



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 5th 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 EASTERN
AMERICAN ENERGY CORPORATION 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. 175
CAUSE NO. 160
ORDER NO. 1

REPORT OF THE COMMISSION

Eastern American Energy Corporation has requested a hearing before the Commission for the establishment of special field rules covering approximately 30,000 acres in Boone, Lincoln and Logan Counties. Eastern wishes to drill wells in the designated area in order to produce from the Marcellus Shale formation and other shallower formations. Although the Marcellus is a "shallow" formation, Eastern proposes to drill up to 75 feet into the Onondaga Limestone to enable the logging and completion of the entire Marcellus Shale section. Eastern 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, Eastern is requesting the Commission set spacing for any proposed wells drilled under these special field rules to conform to the following: 1000' between wells and 100' from a lease line or unit boundary.

FINDINGS OF FACT

1. Applicant, Eastern, is an operator within the meaning of paragraph (4) subsection (a) of West Virginia Code §22C-9-2.
2. Eastern owns approximately 30,000 acres of leasehold interests in Boone, Lincoln, and Logan Counties of West Virginia. Eastern has drilled approximately 135 wells on these leaseholds. One of the target formations is the Marcellus Shale, which lies directly above the Onondaga Limestone. Eastern wishes to drill additional wells in the field utilizing up to 75 feet of rat hole in the Onondaga Limestone. Applicants' witness testified that 75 feet of rat hole is necessary to effectively complete the wells in the Marcellus formation. The 75 feet of rat hole will allow the applicant 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.

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3. Applicant's witness stated that the Onondaga Limestone would not be perforated or completed in any wells without additional approval from the Commission
4. Without the additional rat hole, the Marcellus Shale cannot be completed through its entire interval and reserves of natural gas may not be produced.
5. Future wells drilled in the field to fully develop the Marcellus shale reserves may not meet the spacing requirements imposed on deep wells, requiring an exception to rule §39-1-4.2 or the establishment of special field rules.
6. Applicant's witness testified that the Onondaga Limestone is between one hundred twenty-five (125) and two hundred (200) feet thick in the Yawkey Freeman field
7. Applicant's witness testified that Eastern intends to drill up to 200 Marcellus wells in the Yawkey Freeman field in the next five years. Applicant is requesting special field rules from the Commission as they feel it is the most cost effective and administratively efficient manner in which to address the exception locations rather than requesting hearings on case-by-case or a well-by-well basis
8. Applicant 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-6-2(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 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.
4. 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 of Eastern for the establishment of special field rules is granted.

The special field rules shall allow Eastern to drill wells in the designated area to a depth not to exceed 75 feet into the Onondaga Limestone or to the base of the Onondaga Limestone, whichever is shallower. Each well drilled under the special field rules shall be located a minimum of 1000 feet from each well covered by this order and 100 feet from a lease line or unit boundary. For each well covered by these special field rules, Eastern shall submit deep well permit application. Upon completion of any well drilled under these special field rules, Eastern 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 limestone has been completed or stimulated in any manner. Thereafter Eastern shall not, perforate, frac or otherwise stimulate the Onondaga Limestone, unless it subsequently files for, and receives a permit to rework, deepen or complete the Onondaga Limestone.

Furthermore the Commission waives the requirement that Eastern must submit a site safety plan and hold a pre-spud meeting for the drilling of wells covered by this order.

The designated area covered by these special field rules is a parallelogram bounded by lines of latitude and longitude as follows:

The Northeast corner is defined as the intersection of 38° 05' 00" latitude and 81° 45' 00" longitude.

The Southeast corner is defined as the intersection of 37° 50' 00" latitude and 81° 45' 00" longitude.

The Southwest corner is defined as the intersection of 37° 50' 00" latitude and 82° 00' 00" longitude.

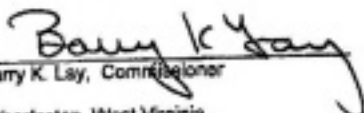
The Northwest corner is defined as the intersection of 38° 05' 00" latitude and 82° 00' 00" longitude.

Furthermore, Eastern shall submit to the Commission a Mylar copy of the quadrangle maps in a scale of 1:24000 (1 inch equals 2000 feet) for the following quadrangles - Logan, Hentawson, Mud, Madison, Clothier, and Amherstdale. The outer boundary of the designated special field rule area shall be shown on the applicable quadrangle maps.

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 21st day of December, 2006, at Charleston, West Virginia.