

**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, KANAWHA,  
LINCOLN, LOGAN AND MINGO COUNTIES, WEST  
VIRGINIA, COVERING NESTLOW, BRANCHLAND,  
HAGER, JULIAN, GRIFFITHSVILLE, RADNOR,  
KIAHSVILLE, RANGER, BIG CREEK, MUD, WEBB,  
WILSONDALE, TRACE, CHAPMANVILLE, KERMIT  
NAUGATUCK, MYRTLE, HOLDEN WILLIAMSON,  
DELBARTON AND BARNABUS QUADRANGLES.**

**DOCKET NO. 179**

**CAUSE NO. 164**

**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, Kanawha, Lincoln, Logan and Mingo 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 427,000 acres of leasehold or oil and gas interests in the area for which special field rules have been requested as shown on Exhibit "A", which area is located in Boone, Kanawha, Lincoln, Logan and Mingo 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 1700 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 16, 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 110 feet and 180 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 570,000 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  
Barry K. Lay, Commissioner

Dated this \_\_\_\_ day of July, 2007, at Charleston, 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, 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  
Barry K. Lay, Commissioner

Dated this 10<sup>th</sup> day of July, 2007, at Charleston, 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 MCDOWELL, MINGO  
AND WYOMING COUNTIES, WEST VIRGINIA,  
COVERING MAN, MALLORY, WHARNCLIFFE,  
GILBERT, IAEGER AND DAVY QUADRANGLES.**

**DOCKET NO. 181**

**CAUSE NO. 166**

**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 Mingo, McDowell and Wyoming 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 15,000 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 Mingo, McDowell and Wyoming 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 57 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 180 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 66,000 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  
Barry K. Lay, Commissioner

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