

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

IN RE: Chesapeake Appalachia, L.L.C.  
Special Field Rules

Docket No. 179

Cause No. 164

Transcript of proceedings taken on the  
17th day of May, 2007, at 9:00 a.m., before the Oil and Gas  
Conservation Commission, located at 601 57<sup>th</sup> Street,  
Charleston, West Virginia, before Pamela Wood, Certified  
Court Reporter, duly certified by the West Virginia Supreme  
Court of Appeals, and Notary Public in and for the State of  
West Virginia.

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Anthony Gumm

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## I N D E X

<u>Witness</u>	<u>Examination</u>
BRETT LOFLIN	8 (Moffatt) 12 (Gottlieb) 12 (Preservati) 14 (Sullivan)
ED ROTHMAN	15 (Moffatt) 24 (Gottlieb) 26 (Preservati) 28 (MacMahon) 28 (Comm. Martin) 31 (Comm. Radabaugh) 32 (Comm. Lay) 38 (Moffatt)
ROB SCHINDLER	39 (Moffatt)

JEFF CABLE

44 (Moffatt)

47 (Comm. Radabaugh)

48 (Tawney)

49 (Preservati)

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## 1 CHESAPEAKE EXHIBIT NOS. 1-10 FOR IDENTIFICATION

2 Said documents were thereupon marked as above indicated and  
3 are attached hereto.

4 COMMISSIONER BARRY LAY: Before the Oil and Gas  
5 Conservation Commission of the State of West Virginia in  
6 the matter of the request by Chesapeake, Appalachia, LLC,  
7 for an order from the Commission establishing special field  
8 rules in Boone, Kanawha, Lincoln, Logan, Mingo and Wayne  
9 Counties of West Virginia. This is docket number 179,  
10 cause number 164.

11 Let the record show that present are  
12 members of the Commission, Robert Radabaugh, Barry Lay,  
13 Anthony Gumm and James Martin, and Cindy Raines from staff.

14 I'd like to place in the record at this  
15 time a copy of the notice of hearing along with the  
16 certified receipt cards as Exhibit A from the Commission;  
17 the copies of the notice of legal advertisement  
18 collectively as Exhibit B; a copy of the request submitted  
19 from Chesapeake dated April the 13th, 2007 as Exhibit C; a  
20 copy of Chesapeake's pre-hearing notice with maps and list  
21 of all of the effected operators as D; a copy of comments  
22 received during the 10 day comment period as E, and  
23 comments received after the 10 day comment period as F.

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DEPOSITION EXHIBITS A-F FOR IDENTIFICATION

Said documents were thereupon marked as above indicated and are attached hereto.

COMMISSIONER LAY: At this time, the Commission will take appearances.

MR. MOFFATT: Yes, my name is Keith Moffatt, appearing on behalf of Chesapeake Appalachia, and with me today as witnesses are Brett Loflin, Mr. Ed Rothman, Rob Schindler and Jeff Cable.

COMMISSIONER RAY: Other appearances?

MR. MCMAHON: David McMahon, a lawyer representing surface owners.

MR. GOTTLIEB: Richard Gottlieb, here on behalf of Penn Virginia and due process rights of all produced gas producers.

MR. SULLIVAN: Ben Sullivan on behalf of Equity Production Company.

MR. TAWNEY: Kenneth Tawney on behalf of Petro Ed Resources, WV, LLC, North Star Energy Corporation, and Trans Energy.

MR. PRESERVATI: Nick Preservati on behalf of Pocahontas Land Corporation and Argas Energy West Virginia, LLC.

1 MR. KEIM: Jeff Keim, Cabot Oil and Gas  
2 Corporation.

3 MR. MULLEN: Chris Mullen, East American Energy  
4 Corporation.

5 MR. HELDMAN: Roger Heldman, East Resources.

6 COMMISSIONER LAY: Anyone else?

7 MR. CUNNINGHAM: Greg Cunningham, Dominion  
8 Exploration and Production.

9 COMMISSIONER LAY: Typically, at this time, I  
10 would swear the witnesses, but since we have so many and we  
11 don't know who that is going to be at the time, why don't  
12 we do them individually as we call the witness, if that's  
13 all right.

14 MR. MOFFATT: Sure.

15 COMMISSIONER LAY: I want to make sure that we  
16 have that on the record. At this time, Mr. Moffatt, you  
17 can proceed with your case. Call your first witness.

18 MR. MOFFATT: Our first witness is Mr. Brett  
19 Loflin.

20 COMMISSIONER LAY: Will the court reporter  
21 please swear the witness?

22 (Witness sworn.)  
23

1 THEREUPON came.

2 B R E T T L O F L I N

3 appearing as a witness herein, having been duly sworn to  
4 tell the truth, testified as follows:

5 E X A M I N A T I O N

6 BY MR. MOFFATT:

7 Q Mr. Loflin, would you please state your  
8 name for the record?

9 A Brett Loflin.

10 Q And by whom are you employed?

11 A Chesapeake Appalachia, LLC.

12 Q And what is your job title at Chesapeake?

13 A I'm a regulatory compliance specialist.

14 Q As a regulatory compliance specialist,

15 could you briefly describe some of your duties and  
16 responsibilities?

17 A Basically, anything and everything that  
18 has to do with dealing with state and federal agencies and  
19 the laws and regulations.

20 Q Are you familiar with the request filed  
21 by Chesapeake for special field rules here today?

22 A Yes, I am.

23 Q There is a map on an easel which has been



1 premarked as Chesapeake Exhibit Number 8. I believe. Now,  
2 is it correct to say that the area shown in red on that  
3 map, is that the area which is encompassed by Chesapeake's  
4 request for special field rules?

5 A Yes, it is, with the exception of the  
6 block to the right that's labeled, I think, ECA, special  
7 field rules area. It's also outlined in red.

8 Q Do you know, approximately, how many  
9 acres are encompassed within that area?

10 A Approximately 560,000 acres.

11 Q Do you know how much acreage is owned or  
12 controlled by Chesapeake within that area?

13 A 75 percent.

14 Q Now, would that be the acreage shown in  
15 yellow on the map, which has been pre-marked as Chesapeake  
16 Exhibit Number 8?

17 A Yes.

18 Q Has Chesapeake made reasonable efforts to  
19 notify operators located within the area of the area  
20 encompassed by its request for special field rules?

21 A Yes, we have.

22 Q And could you tell the Commission how  
23 many operators Chesapeake has identified?

1           A     80 separate operators.

2           Q     I'm going to hand you a copy of what has  
3     been marked Chesapeake Exhibit Number 1. Would you review  
4     that and let me know if that would be an accurate list of  
5     the operators that have been identified?

6           A     Yes, it is.

7           Q     Did Chesapeake send certified mailings to  
8     these operators notifying them of the pre-hearing  
9     conference in this matter?

10          A     Yes, we did.

11          Q     And could you tell us what counties the  
12     land encompassed in Chesapeake's request for special field  
13     rules lies within?

14          A     Boone, Kanawha, Lincoln, Logan, Mingo and  
15     Wayne.

16          Q     And did Chesapeake publish a notice of  
17     the pre-hearing conference in papers or newspapers  
18     circulated in those counties?

19          A     Yes.

20          Q     I'm going to hand you copies of what have  
21     been pre-marked Chesapeake's exhibits two through six. If  
22     you could review that and let me know if those are  
23     affidavits of publication relating to those newspapers?

1 A Yes, they are.

2 Q I believe it will be two through seven,  
3 since there are six newspaper publications involved; is  
4 that correct?

5 A That's correct.

6 COMMISSIONER LAY: Exhibits two through seven?

7 MR. MOFFATT: That's correct. And, at this  
8 time, I'd offer Exhibits Number 1 through 7 into evidence.

9 COMMISSIONER LAY: That's fine. We'll accept  
10 them as so.

11 DEPOSITION EXHIBIT NOS. 1-7 FOR IDENTIFICATION

12 Said documents were admitted into the record.

13 MR. MOFFATT: And that's all the questions I  
14 have for Mr. Loflin.

15 HEARING EXAMINER: Do we have any cross from any  
16 of the --

17 MR. GOTTLIEB: I don't think I have any cross,  
18 but can I see Exhibit Number 1?

19 COMMISSIONER LAY: We're going to go off the  
20 record for a minute while they examine the exhibits.

21 (Break taken.)

22 MR. GOTTLIEB: I have just one question for Mr.  
23 Loflin.

1 EXAMINATION

2 BY MR. GOTTLIEB:

3 Q Mr. Loflin, you testified that Chesapeake  
4 owned or controlled 75 percent of the acreage that you're  
5 asking for special field rules for. Does Exhibit Number 1  
6 reflect the entire 25 percent of entities, as far as  
7 Chesapeake knows, that has interest in the affected  
8 acreage?

9 A As far as we could identify, yes. Anyone  
10 that is not on that list would have been covered by the  
11 legal advertisements.

12 MR. GOTTLIEB: Thank you.

13 MR. PRESERVATI: Nick Preservati, Mr. Loflin,  
14 just a couple of quick questions.

15 EXAMINATION

16 BY MR. PRESERVATI:

17 Q Looking at this list, did you provide  
18 notice to any individuals that's not on this list via  
19 certified mail?

20 A No, we did not.

21 Q So, is it safe to say that neither  
22 Pocahontas Land or Argas Energy were provided notice via  
23 certified mail?

1           A     If they're not on that list, yes, that  
2 would be safe to say.

3           Q     Okay. And, likewise, it would be safe to  
4 say since no coal companies are listed on this list, that  
5 they didn't get certified notice as well?

6           A     That would be correct.

7           MR. PRESERVATI: Thank you.

8           HEARING EXAMINER: Any other questions? Any  
9 questions from members of the Commission?

10          COMMISSIONER RADABAUGH: Nothing here.

11          COMMISSIONER GUMM: No.

12          COMMISSIONER LAY: I would just like to have one  
13 definition with regard to 75 percent owned or controlled.  
14 Can you define what you mean by owned or controlled?

15          THE WITNESS: Yeah. We either have the acreage  
16 under lease or we own it in fee.

17          COMMISSIONER LAY: And that's what's depicted  
18 in. I'm going to assume yellow, in Exhibit 7?

19          THE WITNESS: Yes.

20          MR. MOFFATT: That would be Exhibit 8.

21          COMMISSIONER LAY: Exhibit 8, I'm sorry. We  
22 haven't entered that one. You're right, sorry.

23          MR. SULLIVAN: I've got a question for Mr.

1 Loflin. Ben Sullivan with Equitable Production Company.

2 EXAMINATION

3 BY MR. SULLIVAN:

4 Q Mr. Loflin, when you made this  
5 application and noticed the application, when you made the  
6 application, was it your intention to bind the other 25  
7 percent; meaning, the other operators in this acreage, to  
8 special field rules that Chesapeake's applying for here  
9 today?

10 A It wasn't our intention to bind any other  
11 operators nor to exclude any other operators, either way.

12 MR. SULLIVAN: Thank you.

13 COMMISSIONER LAY: Mr. Radabaugh?

14 MR. RADABAUGH: That satisfies me.

15 COMMISSIONER LAY: Call your next witness.

16 MR. MOFFATT: The next witness is Ed Rothman.

17 COMMISSIONER LAY: Will the court reporter  
18 please swear the witness?

19 (Witness sworn.)

20 THEREUPON came.

21 ED ROTHMAN

22 appearing as a witness herein, having been duly sworn to  
23 tell the truth, testified as follows:

EXAMINATION

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BY MR. MOFFATT:

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

A Ed Rothman.

Q And by whom are you employed?

A Chesapeake Appalachia.

Q And what is your job title?

A I'm a senior geologist.

Q As a senior geologist, what are some of your job duties and responsibilities?

A I'm basically responsible for southern West Virginia, eastern Kentucky and Virginia, as far as evaluating properties to drill gas and oil wells.

Q Mr. Rothman, are you familiar with the request being made here today by Chesapeake for special field rules?

A Yes, I am.

Q And, Mr. Rothman, do you have experience with wells drilled to the Marcellus formation?

A Yes, I do.

Q And in preparation for your testimony here today, did you prepare any exhibits?

1           A     Yes, I did. I prepared the exhibits that  
2 are on the easel.

3           Q     And the first exhibit on the easel is  
4 Exhibit Number 8. Could you please describe to the  
5 Commission what that exhibit demonstrates?

6           A     Exhibit Number 8 is a map that shows the  
7 area that we're requesting special field rules for.  
8 There's a red or rose colored boundary that encompasses the  
9 area where we are requesting the field rules for.

10                     The yellow is acreage that has been  
11 previously said that we own or control in the area. The  
12 rose colored triangles are 2007 wells that we are working  
13 -- currently working on to drill in this area. And the  
14 black dots are existing wells that have already been  
15 drilled in this area.

16                     And then I also included the boundary for  
17 special field rules that ECA applied for and was granted.

18           Q     Mr. Rothman, could you explain to the  
19 Commission why you picked this area or selected this area  
20 for inclusion in Chesapeake's request for special field  
21 rules?

22           A     This is an area that, you know, we plan  
23 to drill a lot of wells in. I think this year we're hoping



1 to drill 100 wells in this area and then we have identified  
2 another 1,700 locations in this area.

3 So, this is an area that Chesapeake is  
4 going to be very active in drilling to and through the  
5 Marcellus in the next few years.

6 Q And how many planned future locations did  
7 you mention Chesapeake has in this area?

8 A 1,700.

9 Q Now, you mentioned you had experience or  
10 have experience in drilling Marcellus formation wells.  
11 Where does the Marcellus formation sit in relation to the  
12 Onondaga formation?

13 A It sits directly on top of the Onondaga.

14 Q Now, when drilling a Marcellus formation  
15 well, is it a challenge to not drill more than 20 feet into  
16 the Onondaga?

17 A It has been a challenge for us to drill  
18 less than 20 feet into the Onondaga. We have sent company  
19 geologists out to try to pick TD, and we pick TD by two  
20 methods; either using a geolograph which shows us our drill  
21 rate. When you hit the Onondaga, the drill rate slows  
22 down, or we look at samples. And it's just been a very  
23 difficult procedure, because the Onondaga is very gradatial

1 in the area. Sometimes it's not easily seen with drilled  
2 rate.

3 And we also have a lot of problems with  
4 the samples, because sometimes we don't gather enough  
5 samples to truly identify where we're at.

6 Q Let's talk about logging the Marcellus  
7 formation. Does the 20 foot limitation for shallow gas  
8 wells - and I'm speaking of the limitations that you may  
9 only drill 20 feet into the Onondaga - does that create any  
10 problems for you, as a geologist, when logging the  
11 Marcellus formation?

12 A We, basically, use two contractors in  
13 this area. One of them is Slumber-Jay and their tool  
14 length is 66 feet, and the other is Allegheny and their  
15 tool length is approximately 34 feet. So, we are only  
16 allowed 20 feet of rat-hole. We end up having to break  
17 tools down, which, you know, adds time in the job. It also  
18 adds extra expense.

19 Q So, to comply with the 20 foot limitation  
20 of drilling into the Onondaga, it's necessary to break down  
21 the logging tools to log the Marcellus?

22 A That's correct.

23 Q Now, in having to do that, does that

1 jeopardize at all your ability to log the entire length or  
2 zone, or the entire length of the Marcellus formation?

3 A It does, because even when we break  
4 Slumber-Jay's tools down, one run is like 29 feet and the  
5 other run is 35 feet. So, even with breaking their tools  
6 down, we're not able to log the entire Marcellus.

7 And, also, with Allegheny, on their  
8 second run, they take their gamma ray and run it separately  
9 and there's some information that we do that's based from  
10 the first run, because it exceeds 20 feet in length.

11 Q Am I correct in saying that if you're not  
12 able to log the entire Marcellus formation, it compromises  
13 the quality of the information you receive and your ability  
14 to evaluate the Marcellus formation?

15 A That's correct.

16 Q And then is it correct to say that  
17 because you have poor quality information, it compromises  
18 your ability to complete and crack the Marcellus formation?

19 A Because we don't log the entire section,  
20 yeah, we don't get a true reservoir characterization of the  
21 entire Marcellus and it might affect us in taking  
22 perforations and how we design our fracs.

23 Q Would the result of this be that you then

1 create a risk of leaving recoverable reserves in the ground  
2 if you're not able to perforate the entire length of the  
3 Marcellus formation?

4 A That's possible, yes.

5 Q I'm going to come up here and flip your  
6 chart and show you what's been marked Chesapeake Exhibit  
7 Number 9.

8 Mr. Rothman, is that an exhibit you  
9 prepared in preparation for this hearing?

10 A Yes, it is.

11 Q Could you explain what that demonstrates?

12 A It's examples of logs that have gone  
13 through the Marcellus well to the right from a Lincoln  
14 County well. It's Lincoln County permit number 3246, and  
15 the well to the left is a well that we recently drilled in  
16 Mingo County. It's Mingo 1824.

17 And you can see on the well on the right  
18 we had permission from the Commission to drill 100 feet  
19 into the Marcellus and we were able to log the entire  
20 Marcellus interval and the top of the Onondaga.

21 If you look at the well on the left, you  
22 can see clearly our gamma ray didn't get over the  
23 Marcellus, and it looks like we just barely got through the

1 Marcellus on the density information.

2 And I'm not sure about the temperature,  
3 which is an important tool in shale wells. Our temperature  
4 tool probably didn't pick up much information on the  
5 Marcellus.

6 Q In looking at Exhibit Number 9, is it  
7 correct to say then that the information, or the quality of  
8 the information you have on the log to the left where you  
9 were not able to drill 75 feet into the Onondaga, the  
10 quality is poorer than that on the right where you were  
11 able to drill at least 75 feet into the Onondaga?

12 A That's correct.

13 Q And did you also mention by having to  
14 break down your logging tools because of the 20 foot  
15 limitation, would that increase the drilling time and  
16 drilling cost?

17 A That's correct. It's, approximately, an  
18 extra two hours of time and then \$2,000 extra; 1,000 to the  
19 logging company and then 1,000 is for the rig.

20 Q And if it's necessary to break down your  
21 logging tool to log the Marcellus, does that result in an  
22 additional run down the hole?

23 A That's correct.

1           Q     Is there any risk in having to do  
2 additional runs down the hole?

3           A     There's always a risk when you stick, you  
4 know, logging tools in a hole that the hole might collapse  
5 or if you get the tool hung up. So, there is actually a  
6 risk.

7           Q     All right. Mr. Rothman, I am going to  
8 show you what has been marked as Chesapeake Exhibit Number  
9 10. Is that an exhibit that you prepared in preparation  
10 for this hearing today?

11          A     Yes, it is.

12          Q     Could you please describe what this  
13 exhibit demonstrates?

14          A     It is similar to Exhibit Number 8 where  
15 it shows the area that we're requesting special field rules  
16 for. Our proposed 2007 locations, again, are shown in the  
17 rose colored triangles and all the wells that have been  
18 drilled in the area, plus I contoured the Onondaga to the  
19 top of the Oriskany sandstone and that's where the contours  
20 are.

21          Q     And does this map then show the thickness  
22 of the Onondaga in the area where Chesapeake had requested  
23 special field rules?

1           A     Yes, it does.

2           Q     And what is the range of thickness in  
3 this area?

4           A     The thickness ranges from less than 110  
5 feet to greater than 180 feet.

6           Q     If Chesapeake is allowed to drill 75 feet  
7 below the Marcellus in this area, would that remain in the  
8 Onondaga formation?

9           A     Yes, it would.

10          Q     And do you know whether or not the  
11 Onondaga formation in this area is capable of commercial  
12 production?

13          A     We do not have any Onondaga production on  
14 any of our acreage and I could not find any Onondaga or  
15 Oriskany production anywhere in that area.

16          Q     If Chesapeake's request for special field  
17 rules is granted, does Chesapeake have any intention to  
18 drill or - excuse me, not drill - complete, perforate and  
19 stimulate any portion of the Onondaga?

20          A     No, we do not.

21                MR. MOFFATT: I don't have any further questions  
22 for Mr. Rothman and I would offer into evidence Exhibits 8  
23 through 10.

1                   COMMISSIONER LAY: We'll accept Exhibits 8, 9  
2 and 10.

3                   DEPOSITION EXHIBIT NOS. 8-10 FOR IDENTIFICATION

4 Said documents were admitted into the record

5                   COMMISSIONER LAY: Any cross?

6                   MR. GOTTLIEB: I just have a question or two to  
7 clarify as to what I understand the scope of the project  
8 is.

9                   E X A M I N A T I O N

10                  BY MR. GOTTLIEB:

11                  Q     Mr. Rothman, I know you're a highly  
12 regarded poet and I was going to ask you to do some  
13 mathematical calculations. I wasn't sure whether that was  
14 within your expertise or not, but this helps a little bit.  
15 As I understand, this is Exhibit 9?

16                  MR. MOFFATT: Exhibit Number 10.

17                  MR. GOTTLIEB: Ten.

18                  BY MR. GOTTLIEB (Resuming):

19                  Q     It reflects Chesapeake's proposed  
20 drilling sites for the upcoming year if the Commission  
21 grants the request?

22                  A     These are wells that are presently in our  
23 database that are listed as 2007 wells in the system. Some



1 may drop out and some may be added.

2 Q Okay. I understand that's subject to the  
3 topography and different --

4 A Right.

5 Q -- other considerations, but I believe  
6 you also mentioned that Chesapeake plans on drilling an  
7 additional 1,100 wells within this acreage?

8 A What I said was, we have 1,700 additional  
9 locations identified that we could drill.

10 Q And when you say "you could drill," that  
11 means that Chesapeake believes there might be some  
12 commercially recoverable gas in those locations?

13 A Right, and also we have the spacing to do  
14 that.

15 Q My overriding question is, assuming that  
16 Chesapeake obtains these special field rules in the spacing  
17 that it has requested and it drills the additional 1,700  
18 wells, is there anyway to calculate how much of this entire  
19 acreage is going to be encompassed in Chesapeake's drilling  
20 of these wells with the surrounding 1,000 foot spacing?

21 A I would say the majority of them would be  
22 developed.

23 Q Can you be anymore specific than the

1 majority, as you sit here today?

2 A You know, these wells are going to be  
3 based on economics. So, you know, we might get into an  
4 area where we have locations planned and it doesn't work  
5 out and we don't further develop the area.

6 So, I mean, this is just a very big part  
7 of our drilling area for West Virginia and we plan to do a  
8 lot of drilling in the next few years.

9 Q I understand. I was just, on behalf of  
10 the entities, that the 25 percent, if you will, of gas  
11 producers that have interests encompassing this acreage.  
12 As we sit here today, we don't know whether your proposal -  
13 Chesapeake's proposal - is going to, in effect, space out  
14 any of these other entities' ability to come in and drill  
15 wells, do we?

16 A No.

17 MR. GOTTLIEB: Thank you.

18 COMMISSIONER LAY: Other cross?

19 MR. PRESERVATI: One quick question.

20 E X A M I N A T I O N

21 BY MR. PRESERVATI:

22 Q Mr. Rothman, you said earlier that you do  
23 not anticipate completing any wells in the Onondaga.

1 What's your definition of complete?

2 A To perforate and stimulate the Onondaga  
3 limestone.

4 Q And just to be clear, stimulate it for  
5 what purpose?

6 A For production, to enhance production.

7 Q And can you just briefly describe for me,  
8 all of the activity that is anticipated to occur in the  
9 Onondaga is simply to log the Marcellus; is that correct?

10 A That's correct. From my part, it's,  
11 basically, to give us enough room to correctly pick the top  
12 and also to give us enough room to get logging tools  
13 through.

14 Q Okay. And if the special rules weren't  
15 granted and you weren't allowed to go down to 75 feet and  
16 you were only allowed to go down to 20 feet, you would  
17 still be able to drill the wells; you just wouldn't be able  
18 to have all of the logging information that you would  
19 otherwise have?

20 A That's correct.

21 MR. PRESERVATI: Thank you. No further  
22 questions.

23 COMMISSIONER LAY: Mr. McMahon?

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E X A M I N A T I O N

BY MR. MCMAHON:

Q When you said spaced out, if these are considered deep wells, that would be subject to the adjoining owner's right to, of course, pool some of the resources. Would that be also correct?

A (No response.)

Q You don't know the answer to that?

A Yeah, I really don't know the answer to that one.

COMMISSIONER LAY: Other questions? Questions from the Commission?

E X A M I N A T I O N

BY COMMISSIONER MARTIN:

Q Mr. Rothman, you made a comment about how you arrived at this boundary, and I think it was something to the effect that it's an area you anticipate being active in the future. Can you elaborate on that anymore in terms of the geology behind that, picking that actual boundary?

A It's been a very productive area for Chesapeake and its predecessor companies. We have a number of wells, producing wells, in the area right now. We do have space to drill additional wells, and we get good

1 production. Besides the Marcellus and the rest of the  
2 Devonian shale, there is other reservoirs that we complete  
3 in the area. Barrea, Engine, Big Lime.

4 So, it's just a very good area for our  
5 company and we do have room for a future with all of them.

6 Q How many wells would you -- I mean, how  
7 many wells do you think exist -- how many wells have been  
8 drilled in that red outline, would you guess? Or if you  
9 don't feel comfortable, that's fine.

10 A I really don't have an exact number.  
11 Maybe somebody else that is going to testify can answer  
12 that.

13 Q Would you know, approximately, how many  
14 wells in that red block are below the top of the Onondaga  
15 -- have been drilled below the top of the Onondaga?

16 A Yeah, if you look on the map - and  
17 there's a little legend down there at the bottom - I  
18 indicate a green box that is a data point to use to get the  
19 Onondaga. And in this whole map there's only 25 data  
20 points that went through the Onondaga and into what I  
21 identified as the Oriskany.

22 Now, I couldn't tell you how many wells  
23 would have just penetrated the Onondaga, but I can tell you

1 how many wells that I looked at that generated this path.

2 Q So, the 25 wells would have actually been  
3 drilled through the entire Onondaga section?

4 A That's correct.

5 Q So, your isopach map in this case is  
6 based only on those 25 wells?

7 A That's correct.

8 Q You said you didn't know how many wells  
9 perhaps had been drilled into the Onondaga, if I heard you  
10 right?

11 A Correct.

12 Q So, you wouldn't know how many of those  
13 wells would be operated or drilled by someone other than  
14 Chesapeake or Chesapeake's --

15 A No, I don't have any knowledge of that.

16 Q How about the 25 wells? How many of  
17 those are Chesapeake's wells? Would you know that?

18 A Probably about 10 of them. Some of them  
19 are old deep wells. This is in the area into the Rhome  
20 trough (phonetic) that we drilled or participated with some  
21 companies to drill some deep test wells in here, into the  
22 Rhome trough.

23 Q You asked for 75 feet in your request and

1 at this point what we've heard is that that's based, I  
2 guess, strictly on the logging tool configuration?

3 A Correct.

4 Q Is there any magic in that number, 75  
5 feet? I heard Allegheny's tools are 69 feet, I think. Is  
6 that just kind of a round number?

7 A No, the exact length of Allegheny is  
8 33.72. The exact length of Slumber-Jay is 65.8. So, it's  
9 based mainly on the Slumber-Jay tool.

10 Q Okay. 65?

11 A Yes, 65 or 67.

12 Q I don't know if you're the person to ask  
13 this question, but would you know, approximately, what the  
14 drainage acreage is for these type of wells?

15 A Yeah, I think one of our other witnesses  
16 can better answer that.

17 COMMISSIONER MARTIN: Thank you.

18 COMMISSIONER LAY: Robert?

19 E X A M I N A T I O N

20 BY COMMISSIONER RADABAUGH:

21 Q I guess it would be safe to assume --  
22 I'll get back on geology a little bit. One question that  
23 -- or the point I think he was getting at but didn't get

1 totally to it. If you drilled to the bottom of the  
2 Marcellus into the Onondaga and you just do your 20 feet,  
3 or less than 20 feet, and you can't get your logging tool  
4 clear down below the Marcellus, then really it didn't do  
5 you any good to drill the Marcellus, to the bottom of it,  
6 because you're stabbing in the dark; correct?

7 A You know, it just doesn't allow you to  
8 log and evaluate it.

9 Q Right. That's what I'm getting at. I  
10 mean, you're stabbing in the dark?

11 A Right.

12 Q You can't adequately log it.

13 A Correct.

14 MR. RADABAUGH: That's it.

15 COMMISSIONER LAY: I just have a couple of  
16 questions.

17 E X A M I N A T I O N

18 BY COMMISSIONER LAY:

19 Q You stated that you had potentially 1,700  
20 locations, additional locations, after this year's project?

21 A Correct.

22 Q What spacing where those wells determined  
23 upon?



1           A     Those spacings were based on, I believe,  
2     1,500 feet.

3           Q     1,500 feet? And those were selected by  
4     you?

5           A     I selected some of them. We did a study  
6     a number of years ago to determine remaining locations that  
7     we thought would make economic wells and I was one of the  
8     people involved in that, and I did work some in this area,  
9     but I did not do all the work.

10          Q     Okay. I think you mentioned in your  
11     testimony that you weren't aware of any Oriskany or any  
12     Onondaga wells that were productive in this area. Is that  
13     what you said?

14          A     Yeah, I couldn't find any and I used a  
15     couple of sources. The gas atlas that was done GRI, I used  
16     that, and I also used the Oriskany report that was done by  
17     Dudley Cardwell in the '70s, just to find something in  
18     there and I couldn't find anything.

19                     And then we did an in-house search of  
20     this area and we did not find any production in either the  
21     Onondaga or Oriskany that we had.

22          Q     Okay. Your Exhibit 10, that represents  
23     an isopach, you say, of the Onondaga?

1           A     The Onondaga to the top of the Oriskany.  
2     The top of the Onondaga to the top of the Oriskany. So,  
3     it's the entire gross Onondaga.

4           Q     Now, when you're saying Onondaga  
5     interval, does that include the Huntersville or is this  
6     purely all Onondaga?

7           A     It would include the Huntersville, yes.

8           Q     Do you know, specifically, the average  
9     thickness of the Onondaga itself and the average thickness  
10    of the Huntersville within these areas?

11          A     No. I know from looking at some mud logs  
12    from this area that there is, sure, within what I call the  
13    Onondaga interval. Now, as far as I know, there's no  
14    Huntersville production in this area, either. But there is  
15    certainly present in the Onondaga and Oriskany.

16          Q     In your background, did you look at any  
17    of the inherent structure over the area? I mean, are you  
18    in an area that is highly fractured? Are we potentially  
19    looking at any fracturing within the -- within the area  
20    that you've encompassed here?

21          A     I think I mentioned earlier that this  
22    area, you know, the Rhome trough goes through, which is a  
23    basement feature, and it's formed by, you know, multiple

1 faults and there has been movement through time of these  
2 faults. Everything that I looked at, you know, I could not  
3 find any -- of these 25 wells that I looked at in the  
4 Onondaga interval, you know, I could not find what I would  
5 call productive zone.

6 Q Even with what you broached as  
7 reactivation, you still haven't seen anything that led you  
8 to believe there was any productive intervals?

9 A You know, one well that I did have a mud  
10 log on had some small shows in there, but, you know, it was  
11 not completed.

12 Q It wasn't complete, but it was -- so,  
13 therefore, it was not determined whether or not it was  
14 productive, you know, commercially productive?

15 A Correct.

16 Q Do you know who the operator of that  
17 particular well was?

18 A Yeah, it was one of the Exxon deep wells  
19 that Columbia Transmission participated in.

20 Q And has it subsequently been plugged and  
21 abandoned, are you aware?

22 A Yes.

23 Q Okay. Any of the existing wells that

1 you've identified here that are in the green. I think you  
2 said that you believe that approximately 10 belong to  
3 Chesapeake?

4 A Yeah, that's just a guess. Yeah. We  
5 have been active, you know, through time and doing some  
6 deep wells on these Rhome trough type structures. I would  
7 say 10 is a good number.

8 Q Of those, or of this group of wells, how  
9 many are still currently producing or active wells? Do you  
10 know?

11 A Well, the wells that cluster up in Wayne  
12 County, is a big six field. So, those are still  
13 producing, but they don't produce out of the Onondaga.

14 Q Okay.

15 A Most of the ones elsewhere have been  
16 plugged.

17 Q Have been plugged?

18 A Plugged or, let's say, plugged in the  
19 deeper formations with that possibly producing shallower  
20 formations.

21 Q So, they've potentially recompleted some  
22 of these wells, if not all of them. Is that what you're  
23 saying?

1           A     Some of them, yes.

2           Q     One of my concerns with this area in  
3 Wayne County, those being big six productions which are on  
4 the boundary or very close to the boundary of your  
5 potential development, those are typically sour producing  
6 gas wells. Are you aware of any others in the areas that  
7 might have contaminated the shallow earth formations in the  
8 Oriskany or Onondaga that might lead to H2S production in  
9 these areas?

10          A     I can't specifically point out which  
11 well. You know, it is a possibility of encountering H2S  
12 gas when you penetrate the Onondaga.

13          Q     And from your isopach, the Oriskany,  
14 let's call it -- the shale on which you penetrate the  
15 Oriskany would be somewhere around 100 to 110 feet?

16          A     Correct.

17          Q     Okay. And those areas are identified in  
18 the central part of contact between Wayne and Lincoln  
19 counties?

20          A     Correct.

21                COMMISSIONER LAY: Okay. That's all the  
22 questions I have. Anybody else?

23                MR. MOFFATT: I've got one follow-up question.

1 if I may.

2 COMMISSIONER LAY: Okay.

3 MR. MOFFATT: I think it follows up to what Mr.  
4 Martin was asking.

5 EXAMINATION

6 BY MR. MOFFATT (Resuming):

7 Q Mr. Rothman, if you look at the Marcellus  
8 shale formation in the area requested for special field  
9 rules, is it fair to say that you could treat that area as  
10 a single gas field from a geological standpoint?

11 A Yes. The Marcellus is very similar in  
12 this area as far as the composition in mineralogy. The  
13 thickness that we've seen so far goes from about slightly  
14 less than 20 feet in the southwest portion to about 35 feet  
15 in the north. The rocks are very similar.

16 MR. MOFFATT: Thank you. I don't have any  
17 further questions.

18 COMMISSIONER LAY: You can call your next  
19 witness.

20 BY MR. MOFFATT: The next witness is Rob  
21 Schindler.

22 COMMISSIONER LAY: Will the court reporter  
23 please swear the witness?

1 (Witness sworn.)

2 THEREUPON came,

3 RO B SCHINDLER

4 appearing as a witness herein, having been duly sworn to  
5 tell the truth, testified as follows:

6 EXAMINATION

7 BY MR. MOFFATT:

8 Q Mr. Schindler, would you please state  
9 your name for the record?

10 A Rob Schindler.

11 Q And by whom are you employed?

12 A Chesapeake Appalachia, LLC.

13 Q And what is your position at Chesapeake?

14 A Senior drilling engineer.

15 Q And please describe for the Commission  
16 some of your job duties and responsibilities as a senior  
17 drilling engineer.

18 A I'm responsible for drilling and  
19 completing wells in our southeast district.

20 Q In that capacity, you have experience  
21 with wells drilled to the Marcellus formation?

22 A Yes, I do.

23 Q And you heard today that if the Marcellus

1 well -- if a Marcellus well is drilled as a shallow well,  
2 there is a limitation of being able to only drill about 20  
3 feet into the Onondaga. As a drilling engineer from an  
4 operational standpoint, does that create any problems for  
5 you?

6 A Yes, it does.

7 Q Could you please describe for the  
8 Commission some of the problems you face because of the  
9 drilling limitation?

10 A Yes. I'll just reiterate a couple of  
11 things, but I want to go in chronology order. So, starting  
12 with what Ed touched on, that it is difficult to drill, you  
13 know, exactly 20 feet or something just less than that so  
14 we can get as much space as we can, and Ed talked about the  
15 logging issues.

16 I know that Barry made a comment earlier  
17 that it is possible. Yes, it is possible to drill these  
18 wells. Obviously, we, along with other operators have been  
19 doing that. It does create some difficulties, and then  
20 getting on -- once we're done logging, it's difficult to  
21 set that pipe precisely where you need it. Obviously, it  
22 has to be in that 20 foot interval somewhere to be able to  
23 perforate the Marcellus.



1                   You've got a couple of different  
2 measurements. One is a driller's TD. One is a logger's  
3 TD. Typically, there's some discrepancy between those two  
4 and then when you're going into major casing, which one am  
5 I going to set the pipe line.

6                   So, what we have to do is tag bottom with  
7 the casing, the production casing, to ensure that we are at  
8 bottom with that casing.

9                   That creates the problem of 1): you  
10 might plug the end of that casing, creating a cementing  
11 problem, and you also have to spend the extra time and  
12 money to space out with pop joints at the surface to be  
13 able to set that pipe exactly where you want it in that 20  
14 foot interval below the base of the Marcellus.

15                   Then next becomes the cementing issue.  
16 Like I said, since there's a possibility of plugging the  
17 bottom of the casing when you tag bottom, what we do is we  
18 perforate, run a short coupling on bottom and perforate  
19 that to ellevate the potential plugging issue. If you did  
20 plug, obviously, that leaves your pipe full of cement.

21                   So, we perforate that joint and what  
22 that's doing is causing a problem with the cement bond  
23 around the bottom of the casing.

1                   It will be preferential to leave a longer  
2 and solid joint below that so that if there's any bypassing  
3 of either displacement water passing the plug or some air  
4 that entered the system while you're washing up for your  
5 change from cement to water, then that 40 foot solid joint  
6 below where the rubber plug lands allow for some space for  
7 that contaminated cement to be instead of it actually  
8 turning the corner, when it's going to turn the corner  
9 right below that plug in the slotted joint the way we're  
10 currently having to operate on these Marcellus wells.

11                   And then after the cementing, the same  
12 problems that Ed has, although it's not as large of an  
13 issue, but getting that bond log right on the bottom and  
14 then being able to swab that water off 100 percent, because  
15 you're talking about perforating within a few feet of  
16 bottom. If you leave any water, or oftentimes it's going  
17 to be a little bit of what we call a little bit of gray  
18 water. It just follows the cement down through to four to  
19 five thousand feet.

20                   Whereas if we had just a little bit of  
21 extra space for that fluid to fall down into, it's a lot  
22 cleaner. And then when you get to the production of the  
23 well, if you're going to run, you leave it some distance up

1 above the bottom of the hole, because as basic cement fine  
2 sands are inherent, and then it will fill up the process  
3 perforation and the gas would still be able to --

4 Q -- the entire Marcellus formation or  
5 zone, you are going to leave recoverable reserves in place?

6 A Potentially.

7 Q If Chesapeake had the ability to drill 75  
8 feet into the Onondaga, would that alleviate the problems  
9 you just described?

10 A Yes, it would.

11 Q Typically, with a deep well, there's a  
12 requirement that you prepare and file a site and safety  
13 plan. Are you familiar with that requirement?

14 A Yes, I am.

15 Q And as a part of this request for special  
16 field rules, Chesapeake is asking that the Commission waive  
17 that requirement; is that correct?

18 A That's correct.

19 Q And what's the basis for that request:  
20 that they waive the requirement for site and safety plan?

21 A Well, as Mr. Rothman stated, we're asking  
22 for an extra 55 feet that's penetrating an unproductive  
23 Onondaga, leaving the only question or concern of safety

1 being H2S, which has been raised by Mr. Lay, and we are  
2 aware of that, and it would be our intention in all of  
3 these wells to have H2S monitoring equipment on location  
4 when we penetrate in the Onondaga. And by doing that, it  
5 would appear to alleviate any questions or concerns that  
6 would be addressed in a site seeing plan.

7 MR. MOFFATT: I have no more questions for Mr.  
8 Schindler.

9 COMMISSIONER LAY: Cross from anyone?

10 (No response.)

11 COMMISSIONER LAY: I don't believe I have.  
12 either. You addressed the safety issue I was concerned  
13 about. Call your next witness.

14 MR. MOFFATT: The next witness is Jeff Cable.

15 (Witness sworn.)

16 THEREUPON came.

17 J E F F C A B L E

18 appearing as a witness herein, having been duly sworn to  
19 tell the truth, testified as follows:

20 E X A M I N A T I O N

21 BY MR. MOFFATT:

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

1 A Jeff Cable.

2 Q And by whom are you employed?

3 A Chesapeake Appalachia.

4 Q In what capacity?

5 A Senior reservoir engineer.

6 Q As a senior reservoir engineer, what are  
7 your job duties?

8 A Perform reserve analysis and evaluation  
9 for wells in the southeastern district.

10 Q Does that include the area encompassed by  
11 Chesapeake's request here today?

12 A Yes, it does.

13 Q Are you familiar with the request made by  
14 Chesapeake for special field rules?

15 A Yes.

16 Q And do you have experience with wells  
17 drilled to the Marcellus formation?

18 A Yes, I do.

19 Q Is it correct to say that this is a  
20 relatively new play?

21 A It's a new play for Chesapeake. We've  
22 drilled so far 75 wells in this area and completed the  
23 Marcellus.

1           Q     What is Chesapeake's current spacing  
2 practice with regard to these Marcellus formation wells?

3           A     Currently, we're drilling on 1,500 foot  
4 spacing, which is about 40 acre spacing. So far from these  
5 75 wells drilled to date, we don't have any evidence of  
6 interference between the wells.

7           Q     Now, since this is considered -- or since  
8 a Marcellus formation well which is drilled 75 feet into  
9 the Onondaga is considered a deep well, it would be subject  
10 to the deep well spacing requirements, which are 3,000 feet  
11 between wells and then 400 feet off the lease unit, the  
12 leaser unit boundary line.

13                     In your opinion, would it be prudent to  
14 develop Marcellus formation wells based upon that spacing?

15           A     No, it would not.

16           Q     For purposes of Chesapeake's request for  
17 special field rules, you're asking the Commission for  
18 spacing of 1,000 feet between wells and 50 feet on lease of  
19 inner-boundary line. What's the basis for that request?

20           A     It would allow us flexibility for  
21 topography issues, coal owner/surface owner issues, and  
22 also we have a lot of existing wells in the area that we  
23 would be drilling deeper -- potentially drilling deeper to

1 the Marcellus.

2 Q As you drill more Marcellus wells, is it  
3 possible -- will you obtain new information which may lead  
4 you to space these wells closer than 1,500 feet?

5 A Potentially.

6 MR. MOFFATT: I have no further questions for  
7 Mr. Cable.

8 COMMISSIONER LAY: Any cross?

9 COMMISSIONER RADABAUGH: I've got a question.  
10 I'm a little confused here.

11 E X A M I N A T I O N

12 BY COMMISSIONER RADABAUGH:

13 Q On the request, you request spacing to be  
14 a 1,000 feet, or a variance of 1,000 feet. Earlier, we had  
15 talked about when some studies had been done a few years  
16 ago, you had done your estimates on 1,500 foot spacing,  
17 when you came up with 1,700 potential well sites in the  
18 future. Has Chesapeake's view of the spacing that they  
19 need changed for some reason between the 1,500 feet that  
20 you was working off of a few years ago and 1,000 feet now  
21 that you're looking at?

22 A Well, the 1,500 is our current practice  
23 and while we try to maintain that, we can't always get

1 1,500 feet on all sides. So, we picked 1,000 feet as a  
2 number. We didn't know if it would be 14, 13, 1,200 feet.  
3 So, we picked 1,000 feet to accommodate that flexibility.

4 And, also, these existing wells that will  
5 be drilled deeper, some of them are within 1,500 foot  
6 spacing.

7 Q Okay. So, basically, what you're asking  
8 for is to have a minimum of 1,000 feet, but it doesn't mean  
9 that all of your wells are going to be on a 1,000 foot  
10 spacing?

11 A That's correct.

12 COMMISSIONER RADABAUGH: Okay.

13 COMMISSIONER LAY: Other crosses?

14 E X A M I N A T I O N

15 BY MR. TAWNEY:

16 Q I was kind of wondering where you got  
17 that 1,000. You just kind of picked a number for the  
18 1,000?

19 A It's arbitrary. We don't plan right now  
20 on going down to 1,000 foot spacing, but there could be  
21 occasions where we could get crowded on one side. If I  
22 picked 1,500, then we would have to come in and get a  
23 spacing exception if it was closer to 1,500.



1 MR. TAWNEY: I'm following your reasoning.

2 MR. PRESERVATI: I've got a couple of questions,  
3 if I can.

4 EXAMINATION

5 BY MR. PRESERVATI:

6 Q Earlier you said it wasn't prudent to  
7 space these wells out at 3,000 feet. So, what do you mean  
8 by it's not prudent?

9 A We would be leaving recoverable reserves  
10 in place if we spaced them at 3,000 feet.

11 Q And what about at 2,000 feet? Would you  
12 be able to recover some of that reserve you wouldn't be  
13 able to at the 3,000 foot spacing?

14 A It's possible, but I believe that we  
15 would still, at 2,000 feet, we could still be leaving  
16 reserves behind.

17 Q And is that based on reserve study?  
18 What's that based upon?

19 A Basically, what we've seen so far in  
20 completing these wells, you know, we're on 1,500 foot  
21 spacing. We have not seen any communication between wells  
22 suggesting that the drainage area would be greater than  
23 1,500 feet.

1 Q Do you have any of those log reports or  
2 anything like that here today showing that?

3 A No, I do not.

4 Q And so I understand, you said that you  
5 wanted the flexibility of 1,000 feet spacing to address  
6 potential issues, potential coal issues, topography issues;  
7 is that correct?

8 A That's correct.

9 Q So, the request for 1,000 feet is to  
10 address potential issues down the road?

11 A That's correct.

12 Q It's not a specific well-by-well basis of  
13 addressing issues that exist today in regards to coal owner  
14 topography issue?

15 A Not today, no.

16 Q As we sit here today, do you have any  
17 documentation or any reports to show you couldn't  
18 effectively produce the Marcellus at 2,000 foot spacing?

19 A I do not have documentation, no.

20 Q Do you have documentation elsewhere, not  
21 here with you, but elsewhere, that would show that to be  
22 the case?

23 A There's no specific reservoir study

1 that's been done, but based on what we have done to date,  
2 as far as completion, we have not seen evidence where the  
3 drainage area would be draining 1,500 feet.

4 MR. PRESERVATI: No other questions. Thank you.

5 COMMISSIONER LAY: Anyone else? The only  
6 question I really have, I just want to make note that your  
7 current policy is 1,500 foot spacing on center. Is that  
8 from the existing wells that are already there in shallow  
9 formations or is that what you use between what you are  
10 considering here on the Onondaga or Marcellus test zone?

11 THE WITNESS: It's two existing wells, but in  
12 certain instances, we will go closer than 1,500 if it's --  
13 if we're close to a well that's completed in shallower  
14 formation, Barrera and Engine Line. But the shales, we try  
15 to stay 1,500 feet, typically.

16 COMMISSIONER LAY: Okay. I think that was the  
17 only question I had.

18 MR. MOFFATT: That's our last witness. Okay.

19 (Break taken.)

20 COMMISSIONER LAY: Who would like to be first?

21 MR. MCMAHON: My name is David McMahon. I'm a  
22 lawyer representing --

23 MR. TANNEY: Your Honor, before we proceed with

1 David's statement, earlier he indicated that he represented  
2 simply landowners or surface owners. I'd like to get on  
3 the record precisely who he's representing today.

4 MR. MCMAHON: Well, I'm employed 30 percent of  
5 the time by an organization called Mountain State Justice,  
6 which I generally do represent surface owners. I've  
7 written books, et cetera. He raised a question today and  
8 I'll confess that I did not get specific authorization. I  
9 have general authorization to do that rather than specific  
10 authorization for this. So, I will appear now representing  
11 just myself, as a member of the public, but as a lawyer,  
12 who by profession represents low income surface owners.

13 COMMISSIONER LAY: Very good.

14 MR. TAWNEY: Thank you.

15 MR. MOFFATT: I have one question. Do you own  
16 surface property within the area encompassed by  
17 Chesapeake's request for special field rules?

18 MR. MCMAHON: Are you talking Loudon Dale? I  
19 live in Loudon Dale. I own property in Loudon Dale, which  
20 is a subdivision of and a magistrate district of Kanawha  
21 County.

22 MR. TAWNEY: Okay. For the record, I don't  
23 believe that that area is included within the area

1 requested for special field rules.

2 COMMISSIONER LAY: Your comments are noted. Mr.  
3 McMahon, if you would like to proceed with your --

4 MR. MCMAHON: I'm David McMahon. I'm a lawyer.  
5 By profession, I'm the lawyer for low income people and  
6 have written a book on surface owner's rights and I know  
7 the area.

8 I appear in support of the general  
9 proposition for special field rules in this matter. I do  
10 not have particular evidence regarding what the spacing  
11 should be, but I appear because the presumption behind the  
12 spacing is that these wells in the Marcellus formation will  
13 be declared -- are deep wells and will be treated by this  
14 Commission to be deep wells, which I think they should be.  
15 That will allow force pooling unitization which would limit  
16 the number of wells drilled on surface owners. Full  
17 unitization is good for everyone, but the people that get  
18 paid by the well, I've always thought fewer wells on  
19 surface owners. The mineral owners will have fewer costs  
20 in getting the minerals out because of fewer wells. The  
21 reservoir pressure will not be wasted in getting out gas  
22 from more wells than are necessary. Environmentally,  
23 there's less risk with less wells.

1                   In addition, I should have mentioned  
2 earlier at the pre-con that, of course, there is also a  
3 surface owners' right to consent on certain, though not  
4 many, of the deep wells.

5                   I support the Commission's definition of  
6 interpretation of the rules that these are deep wells. I  
7 think there's a good public policy to have pooling  
8 unitization for as many wells as possible. From my  
9 knowledge of the history, the only distinction between deep  
10 wells and shallow wells for this purpose was a political  
11 compromise over whether pooling unitization shall reach the  
12 shallow wells, to wells that are drilled to shallower  
13 formations.

14                   I appreciate the Commission hearing my  
15 comments.

16                   COMMISSIONER LAY: Thank you. Next.

17                   MR. GOTTLIEB: I'm Richard Gottlieb here on  
18 behalf of Penn Virginia Oil and Gas. Mr. Chairman, we  
19 submitted comments dated May 4th, 2007 that reflected Penn  
20 Virginia's position which is that it supports Chesapeake's  
21 need to drill down the 75 foot for purposes of fully  
22 developing this Marcellus shale formation.

23                   Penn Virginia challenges and the only

1 thing it challenges here is this Commission's ability to  
2 grant the spacing request that Chesapeake has made here  
3 today. That objection is based on two things.

4 One is the statute itself, as explained  
5 in the letter, that we believe that the clear intent of the  
6 Legislature is to not have these type of special peer rules  
7 for spacing in this rather large area permitted by this  
8 Commission or the Shallow Gas Well Commission or anyone,  
9 that this simply needs to be special field rules pertaining  
10 to the more shallow shale is not permitted under the state.

11 And I will not belabor the discussion we  
12 had earlier about the rules of statutory construction and  
13 why we believe our interpretation is correct and this  
14 Commission's prior interpretation is incorrect.

15 The other observation I would make is  
16 that Mr. Rothman discussed the 1,800 potential wells in  
17 this area. I believe that there is a concern with  
18 entities, such as Penn Virginia, or Equitable Production,  
19 or anyone else, that when the Commission operates in this  
20 fashion, it's certainly not clear from the face of the  
21 application what effect it might have on the ability of  
22 other producers that have existing rights to develop  
23 shallow gas wells in the affected acreage.

1                   And notwithstanding Mr. McMahon's  
2                   personal plea in favor of spacing, pooling, and a lot of  
3                   that's in the interest of surface owners, the fact is our  
4                   Supreme Court has recognized that producers with valid  
5                   leases also have rights.

6                   The law of capture as reflected in the  
7                   Supreme Court case that I cited in my letter recognizes  
8                   that with respect to shallow formations, the law of capture  
9                   still applies. I don't believe the Legislature intended to  
10                  do away with that law of capture; in fact, to the contrary.  
11                  I think it's made very clear what the Legislature's intent  
12                  was that with respect to shale formation, that would not  
13                  have the special fields and the regulations were written in  
14                  accordance with that legislative intent.

15                  In summary, we oppose for both legal  
16                  reasons. And it's certainly not clear that pooling, forced  
17                  pooling or otherwise will truly protect the other  
18                  producer's rights in these respected fields to the extent  
19                  that they want to go in and drill other wells within this  
20                  acreage. I don't believe that this Commission should limit  
21                  the rights of these other producers if it doesn't have the  
22                  clear statutory authority to do so. Thank you.

23                  COMMISSIONER LAY: Next.



1 MR. PRESERVATI: I'll go ahead and start. Thank  
2 you, Mr. Chairman. I'm Nick Preservati on behalf of  
3 Pocahontas Land Corporation and Argas Energy, both of which  
4 are coal owners and operators within the area affected  
5 within the application by Chesapeake. I'll reiterate  
6 several of the objections made in our correspondence to the  
7 Board yesterday.

8 One being, echoing Mr. Gottlieb's  
9 comments, that we believe this Board, this Commission, is  
10 actually without jurisdiction to hear this application.

11 I believe the Commission is limited to  
12 only addressing issues related to deep wells, not shallow  
13 wells. Our position is, in order to be a deep well, it  
14 must be drilled and completed in the Onondaga. The wells  
15 subject to this application are not and that was stated,  
16 simply on the face of the application by Chesapeake, that  
17 they would not be going into and completing in the  
18 Onondaga.

19 For that reason, we believe that the  
20 Commission is without jurisdiction to hear this. It should  
21 deny the application and it should be taking up spacing  
22 issues with the Shallow Gas Well Review Board.

23 That leads to my second objection based

1 upon due process. If the coal operators and coal owners  
2 are being denied their ability to object on spacing  
3 requirements, for what is, in essence, shallow wells, under  
4 the shallow gas well statute, 22C-8-A, we have the ability  
5 to object to any well within 2,000 feet of another well and  
6 the operator has to show need for that specific well to go  
7 under the 2,000 foot limitation.

8 That provision also prohibits any wells  
9 under 1,500 feet spacing of another well. We believe that  
10 these are shallow wells and those provisions should be  
11 applied to the special field rules in this case.

12 We're not talking about one well and one  
13 spacing application here on a case-by-case basis. They're  
14 asking this Board to deny or grant spacing approximately  
15 1,000 feet for 1,800 wells. That's a significant impact on  
16 coal operations within this area of my clients, basically  
17 by allowing them to go under the 2,000 feet and 1,500 feet,  
18 stripping the coal owners and operators of their ability to  
19 protect their reserves and ensure that there's adequate  
20 spacing to allow them to access their resources.

21 Therefore, again, we're asking that the  
22 requirements of 22C-8-8A be incorporated by this Commission  
23 in the application, or in the order granting special field

1 rules, that the Commission does grant the application.

2           Again, just for the record, we will also  
3 object on the issue of the notice, the denial of due  
4 process by trying to change distance limitations of the  
5 shallow wells through this proceeding and again denying the  
6 coal operators and owners of specific individual access by  
7 certified mail to which they are entitled as a matter of  
8 law under the shallow gas well regulatory framework.

9           They have not had the opportunity to have  
10 the application and to review it in opportunity to protect  
11 their rights as would be required under the shallow gas  
12 well statutes.

13           We also object to any other operators  
14 trying to piggyback onto this request due to subsequent  
15 procedure of due process of lack of notice. The notice  
16 provided by Chesapeake was limited specifically to  
17 Chesapeake, no other operators did appropriate notice with  
18 the legal advertisements, et cetera. People reviewing  
19 those notices in the paper would see it limited to  
20 Chesapeake. When you're considering lease lines, et  
21 cetera, within that area, other coal operators or owners  
22 might look at that and say "Chesapeake's not on us. We're  
23 not affected by this. They don't have a lease on us. It's

1 not an issue." The scope of it increases significantly  
2 when you add other operators and special field rules. So,  
3 we object on that ground as well.

4 And lastly, we request that the Board  
5 require a placement of H2S monitors as part of the special  
6 field rule. Thank you.

7 COMMISSIONER LAY: Next.

8 MR. SULLIVAN: Ben Sullivan, on behalf of  
9 Equitable Production Company. Just wanted to state that we  
10 don't have any specific objections to Chesapeake's  
11 application here today, although we do feel that there was  
12 no due process to Equitable or any other producers in the  
13 area that our wells, be they shallow or deep, will be  
14 affected. The notice states on its face that only  
15 Chesapeake's wells are going to be affected by these  
16 special field rules.

17 I do understand that the special field  
18 rule regulations enacted do specifically -- not  
19 specifically, but typically address certain fields rather  
20 than only certain producers in those fields.

21 In light of the special field rule that  
22 it was very similar to this application of Chesapeake's  
23 that was granted to Eastern American, which only did apply

1 to Eastern American - it did not apply to any other wells  
2 or any other producers in that field - we would object to  
3 our wells or our drilling plans being impacted in any way  
4 whatsoever by this special field or application for due  
5 process notification reasons. That's really all I have to  
6 say to that.

7 MR. KEIM: Jeffrey Keim, Cabot Oil and Gas.  
8 Cabot has no objection to Chesapeake's request for special  
9 field rules. If the Board so finds to have the order  
10 granting special field rules to Chesapeake, whether in  
11 whole or in part, in contrary to its previous written  
12 request, we wish that these rules not apply to our leases.

13 COMMISSIONER LAY: Other?

14 MR. HELDMAN: Roger Heldman with East Resources.  
15 Mr. Rothman's and Mr. Schindler's testimony we've seen  
16 exactly the same problems. We drilled one Marcellus  
17 ourselves and that's the exact same problems. We agree  
18 with them and I think we would ask that it would apply to  
19 other operating wells. That's probably the path that we  
20 would take to try to develop --

21 COMMISSIONER MARTIN: Let me back up to Cabot.  
22 At the end of your statement, did you say that you wanted  
23 this to apply to other operators or did not want this to

1 apply to operators?

2 MR. KEIM: We do not want it to apply to Cabot,  
3 do not.

4 COMMISSIONER MARTIN: You do not want it to  
5 apply to Cabot. Okay. Thank you.

6 COMMISSIONER LAY: Other? Mr. Tawney.

7 MR. TAWNEY: Your Honor, my name is Kenneth  
8 Tawney here on behalf of Petro Edge Group, Petro Edge  
9 Resources, WV, LLC, North Star Energy Corporation, and  
10 Trans Energy Corporation.

11 Petro Ed has filed and North Star and  
12 Trans Energy are now joining in the initial protest that  
13 was filed in writing. I won't try to reiterate everything  
14 that's written there, but simply note that we also object  
15 to the Commission's interpretation of whether this is a  
16 deep well or a shallow well, and we believe that they are  
17 more appropriately considered to be shallow wells.

18 Beyond that, reserving that legal  
19 argument, we would support Chesapeake's request for special  
20 field rules to be applied to this area. We agree with all  
21 of the evidence that's come in today that outlines the  
22 reasons for why it is necessary to drill 75 feet into the  
23 Onondaga and the reasons why 3,000 foot spacing would be

1 inappropriate.

2 We agreed with Penn Virginia that the  
3 better approach would be to simply apply no spacing  
4 requirement at all to these wells, but if the Commission  
5 sees fit to apply any spacing limitation to their request,  
6 then 1,000 should not be -- it should not be anymore than  
7 1,000 feet.

8 Petro Ed, North Star, and Trans Energy  
9 would ask that any acreage that they have or in the future  
10 acquire in this area be included within the special field  
11 rules that is issued in this proceeding.

12 COMMISSIONER LAY: Any other?

13 MR. PRESERVATI: I just wanted to make sure I  
14 clarify one of my objections earlier. On the piggybacking  
15 of the other operators, I want to make clear for the record  
16 that our object is: 1) we don't believe the other operators  
17 are legally allowed to piggyback on this application.

18 And if the Board so finds, we also object  
19 on the notice, even if they are allowed, the notice was  
20 improper in this instance to allow others to do it. So, I  
21 just want to clarify that on the record.

22 COMMISSIONER LAY: I understand. Any other?

23 MR. CUNNINGHAM: Can I just ask a question? Is

1 that appropriate?

2 COMMISSIONER LAY: It depends on what your --  
3 let's hear your question and then we'll determine whether  
4 you can ask it or not. How's that?

5 MR. CUNNINGHAM: Greg Cunningham with Dominion  
6 E & P. Are the wells, the Marcellus wells, going to be  
7 commingled with the shallower production?

8 COMMISSIONER LAY: That's something that we did  
9 not take testimony on. These are treated purely as -- in  
10 this particular case, I think it's really irrelevant  
11 whether they're commingled or not, because our purpose for  
12 this meeting is because they're going 75 feet into the --  
13 or proposing to go 75 feet into the Onondaga, not because  
14 they're Marcellus or Barrera, Big Engine, whatever.

15 MR. CUNNINGHAM: The reason of my question is  
16 the spacing pooled issue. That's okay.

17 MR. TAWNEY: If I may, permit me to clarify one  
18 position for Petro Ed and for North Star and Trans Energy.  
19 Yes, if there is any spacing room greater than 1,000 feet,  
20 then they will not want to open their acreage into special  
21 field rules.

22 (Break taken.)

23 COMMISSIONER LAY: At this point, after a modest



1 amount of deliberation, the Commission has decided that we  
2 will not render a decision today. We will --

3 MR. SULLIVAN: Surprise, surprise.

4 COMMISSIONER LAY: We've got several issues that  
5 we are looking at, and we will wait for transcripts. We  
6 will evaluate the evidence again, along with the  
7 Commission's counsel and address all of the objections and  
8 comments during that deliberation and let you know at that  
9 time.

10 I'm going to go ahead and close the  
11 record, because we're not going to take any additional  
12 evidence. We are going to deliberate. So, we'll close the  
13 record and at such time as we make a decision, we will  
14 notice the parties and we will probably ask for draft  
15 orders from all interested parties who wish to participate  
16 in the process. Anything else that I've forgotten? We'll  
17 close the record. Thank you.

18 (WHEREUPON, the hearing was concluded.)


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REPORTER'S CERTIFICATE

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

I, the undersigned, Pamela I. Wood, do hereby certify that the foregoing is, to the best of my skill and ability, a true and accurate transcript of all the testimony as set forth in the caption hereto.

Given under my hand this 17th day of May, 2007. My commission expires May 6, 2017.



PAMELA I. WOOD - CCR - NOTARY PUBLIC



Seal