the--

18 CHAIRMAN LAY: Oh, certainly.

19 MR. MOFFATT: Why don't we put that  
20 on record first?

21 CHAIRMAN LAY: That's fine. If you  
22 want to address the objection, that's great.

23 MR. MOFFATT: Chesapeake is here

1 today requesting special field rules relating to  
2 Marcellus formation wells that are drilled more than  
3 twenty feet into the Onondaga.

4 And it's the Commission's position  
5 that, if you drill in a Marcellus formation no more  
6 than twenty feet into the Onondaga, that is a deep  
7 well.

8 As part of Chesapeake's request  
9 for special field rules, we are asking for spacing  
10 exceptions for the Marcellus formation wells drilled  
11 more than twenty feet into the Onondaga. We're  
12 asking that these wells be spaced at a minimum of a  
13 thousand feet between wells and then fifty feet off  
14 of lease and boundary lines.

15 With regard to the objection that  
16 has been filed by Pocahontas Land Corporation,  
17 Chesapeake Appalachia is willing to follow the  
18 distance limitations contained in West Virginia Code  
19 22-C-8-8. Those are the spacing limitations for  
20 shallow wells.

21 So even though these are  
22 considered deep wells by the Commission, Chesapeake,  
23 for the purpose of this hearing and then the hearing

1 to follow-- and also for the hearing that has  
2 already taken place with regard to an earlier  
3 request by Chesapeake for special field rules,  
4 Chesapeake is willing to follow the distance  
5 limitations imposed for shallow wells on the  
6 Marcellus formation wells drilled more than twenty  
7 feet into the Onondaga.

8 There are also some other issues  
9 that Chesapeake has with Pocahontas. And we've  
10 agreed to meet separately to try to resolve those  
11 issues.

12 MR. PRESERVATI: Thank you,  
13 Mr. Chairman. After those comments based upon  
14 Chesapeake's willingness to follow those spacing  
15 requirements and based upon this Board's approval of  
16 this agreement, those terms being incorporated into  
17 the permit, Pocahontas Land and Argus Energy  
18 withdraw all of its objections to the hearing and  
19 the application that was held on May 17th.

20 We would also withdraw all of our  
21 objections to the first hearing-- both hearings  
22 today on both applications. In essence, we withdraw  
23 our objections to all three applications for special

1 field rules filed by Chesapeake upon the Board's  
2 acceptance of this agreement between the parties  
3 obviously reserving the right to challenge any  
4 previous or future special field rules as  
5 necessitated.

6 But for purposes of these three  
7 hearings, we'll withdraw all of our objections. I  
8 guess we're looking to the Board. If that's  
9 acceptable to the Board as part of the special field  
10 rules, then we will withdraw our objections.

11 CHAIRMAN LAY: Are there any  
12 objections from any members of the Board to accept  
13 their-- Appears to be no objections from the Board  
14 to accept the negotiated settlement of the parties.  
15 If that's acceptable, then we will incorporate that  
16 as part of any order that we would issue.

17 MR. PRESERVATI: Okay. At that  
18 point then, the Pocahontas Land and Argus hereby  
19 withdraw their objections based upon our  
20 representation and reserve the right to reinstitute  
21 those objections in the event for some unsaid reason  
22 it's not incorporated into the order. We hereby  
23 withdraw. Thank you.

1                   CHAIRMAN LAY:       Does that affect any  
2 other parties here today, that although they didn't  
3 make a written objection, that are here with regard  
4 to the--

5                   MR. MOHLER:         That takes care of  
6 Consol's concerns.

7                   MR. PRESERVATI:       If I may, I just  
8 wanted to be clear. I want to make sure that we  
9 don't get into an issue down the road. This would  
10 apply to the entire field of special field rules.  
11 It's my understanding it would apply. To the extent  
12 that we have acreage covering special field rules,  
13 this would apply to it?

14                  CHAIRMAN LAY:       It will apply to  
15 however the Board rules, whether it's regarding only  
16 Chesapeake's acreage or all acreage within those  
17 areas. That's all we can define it to at this  
18 point.

19                               I mean, it will be defined as to  
20 what the Board considers included in any special  
21 field rule order.

22                  MR. PRESERVATI:       Okay. That's my  
23 understanding. Thank you.



1 your name for the record?

2 A Brett Loflin.

3 Q And by whom are you employed?

4 A Chesapeake Appalachia, LLC.

5 Q And what is your job title with

6 Chesapeake?

7 A I'm a Regulatory Compliance

8 Specialist.

9 Q And as a Regulatory Compliance

10 Specialist, would you please list some of your

11 duties and responsibilities?

12 A I'm responsible and I deal with  
13 all issues, all regulatory and all statutory issues  
14 that may occur for all the dealings and matters  
15 before Chesapeake Appalachia, LLC, Eastern Division.

16 Q And are you familiar with the  
17 request made today by Chesapeake for special field  
18 rules?

19 A Yes, I am.

20 (WHEREUPON, said document was  
21 identified as Chesapeake Exhibit  
22 No. 6 and is attached hereto and  
23 made a part hereof.)

1 BY MR. MOFFATT:

2 Q And if you would refer to the  
3 easel, the first exhibit on the easel is an exhibit  
4 which has been marked as Chesapeake Exhibit No. 6.  
5 Could you please tell the Board how much acreage is  
6 incorporated in the area shown on that exhibit?

7 A Yes. The entire outlined-- The  
8 red outlined encompasses one hundred and sixty-seven  
9 thousand acres.

10 Q And that includes the box on top  
11 and then the rectangular piece on the bottom?

12 A Yes, it does.

13 Q And that's the area Chesapeake  
14 wishes to be included in its request for special  
15 field rules?

16 A Yes.

17 Q How much acreage is owned or  
18 leased by Chesapeake in that area?

19 A Chesapeake controls approximately  
20 sixteen thousand eight hundred and ninety-three  
21 acres, which would be the yellow-colored tracts  
22 within that boundary.

23 Q Okay. Did Chesapeake make

1 reasonable efforts or reasonable attempts to locate  
2 the operators within the area covered by its request  
3 for special field rules?

4 A Yes, we did.

5 Q And how many operators did it  
6 locate?

7 A We identified eleven separate  
8 operators.

9 Q I'm going to hand to you what has  
10 been marked as Chesapeake Exhibit No. 1 and ask that  
11 you take a look at it, and indicate whether or not  
12 it accurately sets forth the list of those  
13 operators.

14 A Yes, it does.

15 Q And did Chesapeake send a  
16 certified mail notice of the pre-hearing conference  
17 to those operators?

18 A Yes, we did.

19 Q And how many counties are included  
20 within the area covered by Chesapeake's request for  
21 special field rules?

22 A There are portions of three  
23 separate counties, Boone, Lincoln and Logan.

1 Q And did Chesapeake cause notice to  
2 be published in newspapers circulated in those  
3 counties of its notice of the pre-hearing  
4 conference?

5 A Yes.

6 Q Now, I'm going to show you  
7 Chesapeake Exhibits 2, 3, 4 and 5 and ask that you  
8 take a look at those exhibits and indicate whether  
9 or not those are Affidavits of Publication showing  
10 that the Notice of Pre-Hearing Conference has been  
11 published in newspapers circulated in those  
12 counties?

13 A Yes, they are.

14 MR. MOFFATT: I have no further  
15 questions for Mr. Loflin and ask that Exhibits 1  
16 through 5 be admitted into evidence.

17 CHAIRMAN LAY: They're 1 through 3.  
18 What is 4 and 5?

19 MR. MOFFATT: No. 1 was the list of  
20 the operators.

21 CHAIRMAN LAY: Okay.

22 MR. MOFFATT: And 2 through 5 are  
23 the Affidavits for Publication for the newspapers in

1 which the notice for Pre-Hearing Conference was  
2 published.

3 CHAIRMAN LAY: All right. We'll  
4 accept Exhibits 1 through 5. Okay.

5 (WHEREUPON, documents previously  
6 identified as Applicant's Exhibits  
7 Nos. 1-5 are received in evidence.)

8 MR. MOFFATT: No further questions.

9 CHAIRMAN LAY: Questions?

10 MR. RADABAUGH: One question real  
11 quick.

12

13

EXAMINATION

14

BY MR. RADABAUGH:

15

Q On the acreage area, the ECA

16

Special Field Rules area, now, you all are

17

requesting that area as well as the smaller area?

18

A That's correct.

19

MR. RADABAUGH: That's what I had

20

assumed, but wasn't a hundred percent sure.

21

MR. MOFFATT: That's right. It's

22

both areas. In total, I believe Mr. Loflin

23

indicated it covered approximately a hundred and

1 sixty-seven thousand acres.

2 THE WITNESS: Yes.

3

4

EXAMINATION

5

BY CHAIRMAN LAY:

6

Q So primarily, your request is just

7

to be included in the area that we've already

8

designated as Eastern American Special Field Rules

9

area and with the addition with the tract to the

10

south.

11

MR. MOFFATT: That's right, with

12

the understanding the fifty-foot limitation rather

13

than a hundred foot limitation.

14

CHAIRMAN LAY: Understand.

15

16

EXAMINATION

17

BY MR. MARTIN:

18

Q And, Mr. Loflin, how many acres

19

did you say that Chesapeake controls in that hundred

20

and sixty-seven thousand?

21

A Approximately, sixteen thousand

22

eight hundred and ninety-three currently.

23

CHAIRMAN LAY: I'm sorry. Would

1 you repeat that number again?

2 THE WITNESS: Sixteen eight

3 ninety-three.

4 CHAIRMAN LAY: Any other questions?

5 Any cross from anyone? Okay. The witness may be

6 excused. Call your next witness.

7 (Witness excused.)

8 MR. MOFFATT: Mr. Ed Rothman.

9

10 (Witness sworn.)

11 THEREUPON came

12 ED ROTHMAN

13 called as a witness for the Applicant herein, being

14 first duly sworn according to law, testified as

15 follows:

16 DIRECT EXAMINATION

17 BY MR. MOFFATT:

18 Q Mr. Rothman, would you please

19 state your name for the record?

20 A Ed Rothman.

21 Q And where do you work?

22 A Chesapeake Appalachia.

23 Q And what is your job title?

1           A     I'm a lead geologist who  
2     supervises a team of geologists who is over this  
3     area, and we evaluate property to drill oil and gas  
4     wells.

5           Q     And do you have experience with  
6     wells drilled to the Marcellus formation?

7           A     Yes, I do.

8           Q     And if you'll look at the easel,  
9     the first exhibit that's shown is an exhibit which  
10    has been marked Columbia Exhibit No. 6. Did you  
11    prepare that exhibit in preparation for your  
12    testimony here today?

13          A     Yes, I did.

14          Q     Could you please explain what that  
15    exhibit shows?

16          A     That's a map that shows part of  
17    Lincoln, Boone and Logan counties. The yellow is  
18    acreage controlled by Chesapeake. It shows-- The  
19    little black dots show all the wells that have been  
20    drilled in the area.

21                   The rose-colored triangles are  
22    Chesapeake wells that were to be drilled in 2007,  
23    and it shows the boundary of the special field rules

1 that ECA applied for and received. And it also  
2 shows an extension area that we put on the map for  
3 our Logan County property.

4 Q And how many future well locations  
5 does Chesapeake have for that area?

6 A Approximately a hundred and  
7 twenty-five.

8 Q Could you explain, please, why you  
9 selected that area to be included in your request  
10 for special field rules?

11 A That area was selected mainly  
12 because we plan to be active in there in the next  
13 few years to drill those hundred and twenty-five  
14 wells.

15 Q Now, Mr. Loflin testified that  
16 currently Chesapeake owns or has under lease  
17 approximately, I believe, sixteen thousand acres or  
18 a little more, seventeen thousand acres in that  
19 area.

20 Is it possible in the future that  
21 Chesapeake would acquire farm-outs or joint ventures  
22 or obtain leases on open acreage within that area?

23 A Yes, it is.

1           Q     Now, where does the Marcellus  
2 formation sit in relation to the Onondaga?

3           A     The Marcellus sits directly on top  
4 of the Onondaga.

5           Q     With regard to the twenty-foot  
6 limitation-- And the twenty-foot limitation is the  
7 limitation that relates to shallow wells. You're  
8 not allowed to drill more than twenty feet into the  
9 Onondaga. --is it difficult in your experience to  
10 try to drill not more than twenty feet into the  
11 Onondaga one drilling Marcellus formation wells?

12          A     It has been difficult for us.  
13 It's difficult to pick the top of the Onondaga from  
14 samples.

15          Q     Is that the primary reason you are  
16 having difficulty with trying to drill less than  
17 twenty feet-- twenty feet or less into the Onondaga?  
18 Is the problem you have with reading the samples  
19 that are coming to the surface?

20          A     That is correct.

21          Q     Now, as a geologist, you're  
22 interested in logging the Marcellus formation. Is  
23 that correct?

1           A     Right.

2           Q     Does the twenty-foot limitation  
3           create any problems for you in terms of trying to  
4           log the Marcellus formation?

5           A     Yes, it does, because we use two  
6           contractors in that area. One of the contractors  
7           uses tools that are sixty-five feet in length. And  
8           the other contractor uses tools that are thirty-four  
9           feet in length.

10                     So with only twenty feet of pocket  
11           below the Marcellus, we wouldn't log the entire  
12           interval.

13           Q     Now, because of the twenty-foot  
14           limitation, do you find it necessary to break down  
15           the logging tools in order to try to log the  
16           Marcellus formation?

17           A     Yes. We have done that.

18           Q     And does that create any problems  
19           for you in terms of gathering complete information  
20           relating the Marcellus zone?

21           A     The problems it creates is time  
22           and money. And also, we still don't get the entire  
23           interval logged of this twenty feet 'cause, even

1 when the tools are broken down, they are longer than  
2 twenty feet.

3 Q And what's the significance of  
4 that? If you're not able to log the entire zone,  
5 does that affect your ability to evaluate the  
6 Marcellus formation?

7 A It does create problems, if we  
8 don't see the entire interval, with our evaluation  
9 in picking perforations and completions.

10 Q And then is it true to say that,  
11 if you're having problems with completions and  
12 perforations, it may affect your ability to produce  
13 the entire Marcellus formation?

14 A That's correct.

15 Q So would it be correct to say then  
16 the net result is that you would leave recoverable  
17 reserves in the ground?

18 A That's possible, yes.

19 Q Would that problem be eliminated  
20 if Chesapeake was allowed to drill seventy-five feet  
21 into the Onondaga?

22 A It would certainly help if we were  
23 able to drill the seventy-five feet and get our

1 logging tools completely through the Marcellus.

2 (WHEREUPON, said document was  
3 identified as Chesapeake Exhibit  
4 No. 7 and is attached hereto and  
5 made a part hereof.)

6 BY MR. MOFFATT:

7 Q Now, if you would look at the  
8 easel ones again, the next exhibit is Chesapeake  
9 Exhibit No. 7. Is that an exhibit that you have  
10 prepared in preparation for your testimony here  
11 today?

12 A Yes, it is.

13 Q And could you please explain what  
14 that exhibit demonstrates?

15 A It's just an example of two well  
16 logs. And the well log on the left shows where we  
17 had twenty feet or less pocket below the Marcellus.  
18 And you can see on the left, we barely got the gamma  
19 ray into the Marcellus.

20 And the well on the right is a  
21 well that we did have permission to drill more than  
22 twenty feet, and you could see we clearly logged the  
23 Marcellus and got all our tools through the

1 Marcellus and collected all our data.

2 Q So then is it correct to say that  
3 the log on the left demonstrates what you testified  
4 to, that is where you end up with incomplete data.  
5 And then when you're allowed to drill further into  
6 the Onondaga, that represents the log on the right,  
7 and you get complete data regarding the Marcellus  
8 formation?

9 A That's correct.

10 Q Now, by having to break down the  
11 logging tool, you mentioned that that results in  
12 additional cost and time in logging the Marcellus  
13 zone.

14 A Right. That's correct.

15 Q Does that also result in  
16 additional runs down the hole?

17 A Right. It takes-- Instead of one  
18 run, it requires us to do two logging runs.

19 Q And does that create an additional  
20 risk of possibly losing a tool in the hole when you  
21 have to go down the hole more frequently?

22 A Yes. That's correct. Any time  
23 you go in and out of the hole with tools, you always

1 have risks that, you know, the hole might cave in on  
2 or you jam a tool in there.

3 (WHEREUPON, said document was  
4 identified as Chesapeake Exhibit  
5 No. 8 and is attached hereto and  
6 made a part hereof.)

7 BY MR. MOFFATT:

8 Q Now, Exhibit No. 8 has been put up  
9 on the easel. Is that a map you prepared in  
10 preparation for your testimony here today?

11 A Yes, it is.

12 Q And what does that map  
13 demonstrate?

14 A It's the thickness of the Onondaga  
15 formation in the requested areas. It has a ten-foot  
16 contour interval on it.

17 Q What is the thickness of the  
18 Onondaga in this area?

19 A My map indicates the thickness is  
20 from slightly less than a hundred and thirty feet to  
21 a little bit more than two hundred feet.

22 Q If Chesapeake is allowed to drill  
23 more than seventy-five feet into the Onondaga-- or

1 below the Marcellus-- Let me put it that way. If  
2 Chesapeake is allowed to drill more than seventy-  
3 five feet below the Marcellus, is that going to  
4 remain in the Onondaga group in this area?

5 A Yes, it will.

6 Q Does Chesapeake have any intention  
7 of completing or producing from the Onondaga group?

8 A No, we don't.

9 Q Is the Onondaga group capable of  
10 commercial production in this area?

11 A It could be if you hit a fracture  
12 or a little bit of a pay zone. But for the most  
13 part, it isn't. There's basically no commercial  
14 production in that area right now.

15 Q If by chance Chesapeake were to  
16 encounter production from the Onondaga zone, what  
17 would it--

18 A Excuse me. Could you repeat that?

19 Q If Chesapeake were to encounter  
20 production in the Onondaga zone, what would  
21 Chesapeake do?

22 A We would basically run pipe  
23 through it, but we would not make any attempt to

1 complete it or produce it.

2 Q Is it correct to say that  
3 Chesapeake would not complete or produce that zone  
4 without further order from the Commission?

5 A That's correct.

6 MR. MOFFATT: I have no further  
7 questions for Mr. Rothman and would ask that  
8 Exhibits 6, 7 and 8 be admitted into evidence.

9 CHAIRMAN LAY: Any objections to 6,  
10 7 and 8? Okay. We'll accept the exhibits.

11 (WHEREUPON, Exhibits 6-8  
12 were received in evidence and  
13 are attached hereto and made  
14 a part hereof.)

15 CHAIRMAN LAY: Any questions for  
16 the witness from the Board or the Commission?

17 MR. RADABAUGH: No.

18 MR. MARTIN: I've got one.

19

20 EXAMINATION

21 BY MR. MARTIN:

22 Q Mr. Rothman, I understand-- For  
23 the most part, I think I understand the issue with

1 twenty feet and why it's necessary to perhaps go  
2 deeper.

3                   Where I'm a little confused is the  
4 difficulty in picking the top. And I don't know.  
5 You may not be the right person to ask. If you're  
6 not, then you can direct me.

7                   But we're talking about what I  
8 perceive to be a stark lithologic contrast in those  
9 two zones. I'm a little bit confused as to why  
10 there's difficulty in picking that change.

11                   A Well, the main reason, there is--  
12 You know, we're drilling at a pretty high rate of  
13 speed, and you have to catch the samples just right.  
14 You know, there could be some lag in the samples.  
15 And we do see-- It is gradational in color. The  
16 color really doesn't change at times. It could stay  
17 dark.

18                   So unless they catch a sample  
19 and-- If they catch it right at the top-- You  
20 know, we're taking maybe five-foot samples.

21                   Unless you catch it right at the  
22 top and you indicate that's the Onondaga, you know,  
23 if there's some lag or you don't catch it at the

1 right interval, it could be a little bit thicker.  
2 Or, you know, you just don't catch the interval at  
3 the exact top. I think that's where we're running  
4 into problems.

5 Q So it's not-- If I'm  
6 understanding correctly, it's not really that it's  
7 hard to see the contrast in the samples. The  
8 problem is the timing.

9 A The timing--

10 Q Because you're only talking about  
11 twenty feet and you're talking you've got a lag.  
12 What is the lag time?

13 A It's probably just a few minutes  
14 on air. It's probably not that much. But it is a  
15 gradational-- The color sometimes doesn't change.  
16 It doesn't jump out at you like it should.

17 And another problem we have had  
18 down there, some of our rigs do not run geolographs.  
19 So, you know, we cannot, you know, use that  
20 information to help us, you know, pick the top when  
21 it hits the Onondaga and the drill rate slows down.  
22 So that's another issue we have.

23 MR. MARTIN: Okay. Thank you.

1  
2  
3  
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23

EXAMINATION

BY CHAIRMAN LAY:

Q That was my only question. You're not able to pick it up by the ROP?

A If we don't have a drill or a geolograph, that's correct. We don't have an ROP information.

Q Okay. The one question I had with regard to the number of sites potentially that you had, was that based on your request for one thousand foot spacing or is there another matrix you use to determine that number of locations?

A I think those spaces were based on seventeen hundred foot. And I think we'll have another witness that will testify why we want the one thousand foot spacing.

Q I'm going to assume that, when you say the Onondaga group, that you're including ,not only the Onondaga, but the Huntersville?

A That's-- The Huntersville chert down here isn't that prevalent. You do see a little bit of chert, but it's nothing like it is up north. There's a lot more chert in the interval up north.

1 But for the most part, that is probably true. It  
2 probably does include what could be equated to the  
3 Huntersville.

4 Q I guess my question: is you're  
5 ISOPAC depth thickness, is that including the  
6 Onondaga, the Huntersville and the Needmore? Are  
7 you going basically to the top of the Oriskany? Is  
8 that what you're telling me?

9 A Yes.

10 CHAIRMAN LAY: Okay. I think  
11 that's the only questions I have. Is there any  
12 cross from anyone? Okay. Witness can be excused.  
13 You can call your next witness.

14 (Witness excused.)

15 MR. MOFFATT: Rob Schindler.

16

17 (Witness sworn.)

18 THEREUPON came

19 ROB SCHINDLER

20 called as a witness by the Applicant herein, having  
21 been first duly sworn according to law, testified as  
22 follows:

23

DIRECT EXAMINATION

1 BY MR. MOFFATT:

2 Q Mr. Schindler, would you please  
3 state your name for the record?

4 A Rob Schindler.

5 Q And where do you work?

6 A Chesapeake Appalachia.

7 Q What is your job title at  
8 Chesapeake?

9 A Senior Drilling Engineer.

10 Q As a Senior Drilling Engineer,  
11 what are some of your job duties and  
12 responsibilities?

13 A Drilling and completing all the  
14 wells in the southeast district.

15 Q And do you have experience in  
16 drilling wells to the Marcellus shale formation?

17 A Yes, I do.

18 Q Mr. Rothman just testified as to  
19 some of the logging problems he has because of the  
20 twenty-foot limitation for shallow wells. Could you  
21 please explain to the Commission some of the  
22 operational problems you experience because of this  
23 twenty-foot limitation?

1                   A     Yes, I can. I'd like to go  
2     chronologically again just to reiterate a couple of  
3     Ed's points. The first of those is: actually  
4     drilling at twenty feet is extremely difficult. The  
5     time lag Ed talked about, if there's any moisture in  
6     the hole or anything like that, it slows those  
7     samples down getting to the surface. The top is  
8     gradational.

9                                 And more than half the rigs we  
10    have running drill with hammers. The question came  
11    up about the ROP. With those air hammers, we see  
12    very little change in ROP from the Marcellus  
13    formation into the Onondaga.

14                                 And so we tried to solve that  
15    problem by just drilling five-foot intervals and  
16    catching samples. But like Mr. Rothman testified,  
17    depending on when in that interval you catch that  
18    sample, it is easy to be off as far as ten feet  
19    based on where you're catching that. Plus, the  
20    difficulty with the gradational top makes it  
21    difficult.

22                                 And then the logging issues, you  
23    know, the longer we leave those holes open, the more

1 chance there is for caving in the hole or something  
2 to give us difficulty with the logging tools. Then  
3 when we get to actually setting the pipe, typically,  
4 we like to run a full solid joint on the bottom of  
5 our string.

6 We're not able to do that with the  
7 twenty-foot limitation. We're having to run a  
8 five-foot slotted joint on bottom. The reason we  
9 have to slot that is because we have to actually tag  
10 bottom. You know, often there's a difference in  
11 tally between the PD, between the driller's TD and  
12 the logger's TD.

13 So in order to determine precisely  
14 where that TD is, we have to tag bottom. So we slot  
15 that pipe so we don't plug it to allow a place for  
16 the cement to turn the corner.

17 So all that results in extra time,  
18 effort, money, the expense of pup joints to space  
19 out at the surface so that you can leave that pipe  
20 close to bond. And then when you get to actually  
21 cementing the pipe, there's no shoe joint to catch  
22 any air or water or any contamination at the cement  
23 and water interface.

1                   So the bottom logs are poor on the  
2 bottom of these holes, and then we have the same  
3 difficulties as the open-hole log as far as the  
4 cased hole. Those tools come in varying lengths,  
5 depending on who the provider is.

6                   Often times, it's hard to see the  
7 cement bond right at the bottom of the Marcellus  
8 formation to see how well it's bonded to the pipe.

9                   Our next step is swabbing. And  
10 again, normally, you have some cement that the plug  
11 is bypassed or whatever. And you have to get every  
12 inch of that swabbed or cleaned out of there. We've  
13 had cases where we've had to go in and actually  
14 drill to be able to get down to the spot that we  
15 want to perforate.

16                   You know, if we had a little bit  
17 more space for that stuff to be in, we would be able  
18 to perforate the whole length of the formation.  
19 Right now, we're perforating right near bottom which  
20 often results in the perf guns being blown up the  
21 hole.

22                   And due to your time lag between  
23 swabbing, it's difficult to get every gallon of

1 water out of the hole. And then when you try to  
2 break it down, you're trying to break down with  
3 water instead of nitrogen or acid, making it more  
4 difficult to break the formation down.

5 And then when we get into the  
6 production phase, you're not able to set the tubing  
7 near bottom. Or you could set it near bottom, but  
8 you can't set it at or below the Marcellus perms.  
9 Typically, all wells are going to make what we call  
10 BS, basic sediment. That may be formation fines,  
11 may be some frac sand.

12 Some fluid is going to come in  
13 there, and the gas from the Marcellus formation will  
14 then have to be produced through either those fines  
15 or the water that's in the bottom of that hole,  
16 making it more difficult to produce the gas at the  
17 optimum rate.

18 Q Mr. Schindler, thanks for that  
19 explanation. And I'm going to try to put this in  
20 attorney language rather than your technical  
21 language. But did I hear you say that a net result  
22 of the problem you are having results in you not  
23 being able to set pipe the entire length of the

1 Marcellus formation?

2 A We can set the pipe the entire  
3 length, but having that pipe open is what the  
4 difficulty is.

5 Q And if you're not able then to  
6 perforate the entire length of the Marcellus  
7 formation zone, does that result in you leaving  
8 recoverable reserves in place?

9 A Yes, it could.

10 Q Now, the problems you just  
11 discussed, would they be minimized if Chesapeake was  
12 allowed to drill seventy-five feet into the  
13 Onondaga?

14 A Yes, they would.

15 Q As part of Chesapeake's request  
16 for special field rules, they're asking the  
17 Commission to waive the requirement for a site and  
18 safety plan that is formally required for deep  
19 wells. What's the basis for that part of the  
20 request?

21 A The only part of the site safety  
22 plan, since these are actually show of wells, we're  
23 just asking for a seventy-five foot-- or a fifty-

1 five foot exception to the twenty-foot rule that  
2 would pertain to us-- is the H2S monitoring. And we  
3 will have H2S monitoring equipment on these  
4 locations to drill the seventy-five foot into the  
5 Onondaga.

6 MR. MOFFATT: Thank you. I have no  
7 further questions for Mr. Schindler.

8 CHAIRMAN LAY: Questions from the  
9 Commission?

10

11

EXAMINATION

12

BY MR. GUM:

13

14 Q I was just wondering. Years ago,  
15 when somebody decided to go twenty feet only, why?  
16 Why twenty feet with all of these damn problems  
17 you've got? Why didn't they make it seventy-five  
18 feet?

18

19

20

21

Did they not plan to go beyond--  
all the way to Marcellus or just go down seventy-  
five percent of Marcellus? What was their problem  
that they put twenty feet in?

22

23

A There's probably several reasons  
for that. One, up until recently, the Marcellus was

1 not considered to be a good, productive formation.  
2 So that twenty foot was not an issue.

3 I'm not sure when that law came  
4 into effect, but I would not be surprised if it was  
5 also, you know, they're figuring a lot slower  
6 drilling than what we do today. Certainly air  
7 hammers weren't around.

8 And certainly, when you're  
9 drilling with cable tools and you had to go in there  
10 and bail out all your cuttings, it was easy to pick  
11 within two or three feet when you actually hit that  
12 top.

13 But I would say the big issue is  
14 until recently the Marcellus was not considered to  
15 be a primary target in oil and gas wells.

16 CHAIRMAN LAY: Questions?

17

18 EXAMINATION

19 BY MR. RADABAUGH:

20 Q Only question I've got right at  
21 the moment-- I was trying to locate it here. You  
22 requested kind of a waiver on the site safety plan.

23 A Yes, sir.



1 Thank you.

2

3

EXAMINATION

4

BY CHAIRMAN LAY:

5

Q Okay. I've got one question for

6

you, specifically. You stated that by allowing

7

Chesapeake to drill seventy-five feet into the

8

Onondaga, it would prevent Chesapeake from spending

9

additional monies in order to develop the Onondaga

10

at only a twenty-foot depth.

11

What kind of monies are we talking

12

about with regard to-- I mean, you've said that

13

it's possible to do it by drilling twenty feet only

14

by breaking down tools and so forth.

15

But by allowing this exception,

16

what kind of monies are we talking about saving

17

Chesapeake just out of curiosity?

18

A That would depend, Barry, on a

19

couple things. But just on the drilling side, I

20

estimate a couple thousand dollars per well.

21

And what that is from is the rig

22

time for the additional logging run and then the pup

23

joints and stuff to space the pipe out at the

1 surface.

2 And then on the completion side,  
3 sometimes it becomes a lot more expensive than that  
4 if there's been a small miscalculation or some  
5 cement that's in the pipe that needs to be drilled  
6 out, that by cost.

7 Obviously, it depends on how much  
8 of that there is. But just a day's service rig time  
9 is two thousand dollars. So those are easily two to  
10 five thousand dollars, but we do not have that on  
11 every well.

12 Q But your estimate would be a two  
13 to five thousand dollar--

14 A Per well, yeah.

15 Q --savings per well? That's fair  
16 enough. That was my only question. Anything from  
17 you?

18 MR. MARTIN: No, sir.

19 CHAIRMAN LAY: Any cross? Okay.

20 Witness may be excused. You may call your next  
21 witness.

22 MR. MOFFATT: Mr. Jeff Cable.

23 (Witness excused.)

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(Witness sworn.)

THEREUPON came

JEFF CABLE

called as a witness by the Applicant herein, being first duly sworn according to law, testified as follows:

DIRECT EXAMINATION

BY MR. MOFFATT:

Q Mr. Cable, would you please state your name for the record?

A Jeff Cable.

Q And by whom are you employed?

A Chesapeake Appalachia.

Q And what is your job position with Chesapeake?

A I'm a Senior Reservoir Engineer.

Q And what do you do as a Senior Reservoir Engineer?

A I do reserve analysis and evaluation of reserves in the southeast district.

Q And are you familiar with the

1 petition filed by Chesapeake for special field rules  
2 here today?

3 A Yes, I am.

4 Q And are you familiar with wells  
5 drilled to the Marcellus formation?

6 A Yes.

7 Q Now, is it true to say the  
8 Marcellus shale is a relatively new plate?

9 A It is. We started drilling  
10 through the Marcellus and fracking the Marcellus  
11 last year.

12 Q And what is Chesapeake's current  
13 spacing practice?

14 A Currently, we're drilling on  
15 fifteen hundred foot spacing. And with that, we  
16 have not seen any evidence of communication between  
17 wells.

18 Q If Chesapeake was required to  
19 space these Marcellus formation wells on three  
20 thousand foot spacing, would you consider that to be  
21 prudent?

22 A No, I would not. We would be  
23 leaving recoverable reserves in place if we drilled

1 at three thousand foot spacing.

2 Q Now, you mentioned Chesapeake  
3 currently spaces some Marcellus formation wells at  
4 fifteen hundred feet, but you're asking the  
5 Commission for a spacing exception to allow  
6 Chesapeake to drill at a minimum of one thousand  
7 feet between wells and fifty feet off lease or unit  
8 boundary lines. What is the basis for that request?

9 A Basically, it's a flexibility  
10 issue. It would allow us to move locations due to  
11 topography, coal owner issues, surface owner issues.

12 Also, we have existing wells out  
13 there completed in shallower formations, whether  
14 it's the lime Burea, even the Huron shale, which we  
15 may drill deeper in the future.

16 MR. MOFFATT: Thank you, Mr. Cable.  
17 I have no further questions for you.

18 CHAIRMAN LAY: Questions from the  
19 Commission?

20

21

EXAMINATION

22

BY MR. MARTIN:

23

Q Mr. Cable, you said at fifteen

1 hundred foot spacing you're not seeing communication  
2 between wells. How are these valley wells being  
3 fracked?

4 A Currently, we frac them with  
5 nitrogen. We frac the Marcellus with nitrogen.

6 Q Is that the only method that  
7 you're using?

8 A One well we did, we did do a foam  
9 frac on. But to date, ninety-eight percent of them  
10 are nitrogen fracs.

11 Q How much nitrogen are you running?

12 A Typically, a million--

13 MR. SCHINDLER: 1.2 million--

14 THE WITNESS: --in the Marcellus.

15 MR. SCHINDLER: --frac in the  
16 Marcellus.

17 CHAIRMAN LAY: That's straight  
18 nitrogen. No problem?

19 THE WITNESS: No problem.

20 BY MR. MARTIN:

21 Q You're not running any of these  
22 big, huge water fracs that we're hearing so much  
23 about these days?

1 A Not down in this area, no.

2 Q Is that anticipated as a  
3 possibility in this area?

4 A To the extent that they're doing  
5 up north, I would say no. Will we experiment? I'd  
6 say it's a possibility, yes.

7 Q Is it less likely in the south  
8 just because of the geology or the reservoir  
9 characteristics?

10 A I would say typically down south  
11 the thickness is going to prohibit doing a massive  
12 fracture like you're speaking of. Like I said, we  
13 may end up experimenting and doing some kind of  
14 water frac, but it would be on a smaller scale, I  
15 would imagine.

16 Q If you were to do those kind of  
17 fracs, would you expect the spacing distance to be  
18 increased between wells?

19 A I'd say it's a possibility, but I,  
20 you know, without-- Without doing it, it's hard to  
21 predict. The Marcellus is an extremely tight  
22 formation.

23 So, I mean, depending on how big

1 the job is, you could possibly go beyond the fifteen  
2 hundred foot spacing. But right now, it's  
3 impossible to predict.

4 MR. MARTIN: Okay. Thank you.

5 MR. GUM: Nothing from me.

6 MR. RADABAUGH: Nothing at the  
7 moment.

8

9

EXAMINATION

10

BY CHAIRMAN LAY:

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Q I only have one question. Do you  
have any quantitative number you can share with us  
with regards to the amount of reserves that are  
going to be left in the ground if we reduce the  
spacing requirements to three thousand to fifteen  
hundred feet or a thousand feet, for that matter, at  
your request?

18

19

20

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22

23

A Pertaining to the Marcellus, right  
now, we don't know what the drainage area is per  
well. I mean, we're drilling on fifteen hundred  
feet. Our typical, recoverable reserves from the  
Marcellus alone, we estimate at about seventy-five  
million.

1 Q That's currently?

2 A Currently.

3 Q Seventy-five million?

4 A But again, we don't know, you  
5 know, is that draining five hundred feet. So it's--

6

7 Q Well, that being the case, what  
8 you're telling me is that-- Let's assume that we  
9 have the same reservoir mechanics going on in either  
10 well. So whether you drill a well at a thousand  
11 feet or fifteen hundred feet or three thousand, is  
12 that going to change your ultimate reserve number  
13 currently? I know you know with that ground  
14 transfer--

15 A Per well, it may not change it,  
16 but if you're drilling on three thousand feet,  
17 you're leaving a significant amount--

18 Q That's my question.

19 A --behind.

20 Q That's my question. Do you see  
21 any difference between the reserve factors drilling  
22 on a thousand feet, fifteen hundred feet--

23 A No.

1 Q --or three thousand feet? That  
2 being the case, if this Commission says that three  
3 thousand feet is the correct spacing, how much are  
4 you leaving behind in reserves?

5 A Well, I would say that would be a  
6 location away, so at minimum, seventy-five million.

7 MR. RADABAUGH: Per well?

8 THE WITNESS: Well, per-- If  
9 you're drilling on three thousand feet, you're  
10 basically leaving a location out.

11 MR. RADABAUGH: Right.

12 THE WITNESS: And if we would  
13 assume seventy-five million is draining fifteen  
14 hundred feet, so we're leaving seventy-five million  
15 in the ground.

16 BY CHAIRMAN LAY:

17 Q It's only one direction, isn't it?

18 A Well, in one direction. So it's--

19 Q How much gas are you leaving in  
20 place?

21 A Okay. Well, multiply it by four.  
22 Three hundred million.

23 Q Okay. That's my question.

1 A Yeah. Okay.

2 CHAIRMAN LAY: Any other questions?  
3 Any cross? Okay. The witness may be excused. Call  
4 your next witness.

5 (Witness excused.)

6 MR. MOFFATT: Mr. Cable was the  
7 last witness.

8 CHAIRMAN LAY: Okay. I guess that  
9 means you've rested.

10 MR. MOFFATT: That is correct.

11 CHAIRMAN LAY: Do we have  
12 appearances from any other parties who wish to put  
13 on evidence? Okay.

14 MR. TAWNEY: Will we have an  
15 opportunity to state positions on the record before  
16 the record is closed?

17 CHAIRMAN LAY: This is the time.

18 MR. TAWNEY: All right. Then my  
19 name is Kenneth Tawney with Jackson Kelly, PLLC,  
20 appearing on behalf of PetroEdge Resources, WVLLC,  
21 North Star Energy Corporation and Trans Energy  
22 Corporation.

23 And for the record, we will repeat

1 our objection to the Commission's jurisdiction over  
2 these proceedings on the basis that these are  
3 shallow wells that should be subject to the  
4 jurisdiction of the oil and gas-- to the Office of  
5 Oil and Gas.

6 But beyond that, we do support the  
7 request of Chesapeake for special field rules and  
8 believe that the Commission should grant the  
9 request. We also support the settlement that was  
10 issued earlier or repeated earlier regarding the  
11 spacing where the coal injects.

12 We continue to believe that, if  
13 there's no objection to coal, that the Commission  
14 should not impose any spacing requirement at all for  
15 these wells because these are shallow wells that  
16 would not be subject to spacing requirements in the  
17 absence of a coal injection.

18 We'd also continue to encourage  
19 the Commission to consider Statewide special field  
20 rules for these wells. This makes the second  
21 hearing now for Chesapeake. There have been other  
22 hearings. We're here for the same companies time  
23 after time about difficulties that are encountered

1 with these wells.

2 That evidence does not seem to  
3 change depending on what area you're talking about.  
4 So we'd continue to encourage the Commission to  
5 adopt a Statewide rule so that we can avoid coming  
6 to these hearings every time and facing up to these  
7 issues and going through the waste of time and money  
8 of just having the hearings.

9 We would also like for the  
10 Commission to make clear in the order that special  
11 field rules do apply to all producers or operators  
12 that are drilling in the defined area.

13 MR. SULLIVAN: Ben Sullivan,  
14 appearing on behalf of Equitable Production Company.  
15 We appeared at the last hearing on Chesapeake's  
16 special field rule application. We just want to,  
17 once again, voice our support for Chesapeake's  
18 application realizing that we object to any  
19 application of this special field rule area to our  
20 wells and leases in the acreage covered, because the  
21 notice simply states that these special field rules  
22 will apply to Chesapeake's wells.

23 So we would argue that we have not

1 had due process. We haven't received the notice  
2 necessary to make that global special field rule  
3 applicable to all producers.

4 MS. RAUPP: Valerie Raupp from  
5 Lewis, Glasser, Casey & Rollins here on behalf of  
6 Penn Virginia. I don't want to belabor the  
7 arguments that were made at the last hearing where  
8 when we were here on Docket 179, Cause No. 164.

9 I'd essentially echo what  
10 Mr. Tawney said about the jurisdictional arguments  
11 that were made at that hearing. We believe these  
12 were shallow wells and should be subject to the  
13 Shallow Oil and Gas Board. Absent a coal injection,  
14 it should be the sixteen regulations applied to  
15 wells drilled in the Marcellus shale.

16 CHAIRMAN LAY: Anyone else? Okay.  
17 We'll go off the record.

18 (WHEREUPON, a brief recess  
19 was had.)

20 CHAIRMAN LAY: We'll go back on the  
21 record. Mr. Radabaugh?

22 MR. RADABAUGH: I will make a  
23 motion to grant Chesapeake's request for the

1 establishment of special field rules in the  
2 following manner. Special field rules shall allow  
3 Chesapeake to drill wells in the designated area to  
4 a depth not to exceed seventy-five feet into the  
5 Onondaga group or in no case can it go to the base  
6 of the Onondaga group, whichever is shallower.

7 Each well drilled under the  
8 special field rules will be located at a minimum of  
9 a thousand feet from each well covered by this order  
10 with the exception of wells affected by the  
11 settlement agreement between Chesapeake and  
12 Pocahontas Land, which will abide by 22C-8-8, as  
13 agreed to on the record, and one hundred feet from  
14 the lease line or unit boundary-- would be the  
15 spacing there.

16 For each well covered by the  
17 special field rules, Chesapeake shall submit for a  
18 deep well permit application. Upon completion of  
19 any well under these special field rules, they shall  
20 submit a copy of the open hole log, perforating log  
21 and an affidavit signed by the principle of the  
22 company stating that no formation below the top of  
23 the Onondaga has been stimulated in any manner.

1                   Thereafter, if Chesapeake so  
2 chooses to perforate, frac or otherwise stimulate  
3 anything in the Onondaga group, it must file for and  
4 receive permit to rework, deepen or stimulate and/or  
5 appear back before the Commission.

6                   Further, the Commission waives the  
7 requirement that Chesapeake must submit a site  
8 safety plan and hold a pre-SPUD meeting for the  
9 drilling of wells that are covered under this order,  
10 although there will be H2S monitoring and safety  
11 equipment on site and available for use, if needed.

12                   CHAIRMAN LAY:        I have a motion.

13                   MR. GUM:            And a second.

14                   CHAIRMAN LAY:        I have one point  
15 that we did not include in the motion, Mr.  
16 Radabaugh, as to the special field rules pertain  
17 only to Chesapeake. Is that--

18                   MR. RADABAUGH:        Correct.

19                   CHAIRMAN LAY:        Is that correct?

20                   MR. RADABAUGH:        That is correct.

21                   MR. GUM:            Second it.

22                   CHAIRMAN LAY:        So I'd ask for an  
23 amendment to your motion to include only Chesapeake

1 within the terms of this.

2 MR. RADABAUGH: I'll make an  
3 amendment to the motion that this only includes  
4 Chesapeake--

5 MR. GUM: And I'll second that  
6 amendment.

7 MR. RADABAUGH: --in the area that  
8 they requested per the evidence entered in the case.

9 CHAIRMAN LAY: Okay. We have a  
10 motion and a second. Further discussion? All those  
11 in favor of the motion, aye. Opposed, nay. Motion  
12 carries.

13 I think everyone understands the  
14 terms of the order we're issuing. I'd ask counsel  
15 for Chesapeake to draft a proposed order, if you  
16 would be so kind.

17 MR. MOFFATT: Certainly.

18 CHAIRMAN LAY: Anyone else that  
19 wishes to participate in that can certainly submit a  
20 draft order to the Commission. Is there anything  
21 else from members of the Commission? Questions or  
22 anything else for the record?

23 MR. TAWNEY: Could we have placed

1 of record the reason for applying for the special  
2 field rules only to Chesapeake?

3 CHAIRMAN LAY: I think that was  
4 discussed in our deliberation. And with regard to  
5 the notice and other provisions that we discussed  
6 that we felt that at this time, with one objection  
7 raised by one party that felt that the notice was  
8 insufficient, that we limited it to just Chesapeake  
9 only for that reason.

10 MR. MOFFATT: I've got one point  
11 for clarification, please.

12 CHAIRMAN LAY: Certainly.

13 MR. MOFFATT: To make sure I have  
14 my notes right. Was the spacing a hundred feet from  
15 the unit or leased boundary, not the fifty feet that  
16 we requested?

17 CHAIRMAN LAY: That is correct. We  
18 kept a unit with Eastern American issued order that  
19 had already been granted.

20 MR. MOFFATT: Thank you.

21 CHAIRMAN LAY: So we granted a  
22 hundred foot variance, not a fifty foot. Okay. If  
23 that's all, I'll close the record. Thank you.

1 MR. PRESERVATI: I'd like to place  
2 on the record the same agreement we had previously.

3 CHAIRMAN LAY: I assume what we did  
4 in the matter of the order is acceptable.

5 MR. PRESERVATI: Yes.

6 CHAIRMAN LAY: I didn't hear you  
7 object, so I assumed it was acceptable.

8 (WHEREUPON, the hearing adjourned  
9 at 12:05 p.m.)

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STATE OF WEST VIRGINIA,  
COUNTY OF KANAWHA, To-wit:

I, Bonnie K. Wolfe, Certified Court Reporter and Notary Public in and for the State of West Virginia, duly commissioned and qualified, do hereby certify that the foregoing proceeding was duly taken by me and before me at the time and place specified in the caption hereof, the said witnesses having been by me first duly sworn.

I do further certify that the said proceeding was correctly reported by me verbatim and that same was by me accurately written out in full and transcribed into the English language.

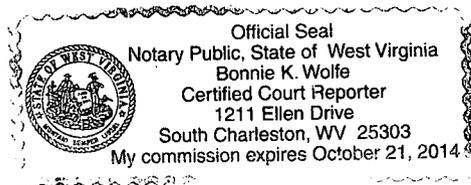
I further certify that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action in which this proceeding is taken and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto or financially interested in the action.

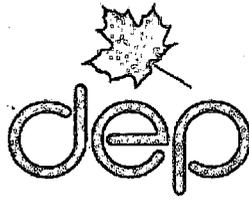
My commission expires the 21st day of  
October, 2014.

Given under my hand and official seal  
this 12th day of June, 2007.

Bonnie K Wolfe

Bonnie K. Wolfe, CCR/Notary





west virginia department of environmental protection

Oil and Gas Conservation Commission  
601 57<sup>th</sup> Street, SE  
Charleston, West Virginia 25301

Joe Manchin III, Governor  
www.wvdep.org

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY  
CHESAPEAKE APPALACHIA, LLC FOR AN  
ORDER FROM THE COMMISSION  
ESTABLISHING SPECIAL FIELD RULES IN  
BOONE, LINCOLN AND LOGAN COUNTIES,  
WEST VIRGINIA COVERING MADISON, MUD,  
HENLAWSON, CLOTHIER, LOGAN AND  
AMHERSTDALE QUADRANGLES.

DOCKET NO. 180

CAUSE NO. 165

NOTICE OF HEARING

Chesapeake Appalachia, LLC (Chesapeake) has requested a hearing before the Commission for the establishment of special field rules covering Boone, Lincoln and Logan Counties. Chesapeake wishes to drill several Marcellus shale wells in the designated area. Although the Marcellus is a "shallow" formation, Chesapeake proposes to drill 75 feet into the Onondaga limestone to enable the logging and completion of the entire Marcellus shale section. Chesapeake will not perforate or complete any formation below the base of the Marcellus shale formation; however, by definition, since the proposed wells will be drilled in excess of twenty feet into the Onondaga limestone, they will be considered deep wells. Therefore, Chesapeake is requesting the Commission set spacing for the proposed wells to conform to the following: 1000' between wells and 50' from a lease line or unit boundary.

Notice of the pre-hearing conference was given as required by law by Chesapeake Appalachia, LLC to all interested parties.

DATE: June 7, 2007

TIME: immediately following the 9:00 pre-hearing

PLACE: Department of Environmental Protection  
601 57<sup>th</sup> Street, SE  
Charleston, WV 25304

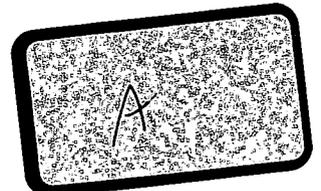
OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA

By: \_\_\_\_\_

Barry K. Lay, Commissioner

Dated this 7<sup>th</sup> day of May, 2007, at Charleston, West Virginia.

Promoting a healthy environment.



SENT BY: Docket 180-165

DEPARTMENT: \_\_\_\_\_

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**New River Energy Corporation**  
**Attention: Tim Comer**  
**315 70th Street, SE**  
**Charleston, WV 25304**

2. Article Number

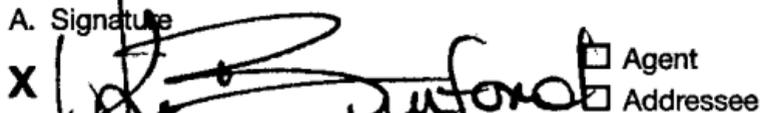
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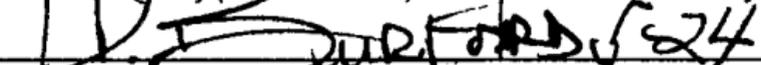
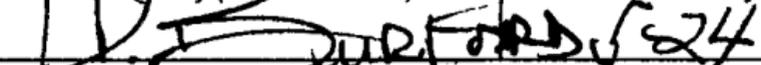
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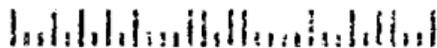
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1. Article Addressed to:



Eastern American Energy Corporation  
 Attention: Rod Winters  
 501 56th Street, SE  
 Charleston, WV 25304

2. Article Number

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1. Article Addressed to:



**New River Energy Corporation**  
**Attention: Tim Comer**  
**P O Box 1951**  
**Charleston, WV 25327**

2. Article Number

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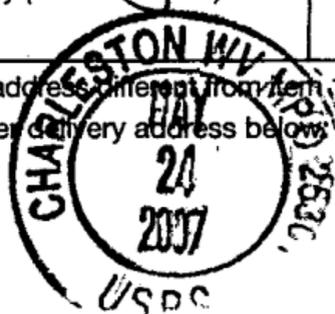
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1. Article Addressed to:



**Cabot Oil and Gas Corporation**  
**Attention: Tom Liberatore**  
**900 Lee Street, East - Suite 500**  
**Charleston, WV 25301**

2. Article Number

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C. Date of Delivery

5-24-07

D. Is delivery address different from item 1?  YesIf YES, enter delivery address below:  No

3. Service Type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:



**Mahue Construction Company**  
**P O Box 555**  
**Hamlin, WV 25523**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

 Agent Addressee

B. Received by (Printed Name)

Bobby Salmon

C. Date of Delivery

 D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below  No

Service Type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

2. Article Number

(Transfer from service label)

7007 0220 0004 6185 4024

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:



**Mountaineer Gas Services, Inc.**  
**Attention: Danny Chandler**  
**2401 Sissonville Drive**  
**Charleston, WV 25312**

 2. Article Number  
 (Transfer from service label)

7007 0220 0004 6185 4055

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

 Agent Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?  YesIf YES, enter delivery address below:  No

3. Service Type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:



**Equitable Production Company**  
**Attention: Rex Cecil Ray**  
**1710 Pennsylvania Avenue**  
**Charleston, WV 25302**

2. Article Number

(Transfer from service lab)

7007 0220 0004 6185 4048

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

 Agent Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?  Yes YesIf YES, enter delivery address below:  No No

3. Service Type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

I, Richard Osborne, publisher of THE LOGAN BANNER, a newspaper published in Logan County, West Virginia, do hereby certify that the annexed notice was published in said paper for 2 successive time(s) on the following date(s):

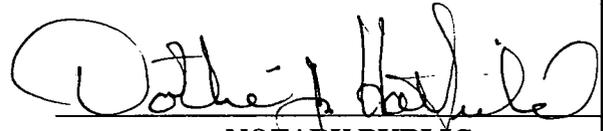
May 17th, & 24th, 2007

Given under my hand this 25th day of May, 2007

  
PUBLISHER

State of West Virginia  
County of Logan, to-wit:

Subscribed and sworn before me this 25th day of May, 2007

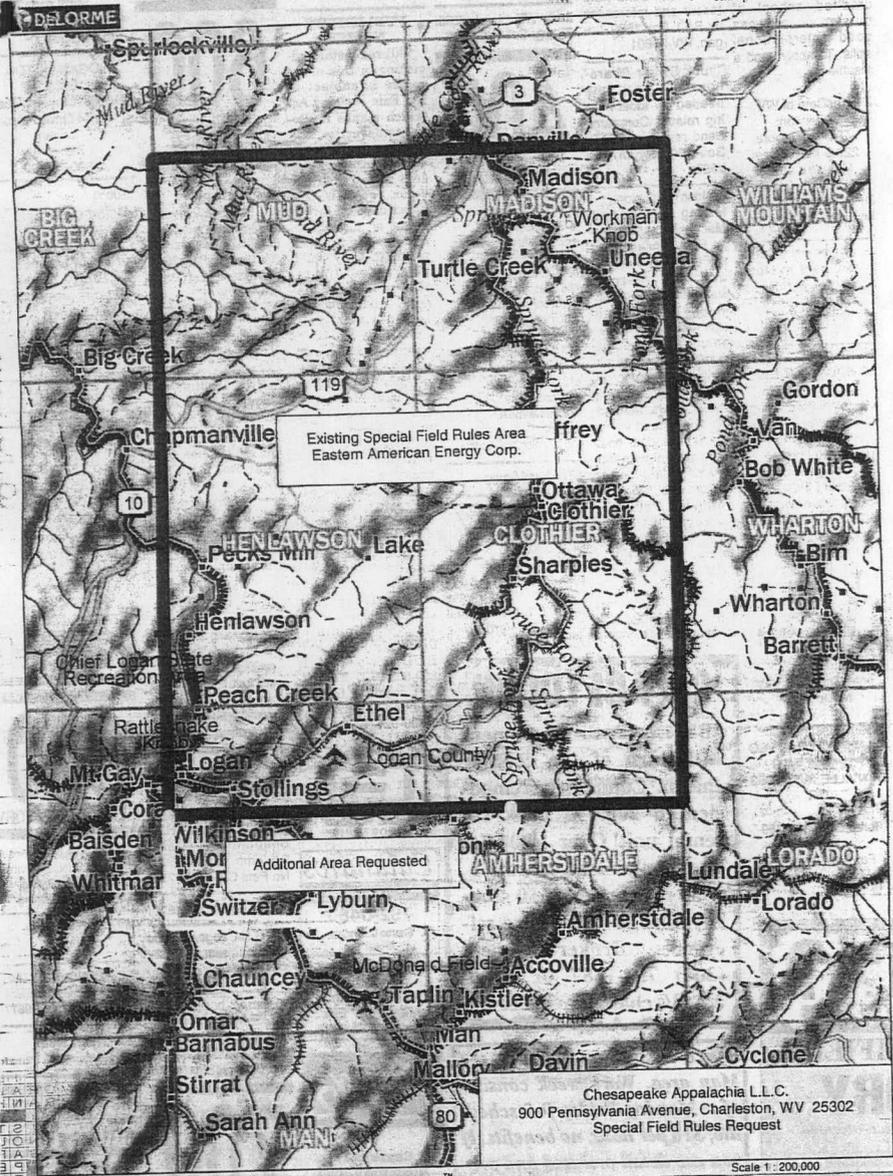
  
NOTARY PUBLIC

Cost of Publication: \$761.62

COPY OF PUBLICATION

SEE ATTACHED

Chesapeake  
EX. NO. 4



Chesapeake Appalachia L.L.C.  
 900 Pennsylvania Avenue, Charleston, WV 25302  
 Special Field Rules Request

Data use subject to license.  
 © DeLorme, XMap® 5.0 Professional.  
 www.delorme.com

Scale 1" = 3.16 mi  
 Data Zoom 9-0

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF WEST VIRGINIA**

**IN THE MATTER OF THE REQUEST BY CHESAPEAKE APPALACHIA, L.L.S., FOR AN ORDER FROM THE COMMISSION ESTABLISHING SPECIAL FIELD RULES IN BOONE, LINCOLN AND LOGAN COUNTIES, WEST VIRGINIA**

DOCKET NO. 180  
 CAUSE NO. 165

**NOTICE OF PREHEARING CONFERENCE**

Please be advised that Chesapeake Appalachia, L.L.C. ("Chesapeake") has made application to the Oil and Gas Conservation Commission ("Commission") for the establishment of Special Field rules covering lands located in Boone, Lincoln and Logan Counties, West Virginia. The affected lands are shown on the attached map.

Chesapeake's request for Special Field rules relates to oil and gas wells drilled to the Marcellus Shale formation which penetrate into the Onondaga Group. The Marcellus shale sits directly above the Onondaga Group. In West Virginia, pursuant to West Virginia Code §22C-9-2(12), a deep well is defined as any well, other than a shallow well, drilled and completed in a formation at or below the top of the uppermost member of the Onondaga Group. The definition of a shallow well pursuant to West Virginia Code §22C-9-2(11) is any well drilled and completed in a formation above the top of the uppermost member of the "Onondaga Group". Provided, that in drilling a shallow well the operator may penetrate into the "Onondaga Group" to a reasonable depth, not to exceed twenty (20) feet, in order to allow for logging and completion operations, but in no event may the "Onondaga Group" formation be otherwise produced, perforated or stimulated in any manner.

By virtue of the twenty (20) foot drilling limitation in the Onondaga Group, Chesapeake is not able to complete evaluate, treat and stimulate the entire section of the Marcellus Shale. Accordingly, in the area shown on the attached map (Eastern American Energy Corp. Existing Special Field Rules Area and Additional Area), Chesapeake wishes to drill wells to a total depth not to exceed seventy-five (75) feet into the Onondaga Group in any manner. The purpose for drilling seventy-five (75) feet into the Onondaga Group is to allow sufficient rat-hole for logging and completion of the Marcellus Shale. Although the Marcellus is a shallow formation, Chesapeake is required to apply for a deep well permit by virtue of the above definitions. In order to avoid leaving natural gas reserves in place, it is not prudent to develop the Marcellus Shale fields utilizing the required deep well spacing of 3000 feet between wells and 400 feet from the lease line or unit boundary. Therefore, Chesapeake is requesting Special Field Rules establishing 1000 foot spacing between wells, and providing that each well be located no less than fifty (50) feet from the lease line or unit boundary. The Special Field Rules would apply to those wells drilling by Chesapeake to a total depth not to exceed seventy-five (75) feet into the Onondaga Group. Chesapeake would agree not to produce, perforate, frac, or otherwise stimulate the Onondaga Group, unless and until it obtained a further Order from the Commission. In addition, with regard to deep well permits for Marcellus Shale Rules provide that Chesapeake would not have to conduct a pre-spud meeting prior to commencing drilling operations or prepare and submit a well safety plan for each such deep well.

A pre-hearing conference relating to Chesapeake's request for Special Field Rules has been scheduled for the following date and time:

Date: June 7, 2007  
 Time: 9:00 a.m.  
 Where: West Virginia Oil and Gas Conservation Commission  
 601 57th Street SE  
 Charleston, WV 25304

Chesapeake has made a diligent effort to determine the operators of any lands that may be directly or immediately affected by this proposal. Any opponent to the application for Special Field Rules must file written notice to the Commission within ten (10) days of the date of this pre-hearing notice or the pre-hearing conference will not be held. This pre-hearing notice is hereby made and dated this 14th day of May, 2007.

AFFIDAVIT OF PUBLICATION

STATE OF WEST VIRGINIA  
COUNTY OF BOONE, to-wit

I, Angela M. Alexander-Adkins, being duly sworn, upon my oath, do depose and say that I am General Manager of the corporation entitled Heartland Publications LLC, publishers of the COAL VALLEY NEWS, that such newspaper has been published for more than one year prior to publication of the approved notice described below; that such newspaper is regularly published weekly, for at least fifty weeks during the calendar year, in the municipality of Madison, Boone County, West Virginia; that such newspaper is a newspaper of "general circulation" as that term is defined in article three, 1931, as amended, within the publication area of the aforesaid municipality; that such newspaper averages in length four or more pages, exclusive of any cover per issue; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature and for current happenings, announcements, miscellaneous reading matters, advertisements and other notices;

that the annexed notice of Chesapeake Appalachia Docket No 180 was duly published in the COAL VALLEY NEWS once a week for 2 successive weeks (Class II), commencing with the issue of the 23rd day of May, 2007, and ending with the issue of the 30th day of May, 2007, that said annexed notice was published on the following dates:

5-23, 5-30, 2007

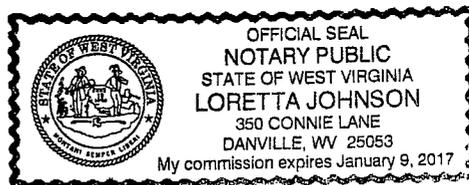
and the cost of publishing said annexed notice as aforesaid was \$749.70.

*Angela M. Alexander-Adkins*

*Chesapeake  
Ex. No. 2*

Taken, subscribed and sworn to before me in my said county this 30th Day of May.  
My commission expires January 9, 2017.

*Loretta Johnson*  
Notary Public of Boone County  
West Virginia

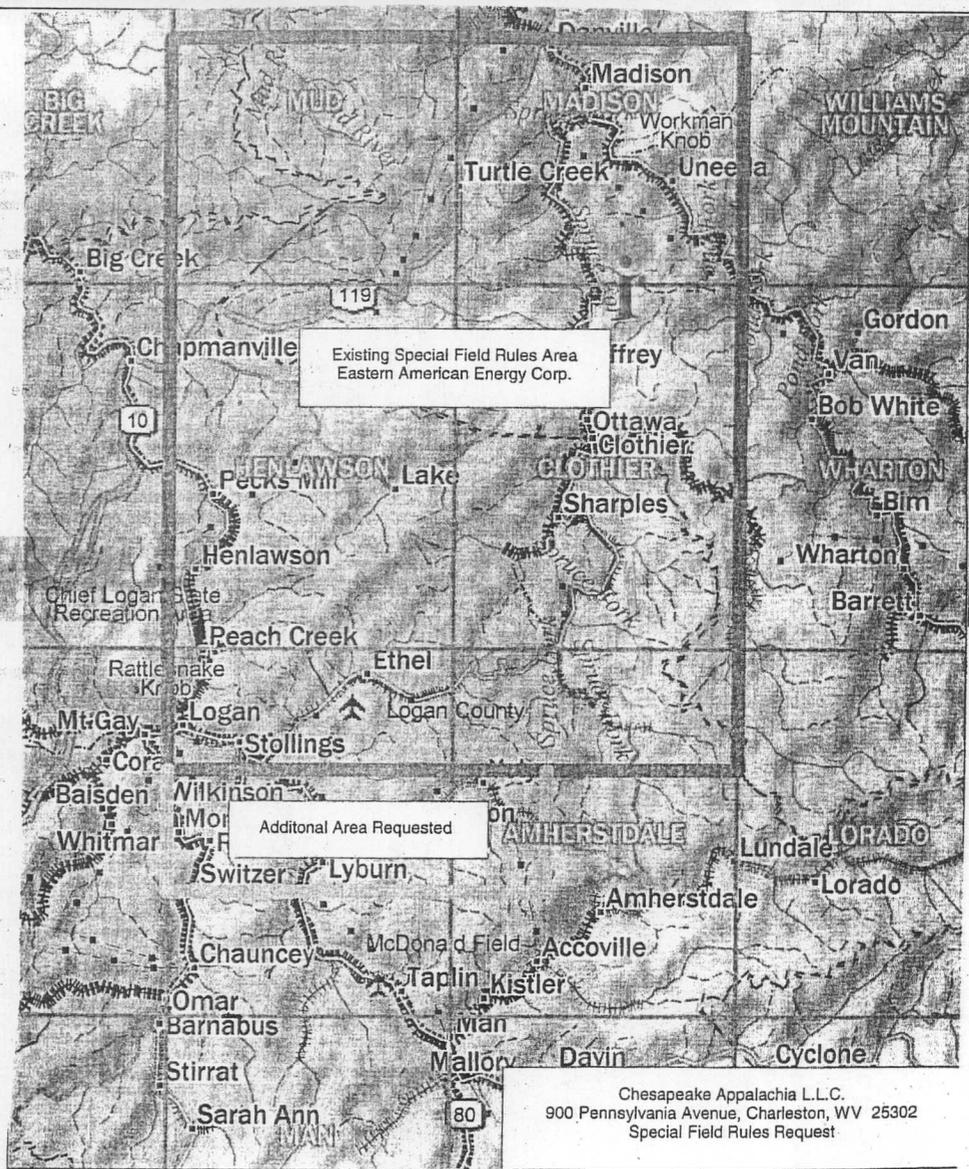


AFFIDAVIT

STATE OF WEST VIRGINIA  
COUNTY OF BOONE

I, A  
sworn, upon  
General Magistrate  
Publication  
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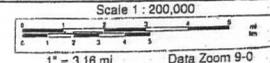
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Data use subject to license.

© DeLorme. XMap® 5.0 Professional.

www.delorme.com



Chesapeake Appalachia L.L.C.  
900 Pennsylvania Avenue, Charleston, WV 25302  
Special Field Rules Request

IN THE MATTER OF THE REQUEST BY CHESAPEAKE APPALACHIA, L.L.C., FOR AN ORDER FROM THE COMMISSION ESTABLISHING SPECIAL FIELD RULES  
IN BOONE, LINCOLN AND LOGAN COUNTIES, WEST VIRGINIA  
DOCKET NO. 180  
CAUSE NO. 165

**NOTICE OF PREHEARING CONFERENCE**

Please be advised that Chesapeake Appalachia, L.L.C. ("Chesapeake") has made application to the Oil and Gas Conservation Commission ("Commission") for the establishment of Special Field Rules covering lands located in Boone, Lincoln and Logan Counties, West Virginia. The affected lands are shown on the attached map.

Chesapeake's request for Special Field Rules relates to oil and gas wells drilled to the Marcellus Shale formation which penetrate into the Onondaga Group. The Marcellus Shale sits directly above the Onondaga Group. In West Virginia, pursuant to West Virginia Code §22C-9-2(12), a deep well is defined as any well other than a shallow well, drilled and completed in a formation at or below the top of the uppermost member of the Onondaga Group. The definition of a shallow well pursuant to West Virginia Code §22C-9-2(11) is any well drilled and completed in a formation above the top of the uppermost member of the "Onondaga Group": Provided, that in drilling a shallow well the operator may penetrate into the "Onondaga Group" to a reasonable depth, not to exceed twenty (20) feet, in order to allow for logging and completion operations, but in no event may the "Onondaga Group" formation be otherwise produced, perforated or stimulated in any manner.

By virtue of the twenty (20) foot drilling limitation in the Onondaga Group, Chesapeake is not able to completely evaluate, treat and stimulate the entire section of the Marcellus Shale. Accordingly, in the area shown on the attached map (Eastern American Energy Corp. Existing Special Field Rules Area and Additional Area), Chesapeake wishes to drill wells to a total depth not to exceed seventy-five (75) feet into the Onondaga Group. Chesapeake has no intention to produce, perforate or stimulate the Onondaga Group in any manner. The purpose for drilling seventy-five (75) feet into the Onondaga Group is to allow sufficient rat-hole for logging and completion of the Marcellus Shale. Although the Marcellus is a shallow formation, Chesapeake is required to apply for a deep well permit by virtue of the above definitions. In order to avoid leaving natural gas reserves in place, it is not prudent to develop the Marcellus Shale fields utilizing the required deep well spacing of 3000 feet between wells and 400 feet from the lease line or unit boundary. Therefore, Chesapeake is requesting Special Field Rules establishing 1000 foot spacing between wells, and providing that each well be located not less than fifty (50) feet from the lease line or unit boundary. The Special Field Rules would apply to those wells drilled by Chesapeake to a total depth not to exceed seventy-five (75) feet into the Onondaga Group. Chesapeake would agree not to produce, perforate, frac, or otherwise stimulate the Onondaga Group, unless and until it obtained a further Order from the Commission. In addition, with regard to deep well permits for Marcellus Shale formation wells in the affected area, Chesapeake requests that these Special Field Rules provide that Chesapeake would not have to conduct a pre-sud meeting prior to commencing drilling operations or prepare and submit a well safety plan for each such deep well.

A pre-hearing conference relating to Chesapeake's request for Special Field Rules has been scheduled for the following date and time:  
Date: June 7, 2007; Time: 9:00 a.m.; Where: West Virginia Oil and Gas Conservation Commission 601 57th Street SE Charleston, WV 25304  
Chesapeake has made a diligent effort to determine the operators of any lands that may be directly or indirectly affected by this proposal. Any opponent to the application for Special Field Rules must file written notice to the Commission within ten (10) days of the date of this pre-hearing notice or the pre-hearing conference will not be held. This pre-hearing notice is hereby made and dated this 14th day of May, 2007.

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## AFFIDAVIT OF PUBLICATION

STATE OF WEST VIRGINIA  
COUNTY OF LINCOLN, to wit:

I, THOMAS A ROBINSON, Publisher, being duly sworn upon my oath do depose and say that I am proprietor of the entitles:

*The Lincoln Journal*; plus our internet site [www.lincolnjournal.com](http://www.lincolnjournal.com) where your legal advertisement appeared at no extra cost to you; that such paper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published weekly, for at least fifty weeks during the calendar year, the Municipality of Hamlin, Lincoln County, West Virginia; that such newspaper is newspapers of "general circulation" as that term is defined in article three, chapter fifty-nine of the Code of West Virginia 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspapers average in length of four or more pages, exclusive of any cover, per issue; that such newspapers is circulated to the general public at a definite price or consideration; that such newspaper is newspaper to which the general public resorts for posting of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements, and other notices; that the annexed notice of

### Notice Of Prehearing Conference With Map

was duly published in said newspapers once a week for 2 week(s), commencing with the issue 23rd day of May 2007 and ending with the issue of the 30th day of May 2007 that said annexed notice was published on the following dates: May 23, 30, 2007

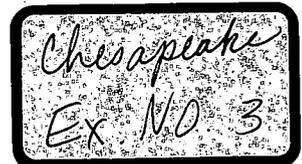
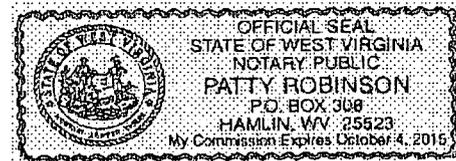


Thomas A Robinson, Publisher

Taken, subscribed and sworn before me in my said county this 6th day of June 2007.



Patty Robinson, Notary Public of Lincoln County, West Virginia.  
My commission expires October 4, 2015.



Lincoln Journal, Inc 55-0743799

PO Box 308  
 328 Walnut Street  
 Hamlin, WV 25523

# Invoice

DATE	INVOICE #
6/6/2007	19729

**BILL TO**

Chesapeake Energy/Columbia Gas Resources  
 900 Pennsylvania Ave, PO Box 6070  
 Charleston, WV 25352-0070

P.O. NO.	TERMS	RATE
	Due on receipt	0115

ITEM	QUANTITY	DESCRIPTION	AD SIZE	AMOUNT
Legal Adverti...	1	May 23 Notice Of Prehearing Conference With Map Legal Publication		592.02
Legal Adverti...	1	May 30 2nd Insertion 75% Legal Publication		444.02

PAST DUE BALANCES SUBJECT TO A SERVICE CHARGE OF 1.5%  
 PER MONTH (18% ANNUALLY).

<b>Subtotal</b>	\$1,036.04
<b>Total</b>	\$1,036.04
<b>Balance Due</b>	\$1,036.04

**EXHIBIT – DOCKET NO. 180, CAUSE NO. 165**

R. H. Adkins  
P.O. Box 555  
Hamlin, WV 25523

Cabot Oil & Gas Corporation  
Attention: Tom Liberatore  
900 Lee Street, E., Suite 500  
Charleston, WV 25301-4308

Classic Oil & Gas Resources Inc.  
Attention: Robert Inghram  
P.O. Box 31  
Pinch, WV 25156

Classic Oil & Gas Resources Inc.  
100 W. Brannon Road  
Nicholasville, KY 40356

Eastern American Energy Corp.  
Attention: Don Supcoe  
501-56<sup>th</sup> Street  
Charleston, WV 25304

Equitable Production Company  
Attention: Felix C. Sciallo  
1710 Pennsylvania Avenue  
Charleston, WV 25302

Jackson Resources Co.  
Attention: Lloyd G. Jackson  
24 Second Street  
Hamlin, WV 25523-0498

Mahue Construction Company  
Attention: Ronald H. Hooser  
P.O. Box 555  
Hamlin, WV 25523-0555

Mountaineer Gas Services, Inc.  
Attention: Danny E. Chandler  
2401 Sissonville Drive  
Charleston, WV 25312

New River Energy Corporation  
Attention: Timothy E. Comer  
315-70<sup>th</sup> Street  
Charleston, WV 25304

New River Energy Corporation  
Attention: Tim Smith  
P.O. Box 1951  
Charleston, WV 25327

New River Energy Group  
Attention: Timothy E. Comer  
P.O. Box 1951  
Charleston, WV 25327

*Chesapeake*  
*Ex*  
*NO. 1*



**LAW DEPARTMENT**

May 2, 2007

Ms. Cindy Raines  
Oil & Gas Conservation Commission  
601 57<sup>th</sup> Street  
Charleston, WV 25304

Keith E. Moffatt  
Senior Attorney  
900 Pennsylvania Avenue  
P. O. Box 6070  
Charleston, WV 25362-0070  
DD: 304.353.5221  
Fax: 304.353.5234  
Email: kmoffatt@chkenergy.com

Re: Special Field Rules

Dear Ms. Raines:

Pursuant to West Virginia Code §22C-9 and the Title 39, Series One, Rules of the Commission, Chesapeake Appalachia, L.L.C. ("Chesapeake") hereby requests a hearing before the Oil & Gas Conservation Commission ("Commission") for the establishment of Special Field Rules. This request is based upon the following facts and circumstances.

Chesapeake is active in drilling wells to the Marcellus Shale formation in portions of Boone, Lincoln and Logan Counties, West Virginia. The Marcellus Shale sits directly above the Onondaga Limestone. In West Virginia, pursuant to West Virginia Code §22C-9-2(12), a deep well is defined as any well, other than a shallow well, drilled and completed in a formation at or below the top of the uppermost member of the Onondaga Group. The definition of a shallow well pursuant to West Virginia Code §22C-9-2(11) is any well drilled and completed in a formation above the top of the uppermost member of the "Onondaga Group": Provided, that in drilling a shallow well the operator may penetrate into the "Onondaga Group" to a reasonable depth, not to exceed twenty feet, in order to allow for logging and completion operations, but in no event may the "Onondaga Group" formation be otherwise produced, perforated or stimulated in any manner.

By virtue of the twenty (20) foot drilling limitation in the Onondaga Group, Chesapeake is not able to completely evaluate, treat and stimulate the entire section of the Marcellus Shale. Accordingly, in the area shown on the attached map, Chesapeake wishes to drill wells to a total depth not to exceed seventy-five (75) feet into the Onondaga Limestone. Please note that a majority of this acreage is subject to Special Field Rules obtained by Eastern American Energy Corporation. Chesapeake has no intention to produce, perforate or stimulate the Onondaga in any manner at the present time. The purpose for drilling seventy-five (75) feet into the Onondaga is to allow sufficient rat-hole for logging and completion of the Marcellus Shale. Although the Marcellus Shale is a shallow formation, Chesapeake is required to apply for a deep well permit by virtue of

Req. for hearing

definitions. In order to avoid leaving natural gas reserves in place, it is not prudent to develop the Marcellus Shale fields utilizing the required deep well spacing of 3000 feet between wells and 400 feet from the lease line or unit boundary. Therefore, Chesapeake is requesting Special Field Rules establishing 1000 foot spacing between wells, and providing that each well be located not less than 50 feet from the lease line or unit boundary. The Special Field Rules would apply to those wells drilled by Chesapeake to a total depth not to exceed seventy-five (75) feet into the Onondaga Limestone. Chesapeake would agree not to produce, perforate, frac or otherwise stimulate the Onondaga Group, unless and until it obtained a further Order from the Commission. In addition, with regard to deep well permits for Marcellus Shale wells in the subject area, Chesapeake requests that the Special Field Rules provide that Chesapeake would not have to conduct a pre-spud meeting prior to commencing drilling operations or prepare and submit a well site safety plan for each such deep well.

As you know, the public policy of this State is to foster, encourage and promote exploration for the development, production, utilization and conservation of oil and gas resources. The Commission is charged with the obligation to prohibit waste of oil and gas resources and encourage the maximum recovery of same. Chesapeake's request for Special Field Rules is consistent with this public policy because it will permit Chesapeake to efficiently and adequately explore, stimulate, treat and produce the Marcellus Shale.

Chesapeake realizes that a notice of a pre-hearing conference to the Commission and affected operators is required pursuant to the West Virginia Code of State Regulations, Title 39, Series 1 section 6.1. Chesapeake will provide this notice to the Commission after it receives notice that a hearing date has been set. Since Chesapeake does not anticipate any opposition to its request for Special Field Rules, Chesapeake requests that the Commission schedule the pre-hearing conference and hearing on the same day.

Thank you for your consideration of this matter. If you have any questions, please feel free to call me at the above number or Brett Loflin at 391-5518.

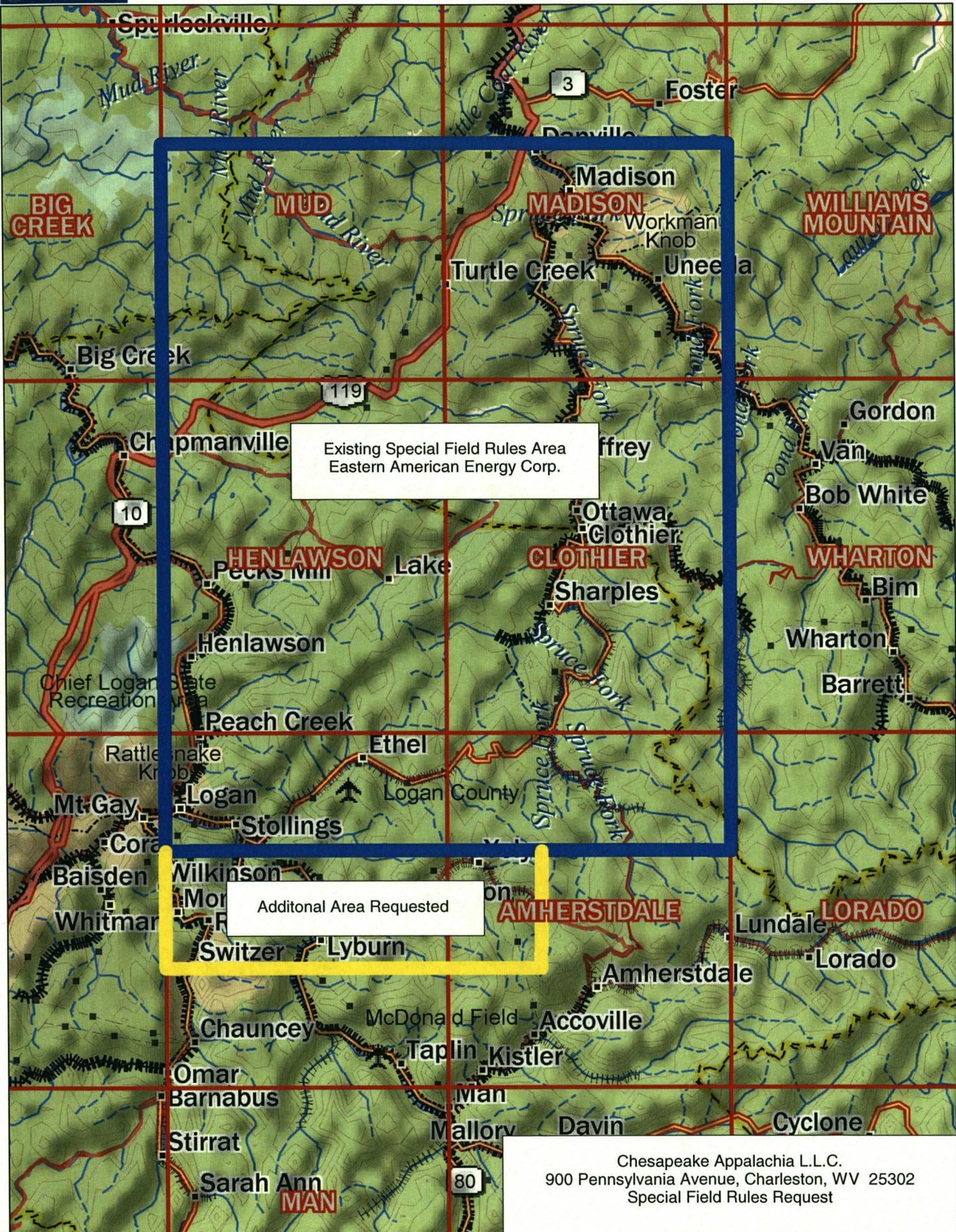
Sincerely,



Keith E. Moffatt

Attachment

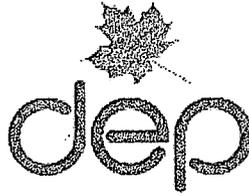
cc: Brett Loflin – Chesapeake Appalachia, L.L.C.  
Eddy Grey – Chesapeake Appalachia, L.L.C.



Existing Special Field Rules Area  
Eastern American Energy Corp.

Additional Area Requested

Chesapeake Appalachia L.L.C.  
900 Pennsylvania Avenue, Charleston, WV 25302  
Special Field Rules Request



west virginia department of environmental protection

Oil and Gas Conservation Commission  
601 57<sup>th</sup> Street, Charleston, WV 25304

Joe Manchin III, Governor  
Stephanie R. Timmermeyer, Cabinet Secretary  
[www.wvdep.org](http://www.wvdep.org)

May 7, 2007

The Independent Herald  
P O Box 100  
Pineville, WV 24874-0100

RE: Legal advertisement

Dear Sir:

Please publish the enclosed "Notice of Hearing" as a legal advertisement on Wednesday, May 30, and again on Wednesday, June 6, 2007. Please send invoice and certification to:

Oil and Gas Conservation Commission  
Attention: Cindy Raines  
601 57<sup>th</sup> Street, SE  
Charleston, WV 25304

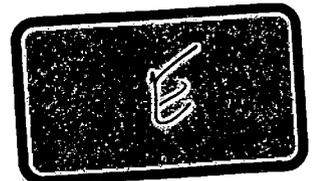
If you have any questions, please call me at 304.926.0499, ext 1656.

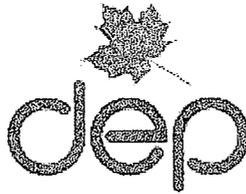
Sincerely,

Cindy Raines  
Adm. Secretary

encl:

Commissions  
Notice of Publications  
to newspapers  
in Boone, Lincoln  
& Logan Counties





---

west virginia department of environmental protection

---

Oil and Gas Conservation Commission  
601 57<sup>th</sup> Street, Charleston, WV 25304

Joe Manchin III, Governor  
Stephanie R. Timmermeyer, Cabinet Secretary  
[www.wvdep.org](http://www.wvdep.org)

May 7, 2007

The Gilbert Times  
P O Box 1135  
Gilbert, WV 25621

RE: Legal advertisement

Dear Sir:

Please publish the enclosed "Notice of Hearing" as a legal advertisement on Wednesday, May 30, and again on Wednesday, June 6, 2007. Please send invoice and certification to:

Oil and Gas Conservation Commission  
Attention: Cindy Raines  
601 57<sup>th</sup> Street, SE  
Charleston, WV 25304

If you have any questions, please call me at 304.926.0499, ext 1656.

Sincerely,

Cindy Raines  
Adm. Secretary

encl:



---

west virginia department of environmental protection

---

Oil and Gas Conservation Commission  
601 57<sup>th</sup> Street, Charleston, WV 25304

Joe Manchin III, Governor  
Stephanie R. Timmermeyer, Cabinet Secretary  
[www.wvdep.org](http://www.wvdep.org)

May 7, 2007

Welch News  
P O Box 569  
Welch, WV 24801

RE: Legal advertisement

Dear Sir:

Please publish the enclosed "Notice of Hearing" as a legal advertisement on Wednesday, May 30, and again on Wednesday, June 6, 2007. Please send invoice and certification to:

Oil and Gas Conservation Commission  
Attention: Cindy Raines  
601 57<sup>th</sup> Street, SE  
Charleston, WV 25304

If you have any questions, please call me at 304.926.0499, ext 1656.

Sincerely,

Cindy Raines  
Adm. Secretary

encl:

Keith Moffatt	CHESAPEAKE	353-5221
Brett Loflin	"	391-5518
Ed Rothman	Chesapeake	353-5205
Rob Schindler	"	542-1655
Jeff Cable	"	353-5149
Khurram (Chaudary) Ahmed	"	391-5514
James 'Eddy' Gray	"	353-5720
TINKI WILLIAMS	"	353-5180
William Mohler	Consol	353-8124
JOE HOLSEN	PETROEDGE	713-954-3663
KENNETH TAWNEY	JACKSON KELLY (PetroEdge)	340-1189
Douglas M. ReP	DanMon EOP, Inc	304-884-2043
Gregory Cunningham	Dominion EOP, INC	304-884-2168
John O'Hare	ARIC (ARIC)/ARCH COAL, INC	304-357-5712
Mark Kinder	PLC	304-324-2417
NICK PRESERVATI	Preservati Law	304-346-1431
KEVIN WALL	NRP	304-522-5757
Chris Mullen	ECA	925-6100
Valerie Raupp	LGCR/Penn VA	345-2000
Ben Sullivan	EPC	348-3830
Becky Barnes	EPC	348-3808
Vicki Dugan	EPC	348-3845

*Steven D. Baisden*

224 Dakota Lane  
Danville, WV 25053  
Phone (304) 369-1277

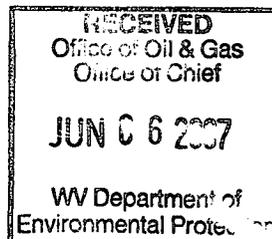
*Objections rec'd  
after deadline*

June 1, 2007

West Virginia Oil and Gas Conservation Commission  
601 57<sup>th</sup> Street SE  
Charleston, WV 25304

Re: *Special Field Rules*

To Whom It May Concern:



*I am responding to an article printed in the Coal Valley Newspaper in Madison, WV. The article posted was a request by Chesapeake Appalachia, L.L.C. for an order from the commission for a Special Field Rule in Boone, Lincoln, and Logan Counties [Docket No. 180, Cause No. 165].*

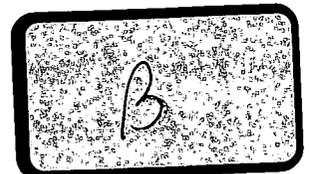
*I strongly protest this type of company having further control over land owners property. They have too much power over private property! Regulations are too lenient now. Not only is the purity of our water supply at stake, but our forests are being destroyed of precious woodlands. Roads are built through properties without any regard for landowners' wishes. These roads are decimating the land we love and have nurtured for years. Can we afford the price we are being coerced into paying? I think not!*

*Presently, I maintain a position on the Boone County Agricultural Committee, farm, and continue to provide a rich crop to pasture my cattle. I don't want my property turned into a desolate, barren, and unproductive land with water that is not appropriate for cattle to drink much less humans. Currently, two wells are being drilled adjoining my property. I have seen first hand the effects of these companies destruction.*

*I appeal to your sense of fairness for property owners and their livelihoods. Please help us keep our water untainted and our lands productive. Deny this company the Special Field Rule and assist us in saving our property.*

Sincerely, *Steven D. Baisden*

Steven D. Baisden



*Johnney Hager*

85 Hager Road  
Danville, WV 25053  
Phone (304) 369-5354

June 2, 2007

West Virginia Oil and Gas Conservation Commission  
601 57<sup>th</sup> Street SE  
Charleston, WV 25304

Re: *Special Field Rules*

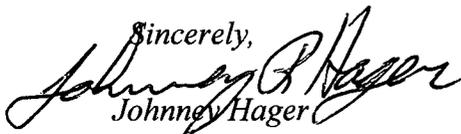
To Whom It May Concern:

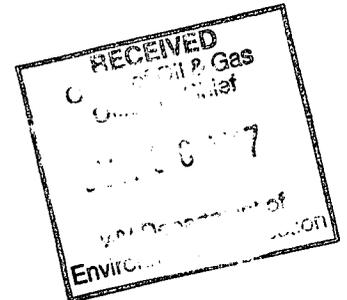
*I am responding to an article printed in the Coal Valley Newspaper in Madison, WV. The article posted was a request by Chesapeake Appalachia, L.L.C. for an order from the commission for a Special Field Rule in Boone, Lincoln, and Logan Counties [Docket No. 180, Cause No. 165].*

*I strongly protest this type of company having further control over land owners property. They have too much power over private property! Regulations are too lenient now. Not only is the purity of our water supply at stake, but our forests are being destroyed of precious woodlands. Roads are built through properties without any regard for landowners' wishes. These roads are decimating the land we love and have nurtured for years. Can we afford the price we are being coerced into paying? I think not!*

*Presently, I maintain a farm and I don't want my property turned into a desolate, barren, and unproductive land with water that is not appropriate for animals to drink much less humans. Currently, two wells are being drilled on my property. I am seeing first hand the effects of these companies destruction.*

*I appeal to your sense of fairness for property owners and their livelihoods. Please help us keep our water untainted and our lands productive. Deny this company the Special Field Rule and assist us in saving our property.*

Sincerely,  
  
Johnney Hager



**P** PRESERVATI LAW PLLC

May 29, 2007

James Martin, Chief  
Oil & Gas Conservation Commission  
West Virginia Department of Environmental Protection  
601 57<sup>th</sup> Street  
Charleston, West Virginia 25304

**Re:** In the Matter of the Request by Chesapeake Appalachia, LLC for an Order from the Commission Establishing Special Field Rules in Boone, Lincoln and Logan Counties, West Virginia.

Dear Mr. Martin:

Pocahontas Land Corporation hereby objects to Chesapeake Appalachia, LLC's application for special field rules. Each objection is set forth below in more detail.

**Lack of Jurisdiction**

The Oil and Gas Conservation Commission has authority to regulate the spacing of deep wells using statutory guidelines or by the adoption of special field rules. W.Va. Code §22C-9-4. However, it is the Shallow Gas Well Review Board that has been granted jurisdiction to regulate the spacing of shallow wells.

A deep well is defined as any well other than a shallow well, drilled and *completed* in a formation at or below the top of the upper most member of the "Onondaga Group." Therefore, unless a well is drilled and completed in the Onondaga Group, it is not a deep well.

In its application, Chesapeake specifically states that it will not "produce, perforate or stimulate the Onondaga in any manner." As such, the proposed wells to be drilled by Chesapeake do not qualify as deep wells. Instead, they are shallow wells regulated by the Shallow Gas Well Review Board. Consequently, the Conservation Commission is without jurisdiction to address Chesapeake's application because it does not involve deep wells.

**Distance Limitation**

Chesapeake is attempting to avoid the 3000 ft. spacing requirement for deep wells. As a result, it has requested that it be permitted to drill shallow wells within 1,000 ft. of other shallow wells. The spacing requirements for shallow wells are set forth in W.Va. Code §22C-8-8. As an owner of coal that will be affected by shallow wells spaced under the 1,500 ft. minimum, Pocahontas Land Corporation formally objects to

C

objection from  
nick Preservati

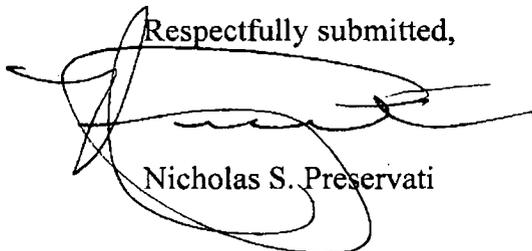
Chesapeake's request for 1,000 ft. spacing. Furthermore, Chesapeake has not met its burden of establishing its need to drill the shallow wells within the 2,000 ft. minimum.

**Notice**

Chesapeake is attempting to alter the spacing requirements of shallow gas wells in an area with substantial coal reserves. Despite this fact, and despite having direct knowledge of the coal owners and operators that would be adversely affected by its request, Chesapeake failed to provide notice to many, if not all, of the affected coal owners and operators.

In fact, many of the coal operators and owners have not even been provided with a copy of the application for special field rules. It is shocking that Chesapeake would attempt to alter the spacing of its shallow wells in a three (3) county area in southwestern West Virginia without providing notice to the respective coal owners and operators.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'N. Preservati', is written over the typed name. The signature is stylized and somewhat illegible due to the cursive style.

Nicholas S. Preservati

NSP/meb

cc: Mr. Steve Hopta, Esquire  
Keith Moffatt, Esquire  
Sharon Flanery, Esquire  
Mr. Mark Kinder

State of West Virginia, Mingo County, to-w it:

I, Gaither Perry, Publisher of Williamson Daily News, a paper published in the County aforesaid, do affirm that

LEGAL NOTICE (DOC 180) hereto attached was published in said paper for 2 successive weeks, the first publication thereof being on the 17th day of May 2007 and the subsequent publication on the 24th day of May 2007, the day of , 2007, the day of 2007, and the day of , 2007.

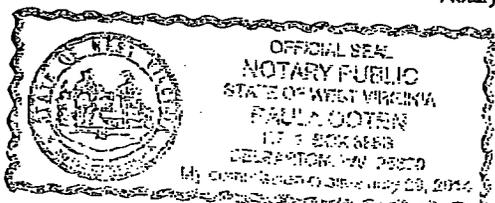
*[Handwritten Signature]*

State of West Virginia, Mingo, to-w it:

being duly sworn, says that he posted a copy of the annexed at the front door of the Court House of said County, on the day of , 2007.

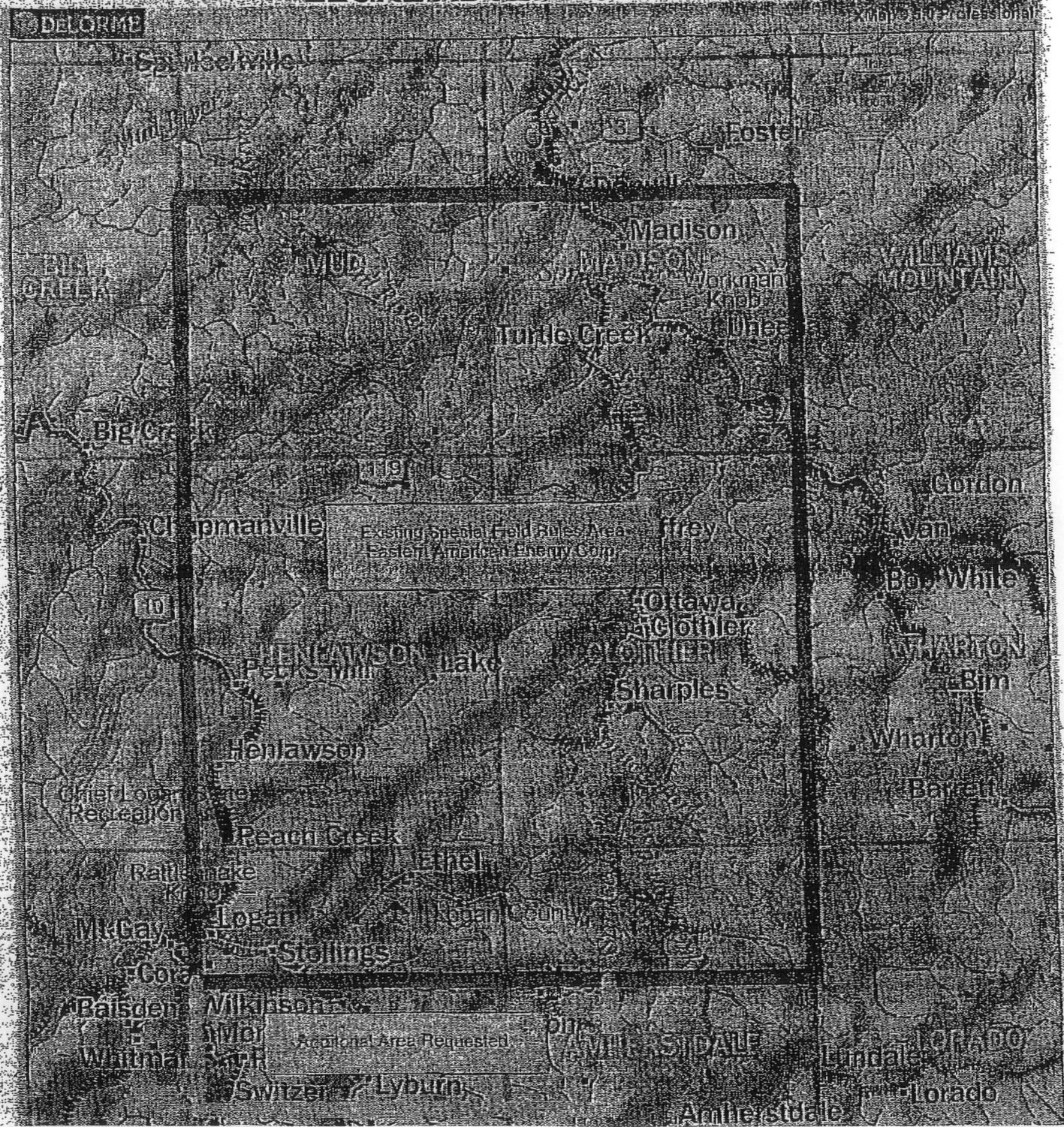
Taken, subscribed and sworn to before me, this 5th day of JUNE 2007. Printer's fee \$ 6067.28

*Paula Doten*  
Notary Public



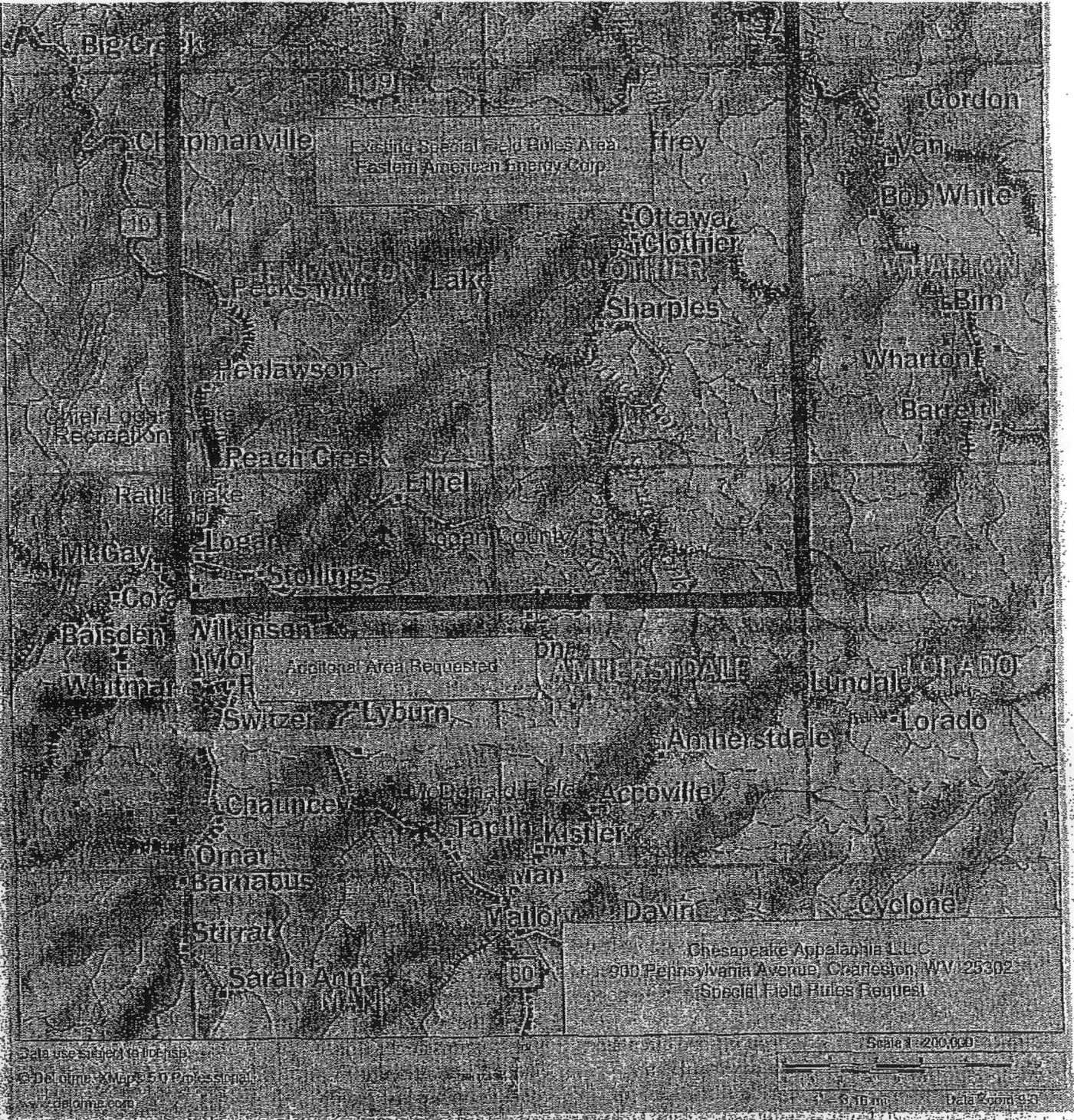
Cherokee  
EX. No. 5

# LEGAL ADVERTISEMENT



PC  
1 of 3  
(Ad)

PG  
2 of 3  
Ad



BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY CHESAPEAKE  
APPALACHIA, L.L.C. FOR AN ORDER FROM THE  
COMMISSION ESTABLISHING SPECIAL FIELD RULES  
IN BOONE, LINCOLN AND LOGAN COUNTIES, WEST  
VIRGINIA

DOCKET NO. 180

CAUSE NO. 165

NOTICE OF PREHEARING CONFERENCE

Please be advised that Chesapeake Appalachia, L.L.C. ("Chesapeake") has made application to the Oil and Gas Conservation Commission ("Commission") for the establishment of Special Field Rules covering lands located in Boone, Lincoln and Logan Counties, West Virginia. The affected lands are shown on the attached map.

Chesapeake's request for Special Field Rules relates to oil and gas wells drilled to the Marcellus Shale formation which penetrate into the Onondaga Group. The Marcellus Shale sits directly above the Onondaga Group. In West Virginia, pursuant to West Virginia Code §22C-9-2(12), a deep well is defined as any well, other than a shallow well, drilled and completed in a formation at or below the top of the uppermost member of the Onondaga Group. The definition of a shallow well pursuant to West Virginia Code §22C-9-2(11) is any well drilled and completed in a formation above the top of the uppermost member of the Onondaga Group. Provided, that in drilling a shallow well, the operator may penetrate into the Onondaga Group to a reasonable depth, not to exceed twenty (20) feet, in order to allow for logging and completion operations, but in no event may the Onondaga Group formation be otherwise produced, perforated or stimulated in any manner.

By virtue of the twenty (20) foot drilling limitation in the Onondaga Group, Chesapeake is not able to completely evaluate, treat and stimulate the entire section of the Marcellus Shale. Accordingly, in the area shown on the attached map (Eastern American Energy Corp. Existing Special Field Rules Area and Additional Area), Chesapeake wishes to drill wells to a total depth not to exceed seventy five (75) feet into the Onondaga Group. Chesapeake has no intention to produce, perforate or stimulate the Onondaga Group in any manner. The purpose for drilling seventy five (75) feet into the Onondaga Group is to allow sufficient shale for logging and completion of the Marcellus Shale. Although the Marcellus is a shallow formation, Chesapeake is required to apply for a deep well permit by virtue of the above definitions. In order to avoid leaving natural gas reserves in place, it is not prudent to develop the Marcellus Shale fields utilizing the required deep well spacing of 3000 feet between wells and 400 feet from the lease line or unit boundary. Therefore, Chesapeake is requesting Special Field Rules establishing 1000 foot spacing between wells, and providing that each well be located not less than fifty (50) feet from the lease line or unit boundary. The Special Field Rules would apply to those wells drilled by Chesapeake to a total depth not to exceed seventy five (75) feet into the Onondaga Group. Chesapeake would agree not to produce, perforate, frac, or otherwise stimulate the Onondaga Group, unless and until it obtained a further Order from the Commission. In addition, with regard to deep well permits for Marcellus Shale formation wells in the affected area, Chesapeake requests that these Special Field Rules provide that Chesapeake would not have to conduct a pre-sud meeting prior to commencing drilling operations or prepare and submit a well safety plan for each such deep well.

A pre-hearing conference relating to Chesapeake's request for Special Field Rules has been scheduled for the following date and time:

Date June 7, 2007

Time 9:00 a.m.

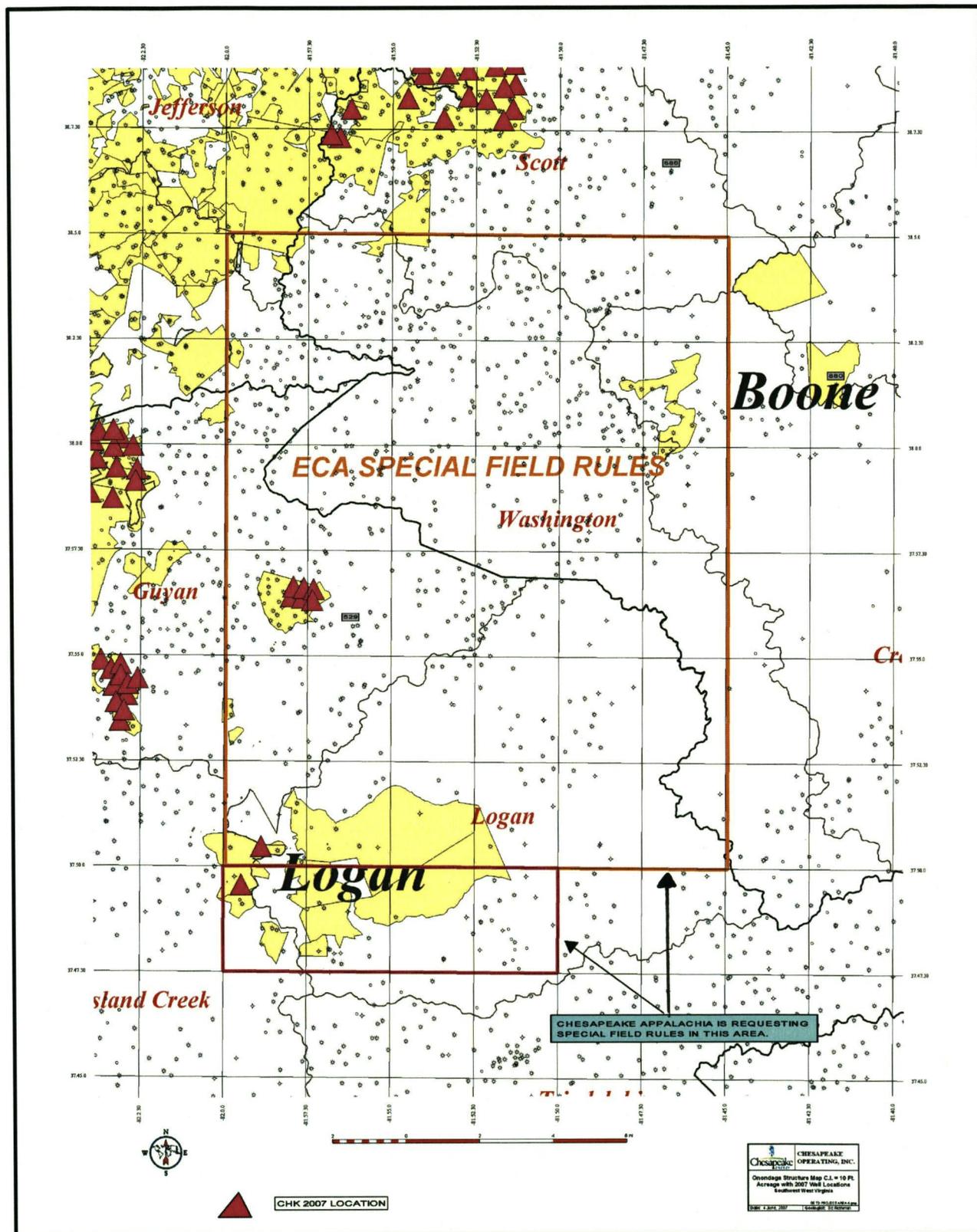
Where West Virginia Oil and Gas Conservation Commission  
601 57th Street SE  
Charleston, WV 25304

Chesapeake has made a diligent effort to determine the operators of any lands that may be directly or immediately affected by this proposal. Any opponent to the application for Special Field Rules must file written notice to the Commission within ten (10) days of the date of this pre-hearing notice or the pre-hearing conference will not be held. This pre-hearing notice is hereby made and dated this 14th day of May, 2007.

5-17-24

PO 3073  
AA

# Base Map with CHK Acreage, Wells & 2007 Wells

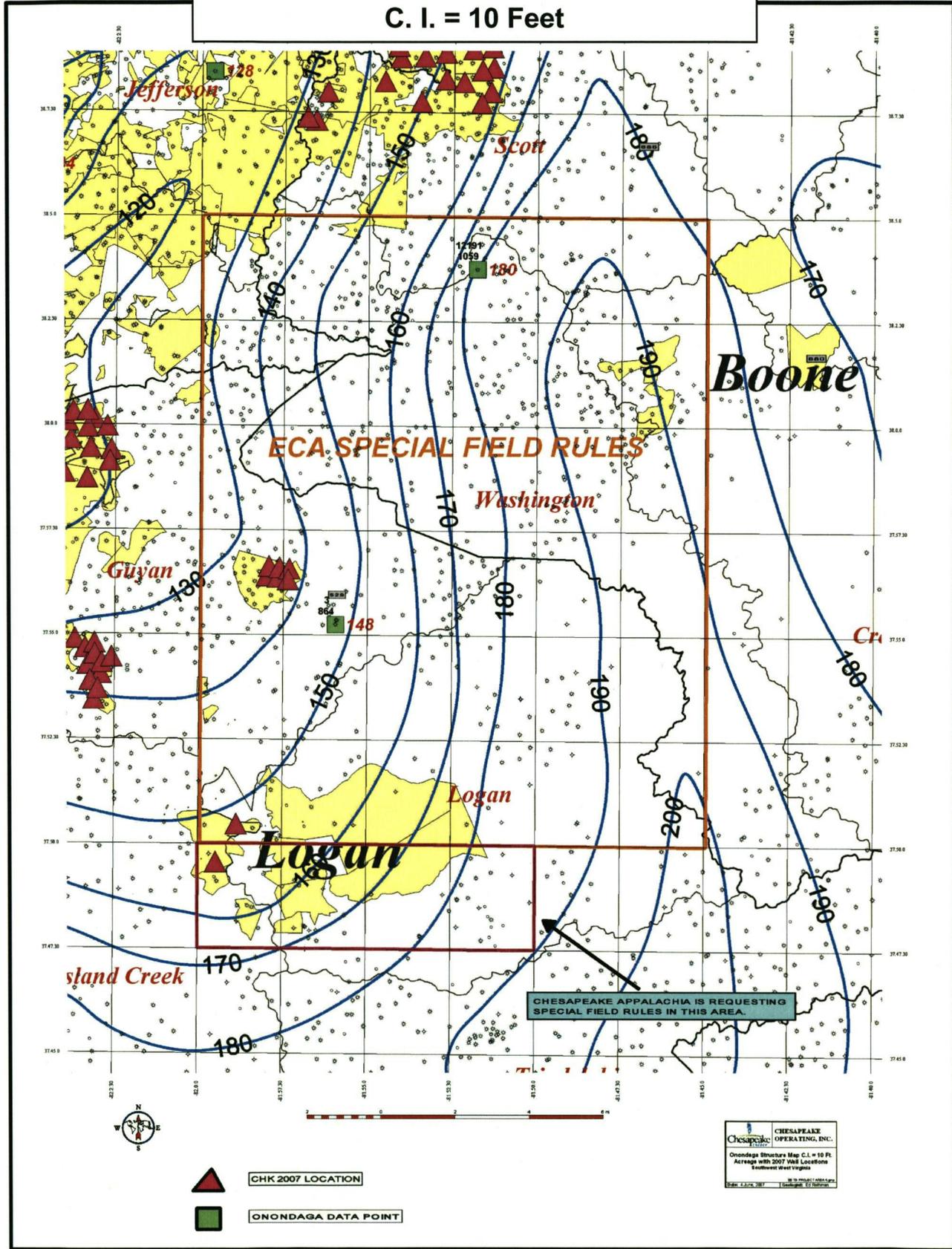


Chesapeake  
Ex. No. 4



# Onondaga Isopach Map

C. I. = 10 Feet



Chesapeake  
Ex. No. 8

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY  
CHESAPEAKE APPALACHIA, LLC, FOR  
AN ORDER FROM THE COMMISSION  
ESTABLISHING SPECIAL FIELD RULES  
IN BOONE, LINCOLN AND LOGAN  
COUNTIES, WEST VIRGINIA, COVERING  
MADISON, MUD, HENLAWSON, CLOTHIER,  
LOGAN AND AMHERSTDALE QUADRANGLES.

Docket No. 180

Cause No. 165

Transcript of proceedings taken on the  
7th day of June, 2007, at 10:07 a.m., in the offices  
of West Virginia Department of Environmental  
Protection located at 601 57th Street, Southeast,  
Charleston, West Virginia, pursuant to notice.

COPY

**BONNIE K. WOLFE**  
Certified Court Reporter  
1211 Ellen Drive  
South Charleston, West Virginia 25303  
(304) 744-4318

## APPEARANCES:

## BOARD:

Barry Lay, Chairman  
Christie Utt, Attorney  
James Martin  
Anthony Gum  
Robert Radabaugh

ON BEHALF OF THE APPLICANT:  
Keith Moffatt, Esquire

ON BEHALF OF EASTERN COAL COMPANY:  
Chris Mullen, Esquire

ON BEHALF OF PETROEDGE, NORTH STAR ENERGY AND  
TRANS ENERGY:  
Kenneth Tawney, Esquire

ON BEHALF OF CONSOL:  
William Mohler, Esquire

ON BEHALF OF PENN VIRGINIA AND  
LGCR:  
Valerie Raupp, Esquire

ON BEHALF OF EQUITABLE (EPC):  
Ben Sullivan, Esquire

ON BEHALF OF ARK LAND/ARCH COAL, INC.:  
John O'Hare, Esquire

INDEX

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIR</u>	<u>RECR</u>	<u>EXAM</u>
Brett Loflin	12				17 18 18
Ed Rothman	19				29 32
Rob Schindler	33				40 41 43
Jeff Cable	45				47 50

APPLICANT'S EXHIBITS

	<u>IDENTIFIED</u>	<u>RECEIVED</u>
A (Notice of Hearing)	4	4
B (Baisden Letter)	5	5
C (Hager Letter)	5	5
D (Preservati Law Letter)	5	5
E (Notices of Publication)	6	6

CHESAPEAKE EXHIBITS

Nos. 1-5	4	17
No. 6	13	29
No. 7	25	29
No. 8	27	29

Reporter's Certificate

63 and 63

1 (WHEREUPON, said documents  
2 were identified as Chesapeake  
3 Exhibits 1-5.)

4 CHAIRMAN LAY: Before the Oil and  
5 Gas Conservation Commission, State of West Virginia,  
6 the matter of the request by Chesapeake Appalachia,  
7 LLC, for an order from the Commission establishing  
8 special field rules in Boone, Lincoln and Logan  
9 Counties, West Virginia. This is Docket No. 180,  
10 Cause No 165.

11 Let the record show that present  
12 are members of the Commission, Bob Radabaugh, Barry  
13 Lay, Anthony Gum, James Martin. Also present are  
14 counsel, Christie Utt, and Staff Cindy Raines.

15 I'd like to place of record a copy of  
16 the Notice of Hearing, along with the return receipt  
17 cards, collectively as Exhibit A.

18 (WHEREUPON, said document was  
19 identified as Exhibit A and is  
20 attached hereto and made a part  
21 hereof.)

22 CHAIRMAN LAY: I've got two letters  
23 of objection, one from Steven D. Baisden, the other

1 from Johnney Hager dated June 1st and June 2nd which  
2 were received after the objection deadline that I  
3 would like to place of record as Exhibit B  
4 collectively.

5 (WHEREUPON, said document was  
6 identified as Exhibit B and is  
7 attached hereto and made a part  
8 hereof.)

9 CHAIRMAN LAY: I have a letter of  
10 objection from Preservati Law dated May 29th to  
11 place of record as Exhibit C.

12 (WHEREUPON, said document was  
13 identified as Exhibit C and is  
14 attached hereto and made a part  
15 hereof.)

16 CHAIRMAN LAY: And I have a letter  
17 dated May 2nd from Chesapeake Natural Gas requesting  
18 the hearing, Exhibit D.

19 (WHEREUPON, said document was  
20 identified as Exhibit D and is  
21 attached hereto and made a part  
22 hereof.)

23 CHAIRMAN LAY: I have collectively

1 three notices of publication from the Commission  
2 from Boone, Lincoln and Logan Counties collectively  
3 as Exhibit E.

4 (WHEREUPON, said documents were  
5 identified as Exhibit E and are  
6 attached hereto and made a part  
7 hereof.)

8 CHAIRMAN LAY: At this time, the  
9 Commissioner will take appearances.

10 MR. MOFFATT: Yes. My name is  
11 Keith Moffatt appearing on behalf of Chesapeake  
12 Appalachia. And with me here today are Brett  
13 Loflin; to his left, Ed Rothman; to his left, Rob  
14 Schindler. And then the gentleman on the end is  
15 Jeff Cable.

16 CHAIRMAN LAY: Any other parties  
17 here representing anyone?

18 MR. PRESERVATI: Thank you.  
19 Nick Preservati on behalf of Pocahontas Land  
20 Corporation and Argus Energy. With me today is  
21 general counsel for Pocahontas Land, Steve Hopta,  
22 and Engineer Special-Projects, Mark Kinder.

23 MR. MOHLER: Bill Mohler, on behalf

1 of Consolidation Coal Company.

2 MR. O'HARE: John O'Hare on behalf  
3 of Ark Land.

4 MR. TAWNEY: Kenneth Tawney on  
5 behalf of PetroEdge Resources, WV LLC, North Star  
6 Energy Corporation and Trans Energy Corporation.  
7 With me here today is Joe Olson with PetroEdge.

8 MS. RAUPP: Valerie Raupp on behalf  
9 of Penn Virginia.

10 CHAIRMAN LAY: Anyone else? At  
11 this time, rather than swear all the witnesses at  
12 one time, I'd like to do that individually, and we  
13 can have them right here beside the court reporter.  
14 So Mr. Moffatt, if you want to call your first  
15 witness--

16 MR. MOFFATT: Would you like to  
17 address the--

18 CHAIRMAN LAY: Oh, certainly.

19 MR. MOFFATT: Why don't we put that  
20 on record first?

21 CHAIRMAN LAY: That's fine. If you  
22 want to address the objection, that's great.

23 MR. MOFFATT: Chesapeake is here

1 today requesting special field rules relating to  
2 Marcellus formation wells that are drilled more than  
3 twenty feet into the Onondaga.

4 And it's the Commission's position  
5 that, if you drill in a Marcellus formation no more  
6 than twenty feet into the Onondaga, that is a deep  
7 well.

8 As part of Chesapeake's request  
9 for special field rules, we are asking for spacing  
10 exceptions for the Marcellus formation wells drilled  
11 more than twenty feet into the Onondaga. We're  
12 asking that these wells be spaced at a minimum of a  
13 thousand feet between wells and then fifty feet off  
14 of lease and boundary lines.

15 With regard to the objection that  
16 has been filed by Pocahontas Land Corporation,  
17 Chesapeake Appalachia is willing to follow the  
18 distance limitations contained in West Virginia Code  
19 22-C-8-8. Those are the spacing limitations for  
20 shallow wells.

21 So even though these are  
22 considered deep wells by the Commission, Chesapeake,  
23 for the purpose of this hearing and then the hearing

1 to follow-- and also for the hearing that has  
2 already taken place with regard to an earlier  
3 request by Chesapeake for special field rules,  
4 Chesapeake is willing to follow the distance  
5 limitations imposed for shallow wells on the  
6 Marcellus formation wells drilled more than twenty  
7 feet into the Onondaga.

8 There are also some other issues  
9 that Chesapeake has with Pocahontas. And we've  
10 agreed to meet separately to try to resolve those  
11 issues.

12 MR. PRESERVATI: Thank you,  
13 Mr. Chairman. After those comments based upon  
14 Chesapeake's willingness to follow those spacing  
15 requirements and based upon this Board's approval of  
16 this agreement, those terms being incorporated into  
17 the permit, Pocahontas Land and Argus Energy  
18 withdraw all of its objections to the hearing and  
19 the application that was held on May 17th.

20 We would also withdraw all of our  
21 objections to the first hearing-- both hearings  
22 today on both applications. In essence, we withdraw  
23 our objections to all three applications for special

1 field rules filed by Chesapeake upon the Board's  
2 acceptance of this agreement between the parties  
3 obviously reserving the right to challenge any  
4 previous or future special field rules as  
5 necessitated.

6 But for purposes of these three  
7 hearings, we'll withdraw all of our objections. I  
8 guess we're looking to the Board. If that's  
9 acceptable to the Board as part of the special field  
10 rules, then we will withdraw our objections.

11 CHAIRMAN LAY: Are there any  
12 objections from any members of the Board to accept  
13 their-- Appears to be no objections from the Board  
14 to accept the negotiated settlement of the parties.  
15 If that's acceptable, then we will incorporate that  
16 as part of any order that we would issue.

17 MR. PRESERVATI: Okay. At that  
18 point then, the Pocahontas Land and Argus hereby  
19 withdraw their objections based upon our  
20 representation and reserve the right to reinstitute  
21 those objections in the event for some unsaid reason  
22 it's not incorporated into the order. We hereby  
23 withdraw. Thank you.

1                   CHAIRMAN LAY:       Does that affect any  
2 other parties here today, that although they didn't  
3 make a written objection, that are here with regard  
4 to the--

5                   MR. MOHLER:       That takes care of  
6 Consol's concerns.

7                   MR. PRESERVATI:       If I may, I just  
8 wanted to be clear. I want to make sure that we  
9 don't get into an issue down the road. This would  
10 apply to the entire field of special field rules.  
11 It's my understanding it would apply. To the extent  
12 that we have acreage covering special field rules,  
13 this would apply to it?

14                   CHAIRMAN LAY:       It will apply to  
15 however the Board rules, whether it's regarding only  
16 Chesapeake's acreage or all acreage within those  
17 areas. That's all we can define it to at this  
18 point.

19                               I mean, it will be defined as to  
20 what the Board considers included in any special  
21 field rule order.

22                   MR. PRESERVATI:       Okay. That's my  
23 understanding. Thank you.

1                   CHAIRMAN LAY:        If that's acceptable  
2 to the parties--

3                   MR. PRESERVATI:        Yes.

4                   MR. TAWNEY:            And I can say that  
5 that PetroEdge and Trans Energy and North Star also  
6 support that resolution of the distance spacing  
7 requirements, both in the last hearing and the  
8 hearing before the Board today.

9                   CHAIRMAN LAY:        All right. Based  
10 upon that, Mr. Moffatt, if you want to call your  
11 first witness then--

12                   MR. MOFFATT:           Chesapeake calls  
13 Brett Loflin.

14  
15                                   (Witness sworn.)

16 THEREUPON came

17                                   BRETT LOFLIN

18 called as a witness by the Applicant herein, being  
19 first duly sworn according to law, testified as  
20 follows:

21                                   DIRECT EXAMINATION

22                                   BY MR. MOFFATT:

23                   Q        Mr. Loflin, would you please state

1 your name for the record?

2 A Brett Loflin.

3 Q And by whom are you employed?

4 A Chesapeake Appalachia, LLC.

5 Q And what is your job title with  
6 Chesapeake?

7 A I'm a Regulatory Compliance  
8 Specialist.

9 Q And as a Regulatory Compliance  
10 Specialist, would you please list some of your  
11 duties and responsibilities?

12 A I'm responsible and I deal with  
13 all issues, all regulatory and all statutory issues  
14 that may occur for all the dealings and matters  
15 before Chesapeake Appalachia, LLC, Eastern Division.

16 Q And are you familiar with the  
17 request made today by Chesapeake for special field  
18 rules?

19 A Yes, I am.

20 (WHEREUPON, said document was  
21 identified as Chesapeake Exhibit  
22 No. 6 and is attached hereto and  
23 made a part hereof.)

1 BY MR. MOFFATT:

2 Q And if you would refer to the  
3 easel, the first exhibit on the easel is an exhibit  
4 which has been marked as Chesapeake Exhibit No. 6.  
5 Could you please tell the Board how much acreage is  
6 incorporated in the area shown on that exhibit?

7 A Yes. The entire outlined-- The  
8 red outlined encompasses one hundred and sixty-seven  
9 thousand acres.

10 Q And that includes the box on top  
11 and then the rectangular piece on the bottom?

12 A Yes, it does.

13 Q And that's the area Chesapeake  
14 wishes to be included in its request for special  
15 field rules?

16 A Yes.

17 Q How much acreage is owned or  
18 leased by Chesapeake in that area?

19 A Chesapeake controls approximately  
20 sixteen thousand eight hundred and ninety-three  
21 acres, which would be the yellow-colored tracts  
22 within that boundary.

23 Q Okay. Did Chesapeake make

1 reasonable efforts or reasonable attempts to locate  
2 the operators within the area covered by its request  
3 for special field rules?.

4 A Yes, we did.

5 Q And how many operators did it  
6 locate?

7 A We identified eleven separate  
8 operators.

9 Q I'm going to hand to you what has  
10 been marked as Chesapeake Exhibit No. 1 and ask that  
11 you take a look at it, and indicate whether or not  
12 it accurately sets forth the list of those  
13 operators.

14 A Yes, it does.

15 Q And did Chesapeake send a  
16 certified mail notice of the pre-hearing conference  
17 to those operators?

18 A Yes, we did.

19 Q And how many counties are included  
20 within the area covered by Chesapeake's request for  
21 special field rules?

22 A There are portions of three  
23 separate counties, Boone, Lincoln and Logan.

1 Q And did Chesapeake cause notice to  
2 be published in newspapers circulated in those  
3 counties of its notice of the pre-hearing  
4 conference?

5 A Yes.

6 Q Now, I'm going to show you  
7 Chesapeake Exhibits 2, 3, 4 and 5 and ask that you  
8 take a look at those exhibits and indicate whether  
9 or not those are Affidavits of Publication showing  
10 that the Notice of Pre-Hearing Conference has been  
11 published in newspapers circulated in those  
12 counties?

13 A Yes, they are.

14 MR. MOFFATT: I have no further  
15 questions for Mr. Loflin and ask that Exhibits 1  
16 through 5 be admitted into evidence.

17 CHAIRMAN LAY: They're 1 through 3.  
18 What is 4 and 5?

19 MR. MOFFATT: No. 1 was the list of  
20 the operators.

21 CHAIRMAN LAY: Okay.

22 MR. MOFFATT: And 2 through 5 are  
23 the Affidavits for Publication for the newspapers in

1 which the notice for Pre-Hearing Conference was  
2 published.

3 CHAIRMAN LAY: All right. We'll  
4 accept Exhibits 1 through 5. Okay.

5 (WHEREUPON, documents previously  
6 identified as Applicant's Exhibits  
7 Nos. 1-5 are received in evidence.)

8 MR. MOFFATT: No further questions.

9 CHAIRMAN LAY: Questions?

10 MR. RADABAUGH: One question real  
11 quick.

12

13

EXAMINATION

14

BY MR. RADABAUGH:

15

Q On the acreage area, the ECA

16

Special Field Rules area, now, you all are

17

requesting that area as well as the smaller area?

18

A That's correct.

19

MR. RADABAUGH: That's what I had

20

assumed, but wasn't a hundred percent sure.

21

MR. MOFFATT: That's right. It's

22

both areas. In total, I believe Mr. Loflin

23

indicated it covered approximately a hundred and

1 sixty-seven thousand acres.

2 THE WITNESS: Yes.

3

4

EXAMINATION

5

BY CHAIRMAN LAY:

6

Q So primarily, your request is just

7

to be included in the area that we've already

8

designated as Eastern American Special Field Rules

9

area and with the addition with the tract to the

10

south.

11

MR. MOFFATT: That's right, with

12

the understanding the fifty-foot limitation rather

13

than a hundred foot limitation.

14

CHAIRMAN LAY: Understand.

15

16

EXAMINATION

17

BY MR. MARTIN:

18

Q And, Mr. Loflin, how many acres

19

did you say that Chesapeake controls in that hundred

20

and sixty-seven thousand?

21

A Approximately, sixteen thousand

22

eight hundred and ninety-three currently.

23

CHAIRMAN LAY: I'm sorry. Would

1 you repeat that number again?

2 THE WITNESS: Sixteen eight  
3 ninety-three.

4 CHAIRMAN LAY: Any other questions?  
5 Any cross from anyone? Okay. The witness may be  
6 excused. Call your next witness.

7 (Witness excused.)

8 MR. MOFFATT: Mr. Ed Rothman.

9  
10 (Witness sworn.)

11 THEREUPON came

12 ED ROTHMAN

13 called as a witness for the Applicant herein, being  
14 first duly sworn according to law, testified as  
15 follows:

16 DIRECT EXAMINATION

17 BY MR. MOFFATT:

18 Q Mr. Rothman, would you please  
19 state your name for the record?

20 A Ed Rothman.

21 Q And where do you work?

22 A Chesapeake Appalachia.

23 Q And what is your job title?

1                   A     I'm a lead geologist who  
2     supervises a team of geologists who is over this  
3     area, and we evaluate property to drill oil and gas  
4     wells.

5                   Q     And do you have experience with  
6     wells drilled to the Marcellus formation?

7                   A     Yes, I do.

8                   Q     And if you'll look at the easel,  
9     the first exhibit that's shown is an exhibit which  
10    has been marked Columbia Exhibit No. 6. Did you  
11    prepare that exhibit in preparation for your  
12    testimony here today?

13                  A     Yes, I did.

14                  Q     Could you please explain what that  
15    exhibit shows?

16                  A     That's a map that shows part of  
17    Lincoln, Boone and Logan counties. The yellow is  
18    acreage controlled by Chesapeake. It shows-- The  
19    little black dots show all the wells that have been  
20    drilled in the area.

21                             The rose-colored triangles are  
22    Chesapeake wells that were to be drilled in 2007,  
23    and it shows the boundary of the special field rules

1 that ECA applied for and received. And it also  
2 shows an extension area that we put on the map for  
3 our Logan County property.

4 Q And how many future well locations  
5 does Chesapeake have for that area?

6 A Approximately a hundred and  
7 twenty-five.

8 Q Could you explain, please, why you  
9 selected that area to be included in your request  
10 for special field rules?

11 A That area was selected mainly  
12 because we plan to be active in there in the next  
13 few years to drill those hundred and twenty-five  
14 wells.

15 Q Now, Mr. Loflin testified that  
16 currently Chesapeake owns or has under lease  
17 approximately, I believe, sixteen thousand acres or  
18 a little more, seventeen thousand acres in that  
19 area.

20 Is it possible in the future that  
21 Chesapeake would acquire farm-outs or joint ventures  
22 or obtain leases on open acreage within that area?

23 A Yes, it is.

1 Q Now, where does the Marcellus  
2 formation sit in relation to the Onondaga?

3 A The Marcellus sits directly on top  
4 of the Onondaga.

5 Q With regard to the twenty-foot  
6 limitation-- And the twenty-foot limitation is the  
7 limitation that relates to shallow wells. You're  
8 not allowed to drill more than twenty feet into the  
9 Onondaga. --is it difficult in your experience to  
10 try to drill not more than twenty feet into the  
11 Onondaga one drilling Marcellus formation wells?

12 A It has been difficult for us.  
13 It's difficult to pick the top of the Onondaga from  
14 samples.

15 Q Is that the primary reason you are  
16 having difficulty with trying to drill less than  
17 twenty feet-- twenty feet or less into the Onondaga?  
18 Is the problem you have with reading the samples  
19 that are coming to the surface?

20 A That is correct.

21 Q Now, as a geologist, you're  
22 interested in logging the Marcellus formation. Is  
23 that correct?

1 A Right.

2 Q Does the twenty-foot limitation  
3 create any problems for you in terms of trying to  
4 log the Marcellus formation?

5 A Yes, it does, because we use two  
6 contractors in that area. One of the contractors  
7 uses tools that are sixty-five feet in length. And  
8 the other contractor uses tools that are thirty-four  
9 feet in length.

10 So with only twenty feet of pocket  
11 below the Marcellus, we wouldn't log the entire  
12 interval.

13 Q Now, because of the twenty-foot  
14 limitation, do you find it necessary to break down  
15 the logging tools in order to try to log the  
16 Marcellus formation?

17 A Yes. We have done that.

18 Q And does that create any problems  
19 for you in terms of gathering complete information  
20 relating the Marcellus zone?

21 A The problems it creates is time  
22 and money. And also, we still don't get the entire  
23 interval logged of this twenty feet 'cause, even

1 when the tools are broken down, they are longer than  
2 twenty feet.

3 Q And what's the significance of  
4 that? If you're not able to log the entire zone,  
5 does that affect your ability to evaluate the  
6 Marcellus formation?

7 A It does create problems, if we  
8 don't see the entire interval, with our evaluation  
9 in picking perforations and completions.

10 Q And then is it true to say that,  
11 if you're having problems with completions and  
12 perforations, it may affect your ability to produce  
13 the entire Marcellus formation?

14 A That's correct.

15 Q So would it be correct to say then  
16 the net result is that you would leave recoverable  
17 reserves in the ground?

18 A That's possible, yes.

19 Q Would that problem be eliminated  
20 if Chesapeake was allowed to drill seventy-five feet  
21 into the Onondaga?

22 A It would certainly help if we were  
23 able to drill the seventy-five feet and get our

1 logging tools completely through the Marcellus.

2 (WHEREUPON, said document was  
3 identified as Chesapeake Exhibit  
4 No. 7 and is attached hereto and  
5 made a part hereof.)

6 BY MR. MOFFATT:

7 Q Now, if you would look at the  
8 easel ones again, the next exhibit is Chesapeake  
9 Exhibit No. 7. Is that an exhibit that you have  
10 prepared in preparation for your testimony here  
11 today?

12 A Yes, it is.

13 Q And could you please explain what  
14 that exhibit demonstrates?

15 A It's just an example of two well  
16 logs. And the well log on the left shows where we  
17 had twenty feet or less pocket below the Marcellus.  
18 And you can see on the left, we barely got the gamma  
19 ray into the Marcellus.

20 And the well on the right is a  
21 well that we did have permission to drill more than  
22 twenty feet, and you could see we clearly logged the  
23 Marcellus and got all our tools through the

1 Marcellus and collected all our data.

2 Q So then is it correct to say that  
3 the log on the left demonstrates what you testified  
4 to, that is where you end up with incomplete data.  
5 And then when you're allowed to drill further into  
6 the Onondaga, that represents the log on the right,  
7 and you get complete data regarding the Marcellus  
8 formation?

9 A That's correct.

10 Q Now, by having to break down the  
11 logging tool, you mentioned that that results in  
12 additional cost and time in logging the Marcellus  
13 zone.

14 A Right. That's correct.

15 Q Does that also result in  
16 additional runs down the hole?

17 A Right. It takes-- Instead of one  
18 run, it requires us to do two logging runs.

19 Q And does that create an additional  
20 risk of possibly losing a tool in the hole when you  
21 have to go down the hole more frequently?

22 A Yes. That's correct. Any time  
23 you go in and out of the hole with tools, you always

1 have risks that, you know, the hole might cave in on  
2 or you jam a tool in there.

3 (WHEREUPON, said document was  
4 identified as Chesapeake Exhibit  
5 No. 8 and is attached hereto and  
6 made a part hereof.)

7 BY MR. MOFFATT:

8 Q Now, Exhibit No. 8 has been put up  
9 on the easel. Is that a map you prepared in  
10 preparation for your testimony here today?

11 A Yes, it is.

12 Q And what does that map  
13 demonstrate?

14 A It's the thickness of the Onondaga  
15 formation in the requested areas. It has a ten-foot  
16 contour interval on it.

17 Q What is the thickness of the  
18 Onondaga in this area?

19 A My map indicates the thickness is  
20 from slightly less than a hundred and thirty feet to  
21 a little bit more than two hundred feet.

22 Q If Chesapeake is allowed to drill  
23 more than seventy-five feet into the Onondaga-- or

1 below the Marcellus-- Let me put it that way. If  
2 Chesapeake is allowed to drill more than seventy-  
3 five feet below the Marcellus, is that going to  
4 remain in the Onondaga group in this area?

5 A Yes, it will.

6 Q Does Chesapeake have any intention  
7 of completing or producing from the Onondaga group?

8 A No, we don't.

9 Q Is the Onondaga group capable of  
10 commercial production in this area?

11 A It could be if you hit a fracture  
12 or a little bit of a pay zone. But for the most  
13 part, it isn't. There's basically no commercial  
14 production in that area right now.

15 Q If by chance Chesapeake were to  
16 encounter production from the Onondaga zone, what  
17 would it--

18 A Excuse me. Could you repeat that?

19 Q If Chesapeake were to encounter  
20 production in the Onondaga zone, what would  
21 Chesapeake do?

22 A We would basically run pipe  
23 through it, but we would not make any attempt to

1 complete it or produce it.

2 Q Is it correct to say that  
3 Chesapeake would not complete or produce that zone  
4 without further order from the Commission?

5 A That's correct.

6 MR. MOFFATT: I have no further  
7 questions for Mr. Rothman and would ask that  
8 Exhibits 6, 7 and 8 be admitted into evidence.

9 CHAIRMAN LAY: Any objections to 6,  
10 7 and 8? Okay. We'll accept the exhibits.

11 (WHEREUPON, Exhibits 6-8  
12 were received in evidence and  
13 are attached hereto and made  
14 a part hereof.)

15 CHAIRMAN LAY: Any questions for  
16 the witness from the Board or the Commission?

17 MR. RADABAUGH: No.

18 MR. MARTIN: I've got one.

19

20 EXAMINATION

21 BY MR. MARTIN:

22 Q Mr. Rothman, I understand-- For  
23 the most part, I think I understand the issue with

1 twenty feet and why it's necessary to perhaps go  
2 deeper.

3 Where I'm a little confused is the  
4 difficulty in picking the top. And I don't know.  
5 You may not be the right person to ask. If you're  
6 not, then you can direct me.

7 But we're talking about what I  
8 perceive to be a stark lithologic contrast in those  
9 two zones. I'm a little bit confused as to why  
10 there's difficulty in picking that change.

11 A Well, the main reason, there is--  
12 You know, we're drilling at a pretty high rate of  
13 speed, and you have to catch the samples just right.  
14 You know, there could be some lag in the samples.  
15 And we do see-- It is gradational in color. The  
16 color really doesn't change at times. It could stay  
17 dark.

18 So unless they catch a sample  
19 and-- If they catch it right at the top-- You  
20 know, we're taking maybe five-foot samples.

21 Unless you catch it right at the  
22 top and you indicate that's the Onondaga, you know,  
23 if there's some lag or you don't catch it at the

1 right interval, it could be a little bit thicker.  
2 Or, you know, you just don't catch the interval at  
3 the exact top. I think that's where we're running  
4 into problems.

5 Q So it's not-- If I'm  
6 understanding correctly, it's not really that it's  
7 hard to see the contrast in the samples. The  
8 problem is the timing.

9 A The timing--

10 Q Because you're only talking about  
11 twenty feet and you're talking you've got a lag.  
12 What is the lag time?

13 A It's probably just a few minutes  
14 on air. It's probably not that much. But it is a  
15 gradational-- The color sometimes doesn't change.  
16 It doesn't jump out at you like it should.

17 And another problem we have had  
18 down there, some of our rigs do not run geologists.  
19 So, you know, we cannot, you know, use that  
20 information to help us, you know, pick the top when  
21 it hits the Onondaga and the drill rate slows down.  
22 So that's another issue we have.

23 MR. MARTIN: Okay. Thank you.

## EXAMINATION

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BY CHAIRMAN LAY:

Q That was my only question. You're not able to pick it up by the ROP?

A If we don't have a drill or a geologist, that's correct. We don't have an ROP information.

Q Okay. The one question I had with regard to the number of sites potentially that you had, was that based on your request for one thousand foot spacing or is there another matrix you use to determine that number of locations?

A I think those spaces were based on seventeen hundred foot. And I think we'll have another witness that will testify why we want the one thousand foot spacing.

Q I'm going to assume that, when you say the Onondaga group, that you're including, not only the Onondaga, but the Huntersville?

A That's-- The Huntersville chert down here isn't that prevalent. You do see a little bit of chert, but it's nothing like it is up north. There's a lot more chert in the interval up north.

1 But for the most part, that is probably true. It  
2 probably does include what could be equated to the  
3 Huntersville.

4 Q I guess my question: is you're  
5 ISOPAC depth thickness, is that including the  
6 Onondaga, the Huntersville and the Needmore? Are  
7 you going basically to the top of the Oriskany? Is  
8 that what you're telling me?

9 A Yes.

10 CHAIRMAN LAY: Okay. I think  
11 that's the only questions I have. Is there any  
12 cross from anyone? Okay. Witness can be excused.  
13 You can call your next witness.

14 (Witness excused.)

15 MR. MOFFATT: Rob Schindler.

16

17 (Witness sworn.)

18 THEREUPON came

19

ROB SCHINDLER

20 called as a witness by the Applicant herein, having  
21 been first duly sworn according to law, testified as  
22 follows:

23

DIRECT EXAMINATION

1 BY MR. MOFFATT:

2 Q Mr. Schindler, would you please  
3 state your name for the record?

4 A Rob Schindler.

5 Q And where do you work?

6 A Chesapeake Appalachia.

7 Q What is your job title at  
8 Chesapeake?

9 A Senior Drilling Engineer.

10 Q As a Senior Drilling Engineer,  
11 what are some of your job duties and  
12 responsibilities?

13 A Drilling and completing all the  
14 wells in the southeast district.

15 Q And do you have experience in  
16 drilling wells to the Marcellus shale formation?

17 A Yes, I do.

18 Q Mr. Rothman just testified as to  
19 some of the logging problems he has because of the  
20 twenty-foot limitation for shallow wells. Could you  
21 please explain to the Commission some of the  
22 operational problems you experience because of this  
23 twenty-foot limitation?

1                   A     Yes, I can. I'd like to go  
2     chronologically again just to reiterate a couple of  
3     Ed's points. The first of those is: actually  
4     drilling at twenty feet is extremely difficult. The  
5     time lag Ed talked about, if there's any moisture in  
6     the hole or anything like that, it slows those  
7     samples down getting to the surface. The top is  
8     gradational.

9                             And more than half the rigs we  
10    have running drill with hammers. The question came  
11    up about the ROP. With those air hammers, we see  
12    very little change in ROP from the Marcellus  
13    formation into the Onondaga.

14                            And so we tried to solve that  
15    problem by just drilling five-foot intervals and  
16    catching samples. But like Mr. Rothman testified,  
17    depending on when in that interval you catch that  
18    sample, it is easy to be off as far as ten feet  
19    based on where you're catching that. Plus, the  
20    difficulty with the gradational top makes it  
21    difficult.

22                            And then the logging issues, you  
23    know, the longer we leave those holes open, the more

1 chance there is for caving in the hole or something  
2 to give us difficulty with the logging tools. Then  
3 when we get to actually setting the pipe, typically,  
4 we like to run a full solid joint on the bottom of  
5 our string.

6 We're not able to do that with the  
7 twenty-foot limitation. We're having to run a  
8 five-foot slotted joint on bottom. The reason we  
9 have to slot that is because we have to actually tag  
10 bottom. You know, often there's a difference in  
11 tally between the PD, between the driller's TD and  
12 the logger's TD.

13 So in order to determine precisely  
14 where that TD is, we have to tag bottom. So we slot  
15 that pipe so we don't plug it to allow a place for  
16 the cement to turn the corner.

17 So all that results in extra time,  
18 effort, money, the expense of pup joints to space  
19 out at the surface so that you can leave that pipe  
20 close to bond. And then when you get to actually  
21 cementing the pipe, there's no shoe joint to catch  
22 any air or water or any contamination at the cement  
23 and water interface.

1                   So the bottom logs are poor on the  
2 bottom of these holes, and then we have the same  
3 difficulties as the open-hole log as far as the  
4 cased hole. Those tools come in varying lengths,  
5 depending on who the provider is.

6                   Often times, it's hard to see the  
7 cement bond right at the bottom of the Marcellus  
8 formation to see how well it's bonded to the pipe.

9                   Our next step is swabbing. And  
10 again, normally, you have some cement that the plug  
11 is bypassed or whatever. And you have to get every  
12 inch of that swabbed or cleaned out of there. We've  
13 had cases where we've had to go in and actually  
14 drill to be able to get down to the spot that we  
15 want to perforate.

16                   You know, if we had a little bit  
17 more space for that stuff to be in, we would be able  
18 to perforate the whole length of the formation.  
19 Right now, we're perforating right near bottom which  
20 often results in the perf guns being blown up the  
21 hole.

22                   And due to your time lag between  
23 swabbing, it's difficult to get every gallon of

1 water out of the hole. And then when you try to  
2 break it down, you're trying to break down with  
3 water instead of nitrogen or acid, making it more  
4 difficult to break the formation down.

5 And then when we get into the  
6 production phase, you're not able to set the tubing  
7 near bottom. Or you could set it near bottom, but  
8 you can't set it at or below the Marcellus perms.  
9 Typically, all wells are going to make what we call  
10 BS, basic sediment. That may be formation fines,  
11 may be some frac sand.

12 Some fluid is going to come in  
13 there, and the gas from the Marcellus formation will  
14 then have to be produced through either those fines  
15 or the water that's in the bottom of that hole,  
16 making it more difficult to produce the gas at the  
17 optimum rate.

18 Q Mr. Schindler, thanks for that  
19 explanation. And I'm going to try to put this in  
20 attorney language rather than your technical  
21 language. But did I hear you say that a net result  
22 of the problem you are having results in you not  
23 being able to set pipe the entire length of the

1 Marcellus formation?

2 A We can set the pipe the entire  
3 length, but having that pipe open is what the  
4 difficulty is.

5 Q And if you're not able then to  
6 perforate the entire length of the Marcellus  
7 formation zone, does that result in you leaving  
8 recoverable reserves in place?

9 A Yes, it could.

10 Q Now, the problems you just  
11 discussed, would they be minimized if Chesapeake was  
12 allowed to drill seventy-five feet into the  
13 Onondaga?

14 A Yes, they would.

15 Q As part of Chesapeake's request  
16 for special field rules, they're asking the  
17 Commission to waive the requirement for a site and  
18 safety plan that is formally required for deep  
19 wells. What's the basis for that part of the  
20 request?

21 A The only part of the site safety  
22 plan, since these are actually show of wells, we're  
23 just asking for a seventy-five foot-- or a fifty-

1 five foot exception to the twenty-foot rule that  
2 would pertain to us-- is the H2S monitoring. And we  
3 will have H2S monitoring equipment on these  
4 locations to drill the seventy-five foot into the  
5 Onondaga.

6 MR. MOFFATT: Thank you. I have no  
7 further questions for Mr. Schindler.

8 CHAIRMAN LAY: Questions from the  
9 Commission?

10

11

EXAMINATION

12

BY MR. GUM:

13

14

15

16

17

Q I was just wondering. Years ago,  
when somebody decided to go twenty feet only, why?  
Why twenty feet with all of these damn problems  
you've got? Why didn't they make it seventy-five  
feet?

18

19

20

21

Did they not plan to go beyond--  
all the way to Marcellus or just go down seventy-  
five percent of Marcellus? What was their problem  
that they put twenty feet in?

22

23

A There's probably several reasons  
for that. One, up until recently, the Marcellus was

1 not considered to be a good, productive formation.  
2 So that twenty foot was not an issue.

3 I'm not sure when that law came  
4 into effect, but I would not be surprised if it was  
5 also, you know, they're figuring a lot slower  
6 drilling than what we do today. Certainly air  
7 hammers weren't around.

8 And certainly, when you're  
9 drilling with cable tools and you had to go in there  
10 and bail out all your cuttings, it was easy to pick  
11 within two or three feet when you actually hit that  
12 top.

13 But I would say the big issue is  
14 until recently the Marcellus was not considered to  
15 be a primary target in oil and gas wells.

16 CHAIRMAN LAY: Questions?

17

18 EXAMINATION

19 BY MR. RADABAUGH:

20 Q Only question I've got right at  
21 the moment-- I was trying to locate it here. You  
22 requested kind of a waiver on the site safety plan.

23 A Yes, sir.



1 Thank you.

2  
3 EXAMINATION

4 BY CHAIRMAN LAY:

5 Q Okay. I've got one question for  
6 you, specifically. You stated that by allowing  
7 Chesapeake to drill seventy-five feet into the  
8 Onondaga, it would prevent Chesapeake from spending  
9 additional monies in order to develop the Onondaga  
10 at only a twenty-foot depth.

11 What kind of monies are we talking  
12 about with regard to-- I mean, you've said that  
13 it's possible to do it by drilling twenty feet only  
14 by breaking down tools and so forth.

15 But by allowing this exception,  
16 what kind of monies are we talking about saving  
17 Chesapeake just out of curiosity?

18 A That would depend, Barry, on a  
19 couple things. But just on the drilling side, I  
20 estimate a couple thousand dollars per well.

21 And what that is from is the rig  
22 time for the additional logging run and then the pup  
23 joints and stuff to space the pipe out at the

1 surface.

2 And then on the completion side,  
3 sometimes it becomes a lot more expensive than that  
4 if there's been a small miscalculation or some  
5 cement that's in the pipe that needs to be drilled  
6 out, that by cost.

7 Obviously, it depends on how much  
8 of that there is. But just a day's service rig time  
9 is two thousand dollars. So those are easily two to  
10 five thousand dollars, but we do not have that on  
11 every well.

12 Q But your estimate would be a two  
13 to five thousand dollar--

14 A Per well, yeah.

15 Q --savings per well? That's fair  
16 enough. That was my only question. Anything from  
17 you?

18 MR. MARTIN: No, sir.

19 CHAIRMAN LAY: Any cross? Okay.

20 Witness may be excused. You may call your next  
21 witness.

22 MR. MOFFATT: Mr. Jeff Cable.

23 (Witness excused.)

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(Witness sworn.)

THEREUPON came

JEFF CABLE

called as a witness by the Applicant herein, being first duly sworn according to law, testified as follows:

DIRECT EXAMINATION

BY MR. MOFFATT:

Q Mr. Cable, would you please state your name for the record?

A Jeff Cable.

Q And by whom are you employed?

A Chesapeake Appalachia.

Q And what is your job position with Chesapeake?

A I'm a Senior Reservoir Engineer.

Q And what do you do as a Senior Reservoir Engineer?

A I do reserve analysis and evaluation of reserves in the southeast district.

Q And are you familiar with the

1 petition filed by Chesapeake for special field rules  
2 here today?

3 A Yes, I am.

4 Q And are you familiar with wells  
5 drilled to the Marcellus formation?

6 A Yes.

7 Q Now, is it true to say the  
8 Marcellus shale is a relatively new plate?

9 A It is. We started drilling  
10 through the Marcellus and fracking the Marcellus  
11 last year.

12 Q And what is Chesapeake's current  
13 spacing practice?

14 A Currently, we're drilling on  
15 fifteen hundred foot spacing. And with that, we  
16 have not seen any evidence of communication between  
17 wells.

18 Q If Chesapeake was required to  
19 space these Marcellus formation wells on three  
20 thousand foot spacing, would you consider that to be  
21 prudent?

22 A No, I would not. We would be  
23 leaving recoverable reserves in place if we drilled

1 at three thousand foot spacing.

2 Q Now, you mentioned Chesapeake  
3 currently spaces some Marcellus formation wells at  
4 fifteen hundred feet, but you're asking the  
5 Commission for a spacing exception to allow  
6 Chesapeake to drill at a minimum of one thousand  
7 feet between wells and fifty feet off lease or unit  
8 boundary lines. What is the basis for that request?

9 A Basically, it's a flexibility  
10 issue. It would allow us to move locations due to  
11 topography, coal owner issues, surface owner issues.

12 Also, we have existing wells out  
13 there completed in shallower formations, whether  
14 it's the lime Burea, even the Huron shale, which we  
15 may drill deeper in the future.

16 MR. MOFFATT: Thank you, Mr. Cable.  
17 I have no further questions for you.

18 CHAIRMAN LAY: Questions from the  
19 Commission?

20

21

EXAMINATION

22

BY MR. MARTIN:

23

Q Mr. Cable, you said at fifteen

1 hundred foot spacing you're not seeing communication  
2 between wells. How are these valley wells being  
3 fracked?

4 A Currently, we frac them with  
5 nitrogen. We frac the Marcellus with nitrogen.

6 Q Is that the only method that  
7 you're using?

8 A One well we did, we did do a foam  
9 frac on. But to date, ninety-eight percent of them  
10 are nitrogen fracs.

11 Q How much nitrogen are you running?

12 A Typically, a million--

13 MR. SCHINDLER: 1.2 million--

14 THE WITNESS: --in the Marcellus.

15 MR. SCHINDLER: --frac in the  
16 Marcellus.

17 CHAIRMAN LAY: That's straight  
18 nitrogen. No problem?

19 THE WITNESS: No problem.

20 BY MR. MARTIN:

21 Q You're not running any of these  
22 big, huge water fracs that we're hearing so much  
23 about these days?

1 A Not down in this area, no.

2 Q Is that anticipated as a  
3 possibility in this area?

4 A To the extent that they're doing  
5 up north, I would say no. Will we experiment? I'd  
6 say it's a possibility, yes.

7 Q Is it less likely in the south  
8 just because of the geology or the reservoir  
9 characteristics?

10 A I would say typically down south  
11 the thickness is going to prohibit doing a massive  
12 fracture like you're speaking of. Like I said, we  
13 may end up experimenting and doing some kind of  
14 water frac, but it would be on a smaller scale, I  
15 would imagine.

16 Q If you were to do those kind of  
17 fracs, would you expect the spacing distance to be  
18 increased between wells?

19 A I'd say it's a possibility, but I,  
20 you know, without-- Without doing it, it's hard to  
21 predict. The Marcellus is an extremely tight  
22 formation.

23 So, I mean, depending on how big

1 the job is, you could possibly go beyond the fifteen  
2 hundred foot spacing. But right now, it's  
3 impossible to predict.

4 MR. MARTIN: Okay. Thank you.

5 MR. GUM: Nothing from me.

6 MR. RADABAUGH: Nothing at the  
7 moment.

8

9

EXAMINATION

10

BY CHAIRMAN LAY:

11

Q I only have one question. Do you  
12 have any quantitative number you can share with us  
13 with regards to the amount of reserves that are  
14 going to be left in the ground if we reduce the  
15 spacing requirements to three thousand to fifteen  
16 hundred feet or a thousand feet, for that matter, at  
17 your request?

18

A Pertaining to the Marcellus, right  
19 now, we don't know what the drainage area is per  
20 well. I mean, we're drilling on fifteen hundred  
21 feet. Our typical, recoverable reserves from the  
22 Marcellus alone, we estimate at about seventy-five  
23 million.

1 Q That's currently?

2 A Currently.

3 Q Seventy-five million?

4 A But again, we don't know, you  
5 know, is that draining five hundred feet. So it's--

6  
7 Q Well, that being the case, what  
8 you're telling me is that-- Let's assume that we  
9 have the same reservoir mechanics going on in either  
10 well. So whether you drill a well at a thousand  
11 feet or fifteen hundred feet or three thousand, is  
12 that going to change your ultimate reserve number  
13 currently? I know you know with that ground  
14 transfer--

15 A Per well, it may not change it,  
16 but if you're drilling on three thousand feet,  
17 you're leaving a significant amount--

18 Q That's my question.

19 A --behind.

20 Q That's my question. Do you see  
21 any difference between the reserve factors drilling  
22 on a thousand feet, fifteen hundred feet--

23 A No.

1 Q --or three thousand feet? That  
2 being the case, if this Commission says that three  
3 thousand feet is the correct spacing, how much are  
4 you leaving behind in reserves?

5 A Well, I would say that would be a  
6 location away, so at minimum, seventy-five million.

7 MR. RADABAUGH: Per well?

8 THE WITNESS: Well, per-- If  
9 you're drilling on three thousand feet, you're  
10 basically leaving a location out.

11 MR. RADABAUGH: Right.

12 THE WITNESS: And if we would  
13 assume seventy-five million is draining fifteen  
14 hundred feet, so we're leaving seventy-five million  
15 in the ground.

16 BY CHAIRMAN LAY:

17 Q It's only one direction, isn't it?

18 A Well, in one direction. So it's--

19 Q How much gas are you leaving in  
20 place?

21 A Okay. Well, multiply it by four.  
22 Three hundred million.

23 Q Okay. That's my question.



1 our objection to the Commission's jurisdiction over  
2 these proceedings on the basis that these are  
3 shallow wells that should be subject to the  
4 jurisdiction of the oil and gas-- to the Office of  
5 Oil and Gas.

6 But beyond that, we do support the  
7 request of Chesapeake for special field rules and  
8 believe that the Commission should grant the  
9 request. We also support the settlement that was  
10 issued earlier or repeated earlier regarding the  
11 spacing where the coal injects.

12 We continue to believe that, if  
13 there's no objection to coal, that the Commission  
14 should not impose any spacing requirement at all for  
15 these wells because these are shallow wells that  
16 would not be subject to spacing requirements in the  
17 absence of a coal injection.

18 We'd also continue to encourage  
19 the Commission to consider Statewide special field  
20 rules for these wells. This makes the second  
21 hearing now for Chesapeake. There have been other  
22 hearings. We're here for the same companies time  
23 after time about difficulties that are encountered

1 with these wells.

2 That evidence does not seem to  
3 change depending on what area you're talking about.  
4 So we'd continue to encourage the Commission to  
5 adopt a Statewide rule so that we can avoid coming  
6 to these hearings every time and facing up to these  
7 issues and going through the waste of time and money  
8 of just having the hearings.

9 We would also like for the  
10 Commission to make clear in the order that special  
11 field rules do apply to all producers or operators  
12 that are drilling in the defined area.

13 MR. SULLIVAN: Ben Sullivan,  
14 appearing on behalf of Equitable Production Company.  
15 We appeared at the last hearing on Chesapeake's  
16 special field rule application. We just want to,  
17 once again, voice our support for Chesapeake's  
18 application realizing that we object to any  
19 application of this special field rule area to our  
20 wells and leases in the acreage covered, because the  
21 notice simply states that these special field rules  
22 will apply to Chesapeake's wells.

23 So we would argue that we have not

1 had due process. We haven't received the notice  
2 necessary to make that global special field rule  
3 applicable to all producers.

4 MS. RAUPP: Valerie Raupp from  
5 Lewis, Glasser, Casey & Rollins here on behalf of  
6 Penn Virginia. I don't want to belabor the  
7 arguments that were made at the last hearing where  
8 when we were here on Docket 179, Cause No. 164.

9 I'd essentially echo what  
10 Mr. Tawney said about the jurisdictional arguments  
11 that were made at that hearing. We believe these  
12 were shallow wells and should be subject to the  
13 Shallow Oil and Gas Board. Absent a coal injection,  
14 it should be the sixteen regulations applied to  
15 wells drilled in the Marcellus shale.

16 CHAIRMAN LAY: Anyone else? Okay.  
17 We'll go off the record.

18 (WHEREUPON, a brief recess  
19 was had.)

20 CHAIRMAN LAY: We'll go back on the  
21 record. Mr. Radabaugh?

22 MR. RADABAUGH: I will make a  
23 motion to grant Chesapeake's request for the

1 establishment of special field rules in the  
2 following manner. Special field rules shall allow  
3 Chesapeake to drill wells in the designated area to  
4 a depth not to exceed seventy-five feet into the  
5 Onondaga group or in no case can it go to the base  
6 of the Onondaga group, whichever is shallower.

7                   Each well drilled under the  
8 special field rules will be located at a minimum of  
9 a thousand feet from each well covered by this order  
10 with the exception of wells affected by the  
11 settlement agreement between Chesapeake and  
12 Pocahontas Land, which will abide by 22C-8-8, as  
13 agreed to on the record, and one hundred feet from  
14 the lease line or unit boundary-- would be the  
15 spacing there.

16                   For each well covered by the  
17 special field rules, Chesapeake shall submit for a  
18 deep well permit application. Upon completion of  
19 any well under these special field rules, they shall  
20 submit a copy of the open hole log, perforating log  
21 and an affidavit signed by the principle of the  
22 company stating that no formation below the top of  
23 the Onondaga has been stimulated in any manner.

1                   Thereafter, if Chesapeake so  
2 chooses to perforate, frac or otherwise stimulate  
3 anything in the Onondaga group, it must file for and  
4 receive permit to rework, deepen or stimulate and/or  
5 appear back before the Commission.

6                   Further, the Commission waives the  
7 requirement that Chesapeake must submit a site  
8 safety plan and hold a pre-SPUD meeting for the  
9 drilling of wells that are covered under this order,  
10 although there will be H2S monitoring and safety  
11 equipment on site and available for use, if needed.

12                   CHAIRMAN LAY:     I have a motion.

13                   MR. GUM:           And a second.

14                   CHAIRMAN LAY:     I have one point  
15 that we did not include in the motion, Mr.  
16 Radabaugh, as to the special field rules pertain  
17 only to Chesapeake. Is that--

18                   MR. RADABAUGH:     Correct.

19                   CHAIRMAN LAY:     Is that correct?

20                   MR. RADABAUGH:     That is correct.

21                   MR. GUM:           Second it.

22                   CHAIRMAN LAY:     So I'd ask for an  
23 amendment to your motion to include only Chesapeake

1 within the terms of this.

2 MR. RADABAUGH: I'll make an  
3 amendment to the motion that this only includes  
4 Chesapeake--

5 MR. GUM: And I'll second that  
6 amendment.

7 MR. RADABAUGH: --in the area that  
8 they requested per the evidence entered in the case.

9 CHAIRMAN LAY: Okay. We have a  
10 motion and a second. Further discussion? All those  
11 in favor of the motion, aye. Opposed, nay. Motion  
12 carries.

13 I think everyone understands the  
14 terms of the order we're issuing. I'd ask counsel  
15 for Chesapeake to draft a proposed order, if you  
16 would be so kind.

17 MR. MOFFATT: Certainly.

18 CHAIRMAN LAY: Anyone else that  
19 wishes to participate in that can certainly submit a  
20 draft order to the Commission. Is there anything  
21 else from members of the Commission? Questions or  
22 anything else for the record?

23 MR. TAWNEY: Could we have placed

1 of record the reason for applying for the special  
2 field rules only to Chesapeake?

3 CHAIRMAN LAY: I think that was  
4 discussed in our deliberation. And with regard to  
5 the notice and other provisions that we discussed  
6 that we felt that at this time, with one objection  
7 raised by one party that felt that the notice was  
8 insufficient, that we limited it to just Chesapeake  
9 only for that reason.

10 MR. MOFFATT: I've got one point  
11 for clarification, please.

12 CHAIRMAN LAY: Certainly.

13 MR. MOFFATT: To make sure I have  
14 my notes right. Was the spacing a hundred feet from  
15 the unit or leased boundary, not the fifty feet that  
16 we requested?

17 CHAIRMAN LAY: That is correct. We  
18 kept a unit with Eastern American issued order that  
19 had already been granted.

20 MR. MOFFATT: Thank you.

21 CHAIRMAN LAY: So we granted a  
22 hundred foot variance, not a fifty foot. Okay. If  
23 that's all, I'll close the record. Thank you.

1 MR. PRESERVATI: I'd like to place  
2 on the record the same agreement we had previously.

3 CHAIRMAN LAY: I assume what we did  
4 in the matter of the order is acceptable.

5 MR. PRESERVATI: Yes.

6 CHAIRMAN LAY: I didn't hear you  
7 object, so I assumed it was acceptable.

8 (WHEREUPON, the hearing adjourned  
9 at 12:05 p.m.)

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STATE OF WEST VIRGINIA,  
COUNTY OF KANAWHA, To-wit:

I, Bonnie K. Wolfe, Certified Court Reporter and Notary Public in and for the State of West Virginia, duly commissioned and qualified, do hereby certify that the foregoing proceeding was duly taken by me and before me at the time and place specified in the caption hereof, the said witnesses having been by me first duly sworn.

I do further certify that the said proceeding was correctly reported by me verbatim and that same was by me accurately written out in full and transcribed into the English language.

I further certify that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action in which this proceeding is taken and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto or financially interested in the action.

My commission expires the 21st day of  
October, 2014.

Given under my hand and official seal  
this 12th day of June, 2007.

Bonnie K Wolfe

Bonnie K. Wolfe, CCR/Notary

