

**LAW DEPARTMENT**

June 29, 2007

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

Keith E. Moffett
Senior Attorney
300 Pennsylvania Avenue
P. O. Box 6070
Charleston, WV 25362-0070
DD: 304.353.5221
Fax: 304.353.5234
Email: kmoffett@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 Barbour, Harrison and Taylor Counties, West Virginia. 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 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 Group. 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 the above definitions. In order to avoid leaving natural gas reserves in place, it is not prudent to develop the Marcellus Shale fields

Ms. Cindy Raines
June 29, 2007
Page 2

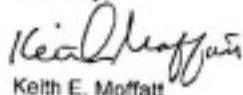
utilizing the required deep well spacing of 3000 feet between wells and 400 feet from the lease line or unit boundary. Therefore, Chesapeake is requesting Special Field Rules establishing 1000 foot spacing between wells, and providing that each well be located not less than 50 feet from the lease line 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 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 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,

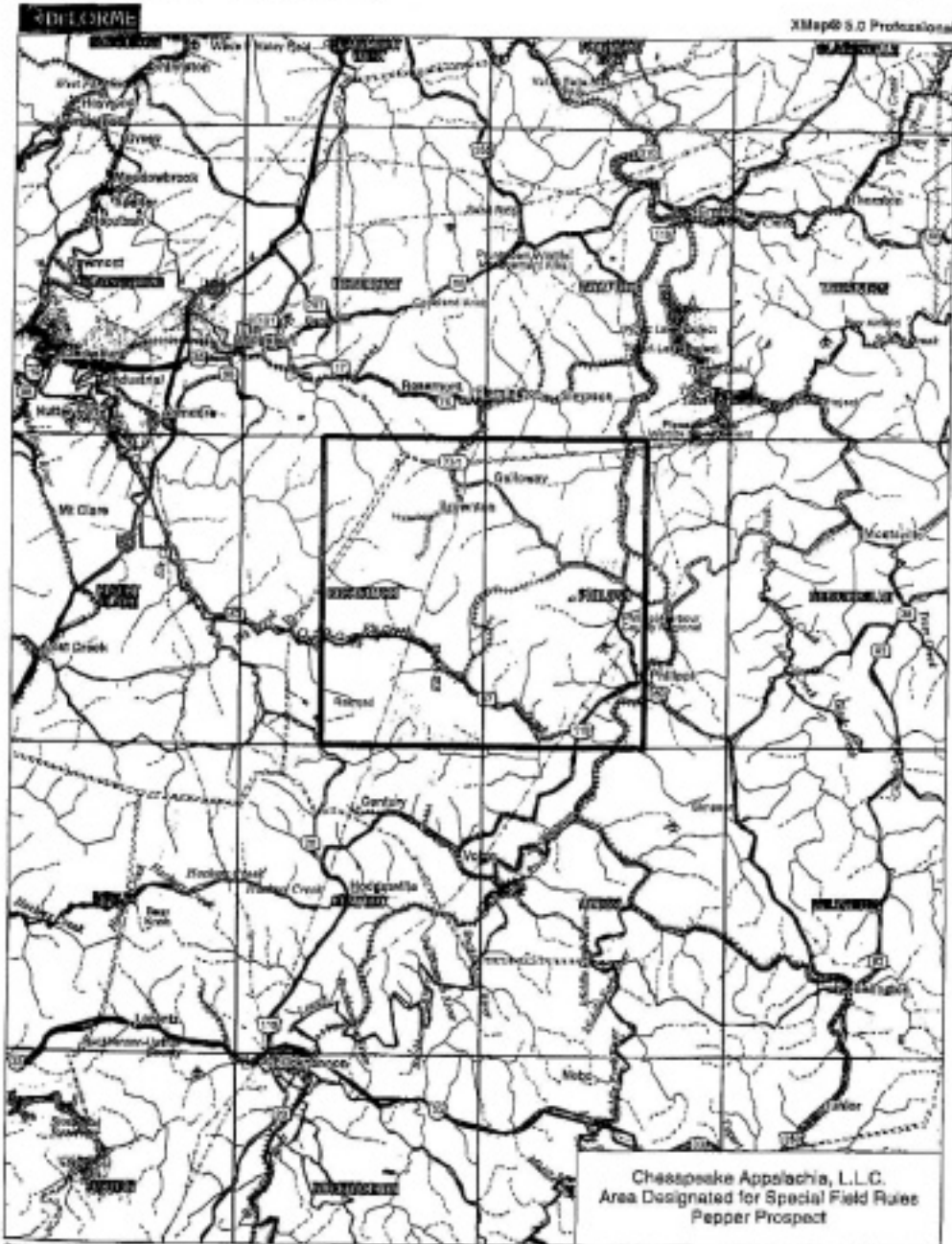


Keith E. Moffatt

Attachment

cc: Brett Loflin - Chesapeake Appalachia, L.L.C.
Eddy Gray - Chesapeake Appalachia, L.L.C.

W:\T\MSpecial Field Rules\Raines,Braxton.6.21.07.doc



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

Scale 1 : 200,000
 1" = 3.36 mi Data Zoom 9-7



1600 LAUDLEY TOWER • P.O. BOX 552 • CHARLESTON, WEST VIRGINIA 25302 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
DIRECT NO. (304) 340-1189 www.jacksonkelly.com FAX NO. (304) 340-1080

EMAIL: kjones@jacksonkelly.com

July 12, 2007

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

Re: Special Field Rules for Marcellus Shale Formation Wells in
Portions of Barbours, Harrison and Taylor Counties, West Virginia

Dear Ms. Raines:

Pursuant to West Virginia Code § 22C-9 and the Title 39, Series One, Rules of the Commission, PetroEdge Resources (WV), LLC ("PetroEdge") hereby requests a hearing before the Oil & Gas Conservation Commission ("Commission") for the establishment of the same Special Field Rules requested by Chesapeake Appalachia, L.L.C. ("Chesapeake") for the same area shown on the map attached hereto entitled "Chesapeake Appalachia, L.L.C. Area Designated for Special Field Rules Pepper Prospect" and filed with the Commission under cover letter dated June 29, 2007, in Docket 182, Cause 167. This request is based upon the following facts and circumstances.

PetroEdge is actively drilling wells to the Marcellus Shale formation in portions of Braxton, Cabell, Calhoun, Doddridge, Gilmer, Kanawha, Lewis, Lincoln, Marion, Pleasants, Ritchie, Wayne, Wetzel and Wood Counties, West Virginia. PetroEdge continues to acquire acreage in these counties and in other areas of West Virginia. 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 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. Although the Marcellus Shale is a shallow formation, the Commission has interpreted these statutes to mean that wells drilled more than twenty (20) feet into the Onondaga but completed only into the Marcellus Shale are deep wells and that operators are required to apply for a deep well permit for these wells.¹

¹ PetroEdge respectfully notes its disagreement with that interpretation of the statute and reserves all rights to assert that these wells are nonetheless shallow wells.

Ms. Cindy Raines
July 12, 2007
Page 2


By virtue of the twenty (20) foot drilling limitation in the Onondaga Group, PetroEdge 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, PetroEdge wishes to drill wells to a total depth not to exceed seventy-five (75) feet into the Onondaga Group. PetroEdge has no intention to produce, perforate or stimulate the Onondaga in any manner at the present time. The purpose of drilling seventy-five (75) feet into the Onondaga is to allow sufficient rat-hole for logging and completion of the Marcellus Shale. 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, PetroEdge 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 PetroEdge to a total depth not to exceed seventy-five (75) feet into the Onondaga Group. PetroEdge 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, PetroEdge requests that the Special Field Rules provide that PetroEdge 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. PetroEdge's request for Special Field Rules is consistent with this public policy because it will permit PetroEdge to efficiently and adequately explore, stimulate, treat and produce the Marcellus Shale.

PetroEdge 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. PetroEdge will provide this notice to the Commission after it receives notice that a hearing date has been set. Since (a) PetroEdge does not anticipate any opposition to its request for Special Field Rules and (b) the request is identical to the above-referenced request for special field rules filed by Chesapeake, PetroEdge requests that the Commission schedule the pre-hearing conference and hearing at 9:00 a.m. on August 9, 2007, jointly with the pre-hearing conference and hearing scheduled for Chesapeake's request in Docket 182, Cause 167.

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

Sincerely,


Kenneth E. Tawney
Counsel for PetroEdge Resources (WV) LLC

KET/sr
Attachment

(C:\202460.1)



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th 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 AND
PETROEDGE RESOURCES, LLC FOR AN ORDER
FROM THE COMMISSION ESTABLISHING
SPECIAL FIELD RULES IN BARBOUR,
HARRISON AND TAYLOR COUNTIES, WEST
VIRGINIA COVERING BROWNTON AND
PHILIPPI QUADRANGLES.

DOCKET NO. 182

CAUSE NO. 167

NOTICE OF HEARING

Chesapeake Appalachia, LLC ("Chesapeake") and PetroEdge Resources, LLC ("PetroEdge") has requested a hearing before the Commission for the establishment of special field rules covering Barbour, Harrison and Taylor Counties. Chesapeake and PetroEdge wishes to drill several Marcellus shale wells in the designated area. Although the Marcellus is a "shallow" formation, the request is to be allowed to drill 75 feet into the Onondaga limestone to enable the logging and completion of the entire Marcellus shale section. Neither operator will 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 and PetroEdge are 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 and PetroEdge Resources, LLC to all interested parties.

DATE: August 9, 2007

TIME: immediately following the 9:00 am pre-hearing

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

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By:

Barry K. Lay
Barry K. Lay, Commissioner

Dated this 12th day of July, 2007, at Charleston, West Virginia.

Promoting a healthy environment.