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DIVISION OF OIL & GAS

STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT

In re the Matter of the Application of
Chesapeake Exploration, L.L.C., for
Unit Operation

Bozich B Unit

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:

Application Date: October 18, 2016

APPLICATION OF CHESAPEAKE EXPLORATION, L.L.C.,
FOR UNIT OPERATION

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**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of :
Chesapeake Exploration, L.L.C., for :
Unit Operation : Application Date: October 18, 2016
: :
Bozich B Unit :

APPLICATION

Pursuant to Ohio Revised Code Section 1509.28, Chesapeake Exploration, L.L.C. (“Chesapeake”), hereby respectfully requests the Chief of the Ohio Department of Natural Resources’ Division of Oil and Gas Resources Management (“Division”) to issue an order authorizing Chesapeake to operate the Unitized Formation and applicable land area in Jefferson County, Ohio (hereinafter, the “Bozich B Unit”) as a unit according to the Unit Plan attached hereto and as more fully described herein. Chesapeake makes this request for the purpose of substantially increasing the ultimate recovery of oil and natural gas, including related liquids, from the Unitized Formation, and to protect the correlative rights of unit owners, consistent with the public policy of Ohio to conserve and develop the state’s natural resources and prevent waste.

**I.
APPLICANT INFORMATION**

Chesapeake Exploration, L.L.C., is a limited liability company organized under the laws of the State of Oklahoma and a wholly-owned subsidiary of Chesapeake Energy Corporation. Chesapeake has its principal office in Oklahoma City, Oklahoma, and local offices at 2321 Energy Drive, Louisville, OH 44641. Chesapeake is one of the most active drillers of horizontal wells in Northeast Ohio and is registered in good standing as an “owner” with the Division.

Chesapeake designates to receive service, and respectfully requests that all orders, correspondence, pleadings and documents from the Division and other persons concerning this filing be served upon, the following:

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II. PROJECT DESCRIPTION

The Bozich B Unit is located in Jefferson County, Ohio, and consists of seventy-three (73) separate tracts of land. See Exhibits A-1 and A-2 of the Unit Operating Agreement (showing the plat and tract participations, respectively). The total land area in the Bozich B Unit is approximately 647.496395 acres and, at the time of this Application, Chesapeake and Ascent Resources – Utica, L.L.C. (“Ascent”) have the right to drill on and produce from 611.207489¹ acres of the proposed unit – i.e., more than ninety-four percent (94%) of the unit area, above the sixty-five percent (65%) threshold required by Ohio Revised Code § 1509.28.² As more specifically described herein, Chesapeake seeks authority to drill and complete one or more horizontal wells in the Unitized Formation from a single well pad located near the southwest corner of the Unit to efficiently test, develop, and operate the Unitized Formation for oil, natural gas, and related liquids production.

Chesapeake’s plan for unit operations (the “Unit Plan”) is attached to this Application and consists of the Unit Agreement, attached as Exhibit 1; and the Unit Operating Agreement, attached as Exhibit 2. Among other things, the Unit Plan allocates unit production and expenses based upon each tract’s surface acreage participation in the unit; includes a carry provision for those unit participants unable to meet their financial obligations, the amount of which is based upon the risks of and costs related to the project; and conforms to industry standards for the drilling and operating of horizontal wells generally used by the Applicant with other interest owners.

III. TESTIMONY

The following pre-filed testimony has been attached to the Application supporting the Bozich B Unit’s formation: (i) testimony from a Geologist establishing that the Unitized Formation is part of a pool and supporting the Unit Plan’s recommended allocation of unit produc-

¹ Chesapeake Exploration, LLC, as Operator, is authorized to file this application on behalf of CHK Utica, L.L.C., a wholly controlled Chesapeake entity. Ascent Resources – Utica, L.L.C. has now approved this Application, and Ascent has entered into a Lease Exchange Agreement to trade its working interest in the Bozich B Unit to Chesapeake for other Chesapeake leasehold in Jefferson County.

² See Prepared Direct Testimony of Arthur Zwierlein at 2, attached as Exhibit 5.

tion and expenses on a surface acreage basis;³ (ii) testimony from a Reservoir Engineer establishing that unitization is reasonably necessary to increase substantially the recovery of oil and gas, and that the value of the estimated additional resource recovery from unit operations exceeds its additional costs;⁴ and (iii) testimony from an operational Landman with firsthand knowledge of Chesapeake's Ohio development who describes the project generally, the Unit Plan, efforts to lease unleased owners, and the approvals received for unit development.^{5,6}

IV.
THE CHIEF SHOULD GRANT AN ORDER FOR THIS APPLICATION

A. Legal Standard

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order providing for the unit operation of a pool – or a part thereof – when the applicant shows that it is reasonably necessary to increase substantially the ultimate recovery of oil and gas, and the value of the estimated additional resource recovery from the unit's operations exceeds its additional costs. See Ohio Rev. Code § 1509.28(A).

The Chief's order must be on terms and conditions that are just and reasonable and prescribe a plan for unit operations. See Ohio Rev. Code § 1509.28(A). Chesapeake proposes the following conditions for its operation of the Bozich B Unit that will satisfy the statutory requirements set forth below:

(1) A description of the unit area.

See the above section on "PROJECT DESCRIPTION."

(2) A statement of the nature of the contemplated operations.

Chesapeake anticipates drilling two (2) wells from a pad location on a parcel located in the southwest portion of the Bozich B Unit for the purpose of recovering oil and gas. Drilling operations in the Unit will commence within twelve (12) months from the date of approval of the Division's Unitization Order. Notwithstanding any unforeseen developments, in Q2 or Q3 of 2017, at the latest, Chesapeake intends to drill the initial well within the Bozich B Unit. Thereafter, Chesapeake plans to drill the one (1) subsequent well within five (5) years from the completion of the initial well.⁷

(3) An allocation of production from the unit area not used in unit operations, or otherwise lost, to the separately owned tracts.

Chesapeake's geology testimony illustrates that the Utica/Point Pleasant Formation uniformly underlies the Unit Area.⁸ Therefore, the value of each separate tract in the Unit Area shall be determined by calculating the ratio of its surface acreage to the to-

³ See Prepared Direct Testimony of Julian Michaels, attached as Exhibit 3.

⁴ See Prepared Direct Testimony of Andrew Hopson, attached as Exhibit 4.

⁵ See Prepared Direct Testimony of Arthur Zwierlein, attached as Exhibit 5.

⁶ Each of the witnesses is an employee of Chesapeake Energy Corporation, testifying on behalf of the Applicant, its wholly-owned subsidiary, Chesapeake Exploration, L.L.C., which operates Chesapeake's Ohio wells.

⁷ Exhibit 5 at 4.

⁸ Exhibit 3 at 2-3.

tal surface acreage of the Unit Area; this is known as “Unit Participation”. The allocated share of production to each separate tract shall be equal to its Unit Participation.

(4) A provision addressing credits and charges to be made for the investment in wells, tanks, pumps, and other equipment contributed to unit operations by owners in the unit.

Owners in the Unit Area are responsible for their pro rata share of these credits and charges based upon their total Unit Participation within the Unit Area.

(5) A provision addressing how unit operation expenses shall be determined and charged to the separately owned tracts in the unit, and how they will be paid.

Expenses related to unit operations shall be charged to owners on a pro rata basis based upon their Unit Participation. These charges shall be just and reasonable.

(6) A provision, if necessary, for carrying someone unable to meet their financial obligations in connection with the unit.

Chesapeake will carry, or otherwise finance, an owner who is unable to meet its financial obligations in connection with unit operations. Chesapeake shall comply with the Unit Agreement and Unit Operating Agreement included in the subject unitization application should enactment of this provision become necessary.

(7) A provision for the supervision and conduct of unit operations in which each person has a vote with a value corresponding to the percentage of unit operations expenses chargeable against that person’s interest.

Chesapeake, or its successors in interest, shall supervise and conduct all unit operations. Each working interest owner in the Unit Area shall have a voting interest equal to its Unit Participation. If the operator owns fifty-one percent (51%) or more of the Unit Area, unit operations shall not require an affirmative vote of all working interest owners. Otherwise, no unit operation shall be approved without an affirmative vote of at least fifty-one percent (51%) of the combined voting interest of the working interest owners.

(8) The time when operations shall commence and the manner in which, and circumstances under which, unit operations will terminate.

Unit operations may commence as of 7:00 a.m. on the day following the effective date of the Order, when and if one is issued by the Division, and may continue as long as oil and/or gas are produced. Working interest owners comprising at least fifty-one percent (51%) of the working interest owners in the Unit Area may terminate unit operations whenever they determine unit operations are no longer warranted. If unit operations are so terminated, Chesapeake shall provide written notice of the termination to the Division and to all unitized non-consenting working interest owners, as further defined in 9(b)(ii). In the event that termination of unit operations occurs prior to drilling and completing for production two (2) wells in the Bozich B Unit, the Chief may issue an order reducing the Unit Area to the minimum amount of acreage necessary to support those wells that have been drilled and are producing.

(9) Such other provisions appropriate for engaging in unit operation and for the protection or adjustment of correlative rights.

Chesapeake proposes the following as additional provisions:

(a) No activity associated with the drilling, completion, or operation of the Bozich B Unit shall be conducted on the surface of any unleased property without prior written consent of the landowner.

(b) If an Order is granted, Chesapeake shall present Unitized parties with the option to:

(i) lease their minerals to Chesapeake for a fifteen percent (15%) royalty rate on production, and a lease bonus payment of one thousand two hundred dollars (\$1,200) per net mineral acre. This lease option shall be for a non-surface use lease, meaning that Chesapeake shall not use the surface of the mineral owner's property without separate prior written consent by the mineral owner; or

(ii) participate in unit operations as a non-consenting working interest owner. The mineral owner shall receive a monthly cash payment equal to a one-eighth (1/8) landowner royalty interest calculated on gross revenues. The one-eighth (1/8) royalty interest shall be calculated based on the Unit Participation of the mineral owner's tract. Chesapeake shall make the royalty payment contemporaneously with those it makes to leased individuals within the Unit Area. In addition to the royalty payment, the non-consenting working interest owner shall have a working interest ownership in the well equal to seven-eighths (7/8) of the Unit Participation of his/her tract. This seven-eighths of his/her Unit Participation shall accrue based upon net production revenue until Chesapeake recovers 200% of the cost of drilling, testing, completing, and producing the initial well. Once Chesapeake recovers 200% of these costs, Chesapeake shall begin making monthly payments on net production revenue for that well equal to seven-eighths (7/8) of the non-consenting working interest owner's Unit Participation, while continuing the one-eighth (1/8) royalty interest in the well for the unitized party. For any subsequent wells drilled in the Unit Area, seven-eighths (7/8) of the non-consenting working interest owner's Unit Participation shall accrue until Chesapeake has recovered 150% of the cost of drilling, testing, completing, and producing the subsequent well. Once Chesapeake recovers 150% of these costs, Chesapeake shall begin making monthly payments on net production revenue for the subsequent wells equal to seven-eighths (7/8) of the non-consenting working interest owner's Unit Participation, while continuing the one-eighth (1/8) royalty interest in the well for the unitized party. Once a specific cost is charged to a well, that same cost cannot be charged to the subsequent wells in the Unit Area.

(iii) Chesapeake shall present these options via certified mail. Should the Unitized Party not make an affirmative selection as to one of the two options, the Unitized Party will be deemed to have selected option 9(b)(i) to lease their tract under the terms of the lease form attached as Exhibit "B" to Exhibit 2 of this Application.

(c) If an Order is granted, Chesapeake shall present Unitized parties who are non-operator lessees with the option to:

(i) participate in unit operations by agreeing to pay such owner's proportionate part of the actual cost of such development and operation of the unit; or

(ii) participate in unit operations as a non-consenting working interest owner. The non-consenting working interest owner shall have a working interest ownership in the well equal to eight-eighths (8/8) of the Unit Participation per tract. This eight-eighths of Unit Participation shall accrue based upon net production revenue until Chesapeake recovers 500% of the cost of drilling, testing, completing, and producing the initial well. Once Chesapeake recovers 500% of these costs, Chesapeake shall begin making monthly payments on net production revenue for that well equal to eight-eighths (8/8) of the non-consenting working interest owner's Unit Participation. For any subsequent wells drilled in the Unit Area, eight-eighths (8/8) of the non-consenting working interest owner's Unit Participation shall accrue until Chesapeake has recovered 500% of the cost of drilling, testing, completing, and producing the subsequent well. Once Chesapeake recovers 500% of these costs, Chesapeake shall begin making monthly payments on net production revenue for the subsequent wells

equal to eight-eighths (8/8) of the non-consenting working interest owner's Unit Participation. Once a specific cost is charged to a well, that same cost cannot be charged to the subsequent wells in the Unit Area.

(iii) Chesapeake shall present these options via certified mail. Should the Unitized Party not make an affirmative selection as to one of the two options, the Unitized Party will be deemed to have selected option 9(c)(ii) and shall relinquish its interest subject to the risk factor noted in 9(c)(ii).

(d) Unitized parties shall not incur liability for any personal or property damage associated with any drilling, testing, completing, producing, operating, or plugging activities within the Bozich B Unit.

(e) If requested by an unleased mineral owner selecting option 9(b)(ii) above, or by the Division, Chesapeake shall provide, not later than thirty (30) days after receipt of the request, any of the following:

(i) a statement for the preceding month, covering all wells then in production within the Unit Area, depicting all costs incurred, together with the quantity of oil and gas produced, and the amount of proceeds realized from the sale of production during said preceding month; and

(ii) any authorization for expenditure (AFE) prepared by Chesapeake; and

(iii) a statement of all costs and expenses for purposes of Paragraph 9(b)(ii).

(10) The Order will become effective when Chesapeake provides the Chief with final written approval of the unit operations from sixty-five percent (65%) of the working interest owners in the Unit Area, and sixty-five percent (65%) of the royalty interest owners in the Unit Area. Upon receipt of these approvals, the Order shall become effective, and unit operations may commence as set forth above. Chesapeake will have six (6) months to provide these required approvals, and, if it does not do so, the Order will be deemed revoked, and the Chief shall provide notice of the revocation to Chesapeake and the unleased mineral interest owners in the Unit Area.

(11) Within twenty-one (21) days of the Order becoming effective, Chesapeake will file a copy of the Order with the Jefferson County Recorder's Office.

(12) Chesapeake requests that its Unit Agreement and Unit Operating Agreement are adopted by the Order. In the event of a conflict between the Plan for Unit Operations approved by the Chief and contained in the Order, and Chesapeake's Unit Agreement and Unit Operating Agreement, the Order shall take precedence and the Unit Agreement and Unit Operating Agreement shall conform to the Order.

B. Chesapeake's Application Meets the Legal Standard

i. *The Unitized Formation is Part of a Pool*

The "Unitized Formation" consists of the subsurface portion of the Unit Area (i.e., the lands shown on Exhibit A-1 and identified in Exhibit A-2 to the Unit Operating Agreement) at a depth located from fifty feet above the top of the Utica Shale to fifty feet below the base of the Point Pleasant formation, and frequently referred to as the Utica/Point Pleasant formation. The evidence presented in this Application establishes that the Unitized Formation is part of a pool and thus an appropriate subject of unit operation under Ohio Rev. Code § 1509.28.⁹ Additional-

⁹ A "pool" is defined under Ohio law as "an underground reservoir containing a common accumulation of oil or gas, or both, but does not include a gas storage reservoir." Ohio Rev. Code § 1509.01(E). See also Exhibit 3 at 2-3.

ly, that evidence establishes that the Unitized Formation is likely to be reasonably uniformly distributed throughout the Unit Area – and thus that it is reasonable for the Unit Plan to allocate unit production and expenses to separately owned tracts on a surface acreage basis.¹⁰

ii. *Unit Operations Are Reasonably Necessary to Increase Substantially the Ultimate Recovery of Oil and Gas*

The evidence presented in this Application establishes that unit operations are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the lands making up the Bozich B Unit. The Unit Plan contemplates the drilling of two (2) horizontal wells from a centrally-located multi-well pad, all with estimated lateral lengths of approximately 13,465 feet each.¹¹ Chesapeake estimates the total amount of recoverable gas in place (“GIP”) through the planned unit development is approximately 41.9 BCF.¹² Absent unit development contemplated in the unitized project, the recoverable GIP is substantially less: First, the evidence shows that it is unlikely that vertical development of the unit would ever take place because it is likely to be uneconomic – resulting in potentially no resource recovery from portions of the Unitized Formation.¹³ Second, avoiding unleased tracts by relying on shorter horizontal laterals to develop the Unitized Formation underlying the Bozich B Unit would result in a substantially lower ultimate recovery of oil and gas, as it would strand 28.5 BCF.¹⁴ Natural gas recovery from horizontal drilling methods is directly related to the length of the lateral. Chesapeake estimates the Anticipated Gas Recovery will increase from 13.4 BCF to 41.9 BCF if the unit is developed utilizing the proposed unit development.¹⁵

The evidence thus shows that the contemplated unit operations are reasonably necessary to increase substantially the recovery of oil and gas from the Unitized Formation.¹⁶

iii. *The Value of Additional Recovery Exceeds Its Additional Costs*

Capital expenditure (“CAPEX”) to develop the unitized project (\$13.5 mm) increases by \$8.1 mm over CAPEX to develop the non-unitized project (\$5.4 mm).¹⁷ As set forth in Mr. Hopson’s testimony, by using the current price of \$2.28 per thousand cubic feet of natural gas,

¹⁰ Exhibit 3 at 4-5.

¹¹ See, e.g., Exhibit 5 at 4.

¹² Exhibit 4 at 2. We emphasize that these are only estimates, and like the rest of the estimates set forth in this Application, they should be treated as simply estimates based upon the best information available at the time.

¹³ Id. at 3.

¹⁴ Id. at 4.

¹⁵ Id. at 3-4.

¹⁶ There are also substantial benefits in the form of reduced surface impacts as a result of the contemplated unit operations. For example, the use of a single, centrally-located well pad to drill, for instance, six eventual horizontal wells causes significantly less surface disruption than a vertical well drilling program designed to recover the same resource volumes. See, e.g., Exhibit 5 at 4-5.

¹⁷ Exhibit 4 at 3-4.

Chesapeake estimates that the value of the additional future cash flow from the unitized project, when compared to the cash flow generated by the non-unitized project, increases from 0.50 mm to \$3.8 mm with a 10% discount rate; an increase of \$3.3 mm in potential value.¹⁸ Thus, the evidence establishes that the value of the estimated additional recovery is expected to exceed the estimated additional costs incident to conducting unit operations.

iv. *The Unit Plan Meets the Requirements of Ohio Revised Code § 1509.28*

The Unit Plan proposed by Chesapeake meets the requirements set forth in Ohio Revised Code § 1509.28. The unit area is described in the Unit Agreement at Article 1, as well as on Exhibits A-1 and A-2 to the Unit Operating Agreement. The nature of the contemplated unit operations can be found generally in the Unit Agreement at Article 3, with greater specificity throughout the Unit Agreement and Unit Operating Agreement.¹⁹ Unit production and unit expenses are allocated on a surface acreage basis as set forth in the Unit Agreement at Articles 3 through 5 (generally), except where otherwise allocated by the Unit Operating Agreement.²⁰ Payment of unit expenses is addressed generally in Article 3 of the Unit Agreement.²¹ No provision for credits and charges related to contributions made by owners in the unit area regarding wells, tanks, pumps and other equipment for unit operations are addressed in the Unit Operating Agreement because none are contemplated.²² The Unit Plan provides for various carries in the event a participant is unable to meet its financial obligations related to the unit – see, e.g., Article VI of the Unit Operating Agreement.²³ Voting provisions related to the supervision and conduct of unit operations are set forth in Article XVI of the Unit Operating Agreement, with each person having a vote that has a value corresponding to the percentage of unit expenses chargeable against that person's interest.²⁴ Commencement and termination of operations are addressed in Articles 11 and 12 of the Unit Agreement.

V.
APPROVALS

As of the filing of this Application, the Unit Plan has been agreed to or approved by approximately ninety-four percent (94%) of Working Interest Owners.²⁵ See Exhibit 5 at 13, and

¹⁸ Exhibit 4 at 3.

¹⁹ See also, e.g., Exhibit 5 at 5-13.

²⁰ Id. at 6-8.

²¹ Id. at 8.

²² Id. at 9.

²³ Id. at 9-10.

²⁴ Id. at 11.

²⁵ See Exhibit 6

Exhibit 6. This working interest owner approval exceeds the statutory minimum requirements set forth in Ohio Revised Code § 1509.28(B) for the Chief's order, if issued, to become effective.

VI.
HEARING

Ohio Revised Code § 1509.28 requires the Chief to hold a hearing to consider this Application, when requested by sixty-five percent (65%) of the owners of the land area underlying the proposed unit. Ohio Rev. Code § 1509.28(A). That threshold level is met here. See Note 2 above. Accordingly, Chesapeake respectfully requests that the Division schedule a hearing at an available hearing room located at the Division's Columbus complex on or before February 16, 2017, to consider the Application filed herein.

VII.
CONCLUSION

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order for the unit operation of a pool – or a part thereof – if it is reasonably necessary to increase substantially the recovery of oil and gas, and the value of the estimated additional recovery from the unit's operations exceeds its additional costs. Chesapeake respectfully submits that the Application meets this standard, and that the terms and conditions of the Unit Plan are just and reasonable and satisfy the requirements of Ohio Revised Code § 1509.28(B). Chesapeake therefore asks the Chief to issue an order authorizing Chesapeake to operate the Bozich B Unit according to the Unit Plan attached hereto.

Respectfully submitted,

J. Kevin West

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*by V.I. Holzhall
0074901*

Attorneys for Applicant,
Chesapeake Exploration, L.L.C.

Exhibit "A-2"
Leases Within the Contract Area

Attached to and made a part of that certain Unit Operating Agreement dated October 18, 2016 as approved by the Ohio Department of Natural Resources for the Bozich B Unit.

TRACT NUMBER	CHESAPEAKE LEASE ID NUMBER	LESSOR AND/OR CURRENT MINERAL OWNER(S)	LEASED YES/NO	LEASE RECORDING INFORMATION	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	UNIT WORKING INTEREST	CHESAPEAKE WORKING INTEREST	CHESAPEAKE UNIT PARTICIPATION	ASCENT WORKING INTEREST	ASCENT UNIT PARTICIPATION	ADDRESS	CITY	STATE	ZIP CODE
1	34-001282-000	Charles E. Cline and Jean Cline	Y	933/818 INSTR 252678	0.080022	0.00012359	09-00509-000	ISLAND CREEK	JEFFERSON	OH	0.012359%	100.0000%	0.012359%			1018 Township Road 370	Toronto	Ohio	43964
2	34-001282-000	Charles E. Cline and Jean Cline	Y	933/818 INSTR 252678	0.075173	0.00011610	09-00511-000	ISLAND CREEK	JEFFERSON	OH	0.011610%	100.0000%	0.011610%			1018 Township Road 370	Toronto	Ohio	43964
3	34-034553-000	Lee Edward Glasure and Roberta Ann Glasure	Y	1012/246 INSTR 271846	1.242663	0.00191918	09-00512-000	ISLAND CREEK	JEFFERSON	OH	0.191918%	100.0000%	0.191918%			954 Township Road 370	Toronto	Ohio	43964
4	34-033823-000	Doyle E. Cline and Margaret A. Cline	Y	1012/498 INSTR 271930	25.604663	0.03954410	09-00711-000	ISLAND CREEK	JEFFERSON	OH	3.954410%	100.0000%	3.954410%			1089 Township Road 370	Toronto	Ohio	43964
5	PENDING	Todd R. Cline and Delores S. Cline	Y	PENDING	2.703824	0.00417581	09-00711-001	ISLAND CREEK	JEFFERSON	OH	0.417581%	100.0000%	0.417581%			623 Township Road 370	Toronto	Ohio	43964
6	34-033823-000	Doyle E. Cline and Margaret A. Cline	Y	1012/498 INSTR 271930	44.604843	0.06888817	09-00712-000	ISLAND CREEK	JEFFERSON	OH	6.888817%	100.0000%	6.888817%			1089 Township Road 370	Toronto	Ohio	43964
7	34-035492-000	Jesse B. Cline and Ami J. Cline	Y	1012/575 INSTR 271956	0.999989	0.00154439	09-00712-001	ISLAND CREEK	JEFFERSON	OH	0.154439%	100.0000%	0.154439%			803 Township Road 370	Toronto	Ohio	43964
8	34-033885-000	Richard E. Elliott	Y	1012/596 INSTR 271963	20.886223	0.03225689	09-00732-000	ISLAND CREEK	JEFFERSON	OH	3.225689%	100.0000%	3.225689%			905 Township Road 370	Toronto	Ohio	43964
9	34-0003402-000	Warner W. Sanders	Y	1214/020 INSTR 314679	0.744969	0.00115054	09-00841-000	ISLAND CREEK	JEFFERSON	OH	0.115054%	100.0000%	0.115054%			10648 State Route 152	Toronto	Ohio	43964
10	34-008955-000	Joyce I. Zimmerman	Y	957/430 INSTR 258463	25.993870	0.04014520	09-00856-000	ISLAND CREEK	JEFFERSON	OH	4.014520%	100.0000%	4.014520%			122 Oak Valley Drive	Toronto	Ohio	43964
11	34-008955-000	Joyce I. Zimmerman	Y	957/430 INSTR 258463	0.996601	0.00153916	09-00856-001	ISLAND CREEK	JEFFERSON	OH	0.153916%	100.0000%	0.153916%			122 Oak Valley Drive	Toronto	Ohio	43964
12	34-0003255-000	William M. Duvall	Y	1170/547 INSTR 306088	0.041653	0.00064333	09-00908-000	ISLAND CREEK	JEFFERSON	OH	0.006433%	100.0000%	0.006433%			11000 State Route 152	Toronto	Ohio	43964
13	34-0003378-000	Rodney Dean Barker	Y	1208/974 INSTR 313683	1.226106	0.00189361	09-01019-000	ISLAND CREEK	JEFFERSON	OH	0.189361%	100.0000%	0.189361%			7854 County Road 56	Toronto	Ohio	43964
14	PENDING	Bernice Skipper	Y	PENDING	0.488326	0.00075418	09-01019-000	ISLAND CREEK	JEFFERSON	OH	0.075418%	100.0000%	0.075418%			7868 County Road 56	Toronto	Ohio	43964
15	UNLEASED MINERAL INTEREST 34-0003429-000	The Unknown Heirs, devisees, Successors, or Assigns of Edwin A. Henry, Deceased - Record Owner Howard O. Cunningham II and Bonnie R. Cunningham - Equitable Interest	N Y	N/A 1221/91 INSTR 316038	4.487929	0.00693120	09-01024-000	ISLAND CREEK	JEFFERSON	OH	0.693120%		0.000000%			Unknown Cunningham: 7776 County Road 56	Toronto	Ohio	43964
16	34-033823-000	Doyle E. Cline and Margaret A. Cline	Y	1012/498 INSTR 271930	4.442585	0.00686117	09-01202-000	ISLAND CREEK	JEFFERSON	OH	0.686117%	100.0000%	0.686117%			1089 Township Road 370	Toronto	Ohio	43964
17	34-023042-000	Nathan Luke Cline	Y	983/189 INSTR 265002	1.034806	0.00159816	09-01219-000	ISLAND CREEK	JEFFERSON	OH	0.159816%	100.0000%	0.159816%			104 Opal Boulevard	Stuebenville	Ohio	43952
18	UNLEASED MINERAL INTEREST	Brandon C. Andresen	N	N/A	1.012672	0.00156398	09-01219-000	ISLAND CREEK	JEFFERSON	OH	0.156398%		0.000000%			903 Township Road 370	Toronto	Ohio	43964
19	34-0003414-000	Charles L. Lathem	Y	PENDING	0.551486	0.00085172	09-01318-000	ISLAND CREEK	JEFFERSON	OH	0.085172%	100.0000%	0.085172%			10970 State Highway 152	Toronto	Ohio	43964
20	34-024838-000	Dwight Samuel Miller, Jr. and Sheila M. Miller	Y	985/630 INSTR 265629	1.859515	0.00287185	09-01607-000	ISLAND CREEK	JEFFERSON	OH	0.287185%	100.0000%	0.287185%			7747 County Road 56	Toronto	Ohio	43964
21	34-0003402-000	Warner W. Sanders	Y	1214/020 INSTR 314679	0.344351	0.00053182	09-01608-000	ISLAND CREEK	JEFFERSON	OH	0.053182%	100.0000%	0.053182%			10648 State Route 152	Toronto	Ohio	43964
22	34-0003400-000	Elmer J. Rawson and Sue Ellen Rawson	Y	1213/390 INSTR 314547	5.362194	0.00828143	09-01784-001	ISLAND CREEK	JEFFERSON	OH	0.828143%	100.0000%	0.828143%			11403 State Route 152	Toronto	Ohio	43964
23	OH0000373-000	Mary A. Schiappa Trust Under Agreement dated 8/21/1974, FBO Teresa C. Schiappa, Huntington National Bank, Trustee and Mary A. Schiappa Trust Under Agreement dated 8/21/1974, FBO Huberta S. Siciliano, Huntington National Bank, Trustee	Y	1004/630 INSTR 270125	25.523084	0.03941811	09-02112-000	ISLAND CREEK	JEFFERSON	OH	3.941811%	100.0000%	3.941811%			c/o The Huntington National Bank, Trustee 7 Easton Oval, EA4C83	Columbus	Ohio	43219

TRACT NUMBER	CHESAPEAKE LEASE ID NUMBER	LESSOR AND/OR CURRENT MINERAL OWNER(S)	LEASED YES/NO	LEASE RECORDING INFORMATION	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	UNIT WORKING INTEREST	CHESAPEAKE WORKING INTEREST	CHESAPEAKE UNIT PARTICIPATION	ASCENT WORKING INTEREST	ASCENT UNIT PARTICIPATION	ADDRESS	CITY	STATE	ZIP CODE
24	34-018186-000	Robert J. Hickie, Jr. and Earla S. Hickie	Y	966/369 INSTR 260733	103.960341	0.16055740	09-02205-000	ISLAND CREEK	JEFFERSON	OH	16.055740%	100.0000%	16.055740%			2325 Township Road 370	Toronto	Ohio	43964
25	34-018186-000	Robert Hickie and Earla Hickie	Y	966/369 INSTR 260733	1.247447	0.00192657	09-02418-000	ISLAND CREEK	JEFFERSON	OH	0.192657%	100.0000%	0.192657%			2325 Township Road 370	Toronto	Ohio	43964
26	34-0003406-000	Terry P. Zamana	Y	1215/346 314955	0.236999	0.00036602	09-02457-000	ISLAND CREEK	JEFFERSON	OH	0.036602%	100.0000%	0.036602%			7909 County Road 56	Toronto	Ohio	43964
27	34-0003399-000	Clarence L. Weaver	Y	PENDING	0.057508	0.00008882	09-02495-000	ISLAND CREEK	JEFFERSON	OH	0.008882%	100.0000%	0.008882%			7902 County Road 56	Toronto	Ohio	43964
28	PENDING	Hank J. Boka	Y	PENDING	36.648105	0.05659971	09-02759-000	ISLAND CREEK	JEFFERSON	OH	5.659971%	100.0000%	5.659971%			32 Sarah Boulevard	Toronto	Ohio	43964
29	UNLEASED MINERAL INTEREST	Helen Morelli, fka Helen Yaksich	N	N/A	28.989043	0.04477097	09-02760-000	ISLAND CREEK	JEFFERSON	OH	4.477097%		0.000000%			1560 Township Road 373	Richmond	Ohio	43944
30	34-0003382-000	Warner W. Sanders and Norma M. Sanders	Y	1209/767 INSTR 313855	7.540422	0.01164550	09-02782-000	ISLAND CREEK	JEFFERSON	OH	1.164550%	100.0000%	1.164550%			10648 State Route 152	Toronto	Ohio	43964
31	34-033883-000	Alan J. Bozich and Kimberly K. Bozich	Y	1012/775 INSTR 272020	23.026001	0.03556159	09-02806-000	ISLAND CREEK	JEFFERSON	OH	3.556159%	100.0000%	3.556159%			1292 Bantam Ridge Road OR 4540 County Road 26	Wintersville Stuebenville	Ohio Ohio	43953 43953
32	34-0003428-000	Larry V. Dobbins, Sr., trustee, or successor trustee(s) of the Larry V. Dobbins, Sr. Revocable Trust dated December 1, 2015	Y	1221/94 INSTR 316039	0.206605	0.00031908	09-02828-000	ISLAND CREEK	JEFFERSON	OH	0.031908%	100.0000%	0.031908%			7887 County Road 56	Toronto	Ohio	43964
33	UNLEASED MINERAL INTEREST	Mt. Tabor Cemetery Association of Island Creek	N	N/A	0.473722	0.00073162	09-03183-000	ISLAND CREEK	JEFFERSON	OH	0.073162%		0.000000%			c/o Jim Crawford, Trustee 773 Union Avenue SE	Minerva	Ohio	44657
34	UNLEASED MINERAL INTEREST	Mt. Tabor Cemetery Association of Island Creek	N	N/A	0.222781	0.00034407	09-03187-000	ISLAND CREEK	JEFFERSON	OH	0.034407%		0.000000%			c/o Jim Crawford, Trustee 773 Union Avenue SE	Minerva	Ohio	44657
35	Ascent Resources - Ulica, LLC (Or Possibly O.R.E. Oil & Gas - Ulica, LLC)	Todd A. Greene and Joni Greene	Y	1090/484 INSTR 288721	0.236362	0.00036504	09-03245-000	ISLAND CREEK	JEFFERSON	OH	0.036504%	0.0000%	0.000000%	100.00%	0.036504%	1994 County Road 15	Rayland	Ohio	43943
36	Ascent Resources - Ulica, LLC	Paul J. Ross	Y	1078/561 INSTR 285777	10.220539	0.01578470	09-03245-001	ISLAND CREEK	JEFFERSON	OH	1.578470%	0.0000%	0.000000%	100.00%	1.57847%	101 Township Road 370	Toronto	Ohio	43964
37	34-017921-000	Charles W. Cline and Amie R. Cline	Y	970/782 INSTR 261888	0.004609	0.00000712	09-03245-002	ISLAND CREEK	JEFFERSON	OH	0.000712%	100.0000%	0.000712%			1090 Township Road 370	Toronto	Ohio	43964
38	34-008964-000	Ralph V.J. Minto, Jr., Mark A. Minto, Sherry L. Minto, and Terence L. Minto	Y	952/94 INSTR 257115	29.143640	0.04500973	09-03245-004	ISLAND CREEK	JEFFERSON	OH	4.500973%	100.0000%	4.500973%			422 Township Road 370 OR 435 Riverside Avenue OR 5597 State Route 152	Toronto Wellsville Richmond	Ohio Ohio Ohio	43964 43968 43944
39	PENDING	Todd Cline and Delores Cline	Y	N/A	9.968848	0.01539599	09-03245-005	ISLAND CREEK	JEFFERSON	OH	1.539599%	100.0000%	1.539599%			623 Township Road 370	Toronto	Ohio	43964
40	34-015892-000	Thomas E. Bocek	Y	969/546 INSTR 261579	25.192412	0.03890742	09-03245-006	ISLAND CREEK	JEFFERSON	OH	3.890742%	100.0000%	3.890742%			465 Township Road 370	Toronto	Ohio	43964
41	34-019908-000	Michael G. Sronce and Laura J. Sronce	Y	974/246 INSTR 262693	5.897385	0.00910798	09-03245-009	ISLAND CREEK	JEFFERSON	OH	0.910798%	100.0000%	0.910798%			7582 County Road 56 OR 670 Parkridge Boulevard	Toronto Burleson	Ohio Texas	43964 76028
42	34-019909-000	Andrew Phsarce and Karla Phsarce	Y	974/884 INSTR 262816	3.112013	0.00480622	09-03245-011	ISLAND CREEK	JEFFERSON	OH	0.480622%	100.0000%	0.480622%			102 Township Road 370	Toronto	Ohio	43964
43	34-019908-000	Michael G. Sronce and Laura J. Sronce	Y	974/246 INSTR 262693	5.255779	0.00811708	09-03245-012	ISLAND CREEK	JEFFERSON	OH	0.811708%	100.0000%	0.811708%			7582 County Road 56 OR 670 Parkridge Boulevard	Toronto Burleson	Ohio Texas	43964 76028
44	1-307923-000	Jared D. Blankenship	Y	928/322 INSTR 251371	1.175192	0.00181498	09-03245-013	ISLAND CREEK	JEFFERSON	OH	0.181498%	100.0000%	0.181498%			7224 County Road 56	Toronto	Ohio	43964
45	34-029521-000	Stephen J. Glykas Jr., and Lori A. Teller n/k/a Lori A. Glykas	Y	989/181 INSTR 266520	1.126826	0.00174028	09-03245-017	ISLAND CREEK	JEFFERSON	OH	0.174028%	100.0000%	0.174028%			116 Township Road 370	Toronto	Ohio	43964
46	34-0003390-000	Mark Minto	Y	1212/76 INSTR 314269	0.569808	0.00088002	09-03245-018	ISLAND CREEK	JEFFERSON	OH	0.088002%	100.0000%	0.088002%			422 Township Road 370	Toronto	Ohio	43964

TRACT NUMBER	CHESAPEAKE LEASE ID NUMBER	LESSOR AND/OR CURRENT MINERAL OWNER(S)	LEASED YES/NO	LEASE RECORDING INFORMATION	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	UNIT WORKING INTEREST	CHESAPEAKE WORKING INTEREST	CHESAPEAKE UNIT PARTICIPATION	ASCENT WORKING INTEREST	ASCENT UNIT PARTICIPATION	ADDRESS	CITY	STATE	ZIP CODE
47	34-0003390-000	Mark Minto	Y	1212/76 INSTR 314269	1.127397	0.00174116	09-03245-019	ISLAND CREEK	JEFFERSON	OH	0.174116%	100.0000%	0.174116%			422 Township Road 370	Toronto	Ohio	43964
48	34-0003390-000	Mark Minto	Y	1212/76 INSTR 314269	1.127013	0.00174057	09-03245-020	ISLAND CREEK	JEFFERSON	OH	0.174057%	100.0000%	0.174057%			422 Township Road 370	Toronto	Ohio	43964
49	34-029521-000	Stephen J. Glykas Jr., and Lori A. Teller n/a Lori A. Glykas	Y	989/181 INSTR 266520	0.557310	0.00086072	09-03245-021	ISLAND CREEK	JEFFERSON	OH	0.086072%	100.0000%	0.086072%			116 Township Road 370	Toronto	Ohio	43964
50	34-030188-000	Gary L. Snider and Cynthia A. Snider, trustees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	Y	991/877 INSTR 267213	1.065658	0.00164581	09-03331-000	ISLAND CREEK	JEFFERSON	OH	0.164581%	100.0000%	0.164581%			P.O. Box 213 OR 10891 State Route 152	Richmond Toronto	Ohio Ohio	43944 43964
51	34-0003397-000	Charlene A. Reece	Y	PENDING	1.350630	0.00208593	09-03367-000	ISLAND CREEK	JEFFERSON	OH	0.208593%	100.0000%	0.208593%			7716 County Road 56	Toronto	Ohio	43964
52	PENDING	Howard O. Cunningham II and Bonnie R. Cunningham	Y	PENDING	1.012453	0.00156364	09-03376-000	ISLAND CREEK	JEFFERSON	OH	0.156364%	100.0000%	0.156364%			7776 County Road 56	Toronto	Ohio	43964
53	34-0003397-000	Charlene A. Reece	Y	PENDING	0.706465	0.00109107	09-03415-000	ISLAND CREEK	JEFFERSON	OH	0.109107%	100.0000%	0.109107%			7716 County Road 56	Toronto	Ohio	43964
54	34-017135-000	Betty Clark and Warner W. Sanders	Y	970/755 INSTR 260950	38.834531	0.05997644	09-03416-000	ISLAND CREEK	JEFFERSON	OH	5.997644%	100.0000%	5.997644%			10648 State Route 152	Toronto	Ohio	43964
55	34-0003417-000	Thomas W. Mikesell	Y	PENDING	1.041040	0.00160779	09-03417-000	ISLAND CREEK	JEFFERSON	OH	0.160779%	100.0000%	0.160779%			7742 County Road 56	Toronto	Ohio	43964
56	34-030188-000	Gary L. Snider and Cynthia A. Snider, trustees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	Y	991/877 INSTR 267213	1.004370	0.00155116	09-03458-000	ISLAND CREEK	JEFFERSON	OH	0.155116%	100.0000%	0.155116%			P.O. Box 213 OR 10891 State Route 152	Richmond Toronto	Ohio Ohio	43944 43964
57	34-033823-000	Doyle E. Cline and Margaret A. Cline	Y	1012/498 INSTR 271930	34.282878	0.05294682	09-03520-000	ISLAND CREEK	JEFFERSON	OH	5.294682%	100.0000%	5.294682%			1089 Township Road 370	Toronto	Ohio	43964
58	34-035436-000	Doyle E. Cline, Jr. and Lori L. Cline	Y	1012/614 INSTR 271969	2.272433	0.00350957	09-03521-000	ISLAND CREEK	JEFFERSON	OH	0.350957%	100.0000%	0.350957%			724 Township Road 370	Toronto	Ohio	43964
59	34-030188-000	Gary L. Snider and Cynthia A. Snider, trustees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	Y	991/877 INSTR 267213	5.032903	0.00777287	09-03593-000	ISLAND CREEK	JEFFERSON	OH	0.777287%	100.0000%	0.777287%			P.O. Box 213 OR 10891 State Route 152	Richmond Toronto	Ohio Ohio	43944 43964
60	34-0003382-000	Warner W. Sanders	Y	1209/767 INSTR 313855	1.284605	0.00198396	09-03606-000	ISLAND CREEK	JEFFERSON	OH	0.198396%	100.0000%	0.198396%			10648 State Route 152	Toronto	Ohio	43964
61	34-0003382-000	Warner W. Sanders	Y	1209/767 INSTR 313855	1.000005	0.00154442	09-03607-000	ISLAND CREEK	JEFFERSON	OH	0.154442%	100.0000%	0.154442%			10648 State Route 152	Toronto	Ohio	43964
62	1-329795-000	Alan Scheetz and Deborah Scheetz	Y	867/316 INSTR 236714	2.239479	0.00345867	09-03620-000	ISLAND CREEK	JEFFERSON	OH	0.345867%	100.0000%	0.345867%			10903 State Highway 152	Toronto	Ohio	43964
63	Ascent Resources - Uica, LLC	KIE Services Inc.	Y	1080/153 INSTR 286165	17.872207	0.02760202	09-03658-000	ISLAND CREEK	JEFFERSON	OH	2.760202%	0.0000%	0.000000%	100.00%	2.76020%	Attn: Roger H. Zehe, President 30952 Pebble Beach Oval	Westlake	Ohio	44145
64	34-030188-000	Gary L. Snider and Cynthia A. Snider, trustees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	Y	991/877 INSTR 267213	4.376093	0.00675848	09-03662-000	ISLAND CREEK	JEFFERSON	OH	0.675848%	100.0000%	0.675848%			P.O. Box 213 OR 10891 State Route 152	Richmond Toronto	Ohio Ohio	43944 43964
65	UNLEASED MINERAL INTEREST	Timothy E. Murphey and Angel Murphey	N	N/A	0.950010	0.00146720	09-03671-000	ISLAND CREEK	JEFFERSON	OH	0.146720%	0.000000%	0.000000%			10955 State Route 152	Toronto	Ohio	43964
66	34-030101-000	Craig D. Lobmiller	Y	989/152 INSTR 266506	1.431956	0.00221153	09-03674-000	ISLAND CREEK	JEFFERSON	OH	0.221153%	100.0000%	0.221153%			3860 North Woods Court NE	Warren	Ohio	44483
67	34-0003187-000	Jeffrey W. Holmes and Brenda K. Holmes	Y	1163/517 INSTR 304638	0.102147	0.00015776	09-03675-000	ISLAND CREEK	JEFFERSON	OH	0.015776%	100.0000%	0.015776%			15534 State Route 152	Toronto	Ohio	43964
68	34-018234-000	Clint W. Sanders and Barbara A. Sanders	Y	968/226 INSTR 261230	4.853674	0.00749606	09-03689-000	ISLAND CREEK	JEFFERSON	OH	0.749606%	100.0000%	0.749606%			7681 County Road 56	Toronto	Ohio	43964
69	UNLEASED MINERAL INTEREST	Arthur P. Simpson	N	N/A	0.152749	0.00023591	09-03689-001	ISLAND CREEK	JEFFERSON	OH	0.023591%	0.000000%	0.000000%			P.O. Box 2281 OR 149 Grandview Drive	Wintersville Steubenville	Ohio Ohio	43953 43953
70	1-326520-000	Peter M. Bunner	Y	839/344 INSTR 229760	0.774708	0.00119647	09-03703-002	ISLAND CREEK	JEFFERSON	OH	0.119647%	100.0000%	0.119647%			P.O. Box 498 OR 8791 County Road 56	Richmond Richmond	Ohio Ohio	43944 43944

TRACT NUMBER	CHESAPEAKE LEASE ID NUMBER	LESSOR AND/OR CURRENT MINERAL OWNER(S)	LEASED YES/NO	LEASE RECORDING INFORMATION	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	UNIT WORKING INTEREST	CHESAPEAKE WORKING INTEREST	CHESAPEAKE UNIT PARTICIPATION	ASCENT WORKING INTEREST	ASCENT UNIT PARTICIPATION	ADDRESS	CITY	STATE	ZIP CODE
71	34-035618-000	Larry R. Moore and Monica R. Moore	Y	1012/779 INSTR 272021	0.005040	0.00000778	09-03741-006	ISLAND CREEK	JEFFERSON	OH	0.000778%	100.0000%	0.000778%			1254 Township Road 373	Richmond	Ohio	43944
72	34-017142-000	Warner W. Sanders	Y	966/351 INSTR 260724	52.362302	0.08086887	09-03825-000	ISLAND CREEK	JEFFERSON	OH	8.086887%	100.0000%	8.086887%			10648 State Route 152	Toronto	Ohio	43964
73	34-018169-000	James S. Sanders and Traci L. Sanders	Y	969/182 INSTR 261453	5.856402	0.00904469	09-03826-000	ISLAND CREEK	JEFFERSON	OH	0.904469%	100.0000%	0.904469%			10715 State Route 152	Toronto	Ohio	43964
TOTAL LEASED ACRES:					611.207489	0.94395505					94.395505%		90.020328%		4.375176%				
TOTAL UNIT ACRES:					647.496395														

Exhibit "A-3"
Unitized Parties

Attached to and made a part of that certain Unit Operating Agreement dated October 18, 2016 as approved by the Ohio Department of Natural Resources for the Bozich B Unit.

TRACT NUMBER	MINERAL OWNER	ADDRESS	CITY	STATE	ZIP CODE	LEASED YES/NO	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	WORKING INTEREST	UNIT PARTICIPATION
15	The Unknown Heirs, Devisees, Successors, or Assigns of Edwin A. Henry, Deceased - Record Owner	Unknown				N	4.487929	0.0069312	09-01024-000	Island Creek	JEFFERSON	OH	100.00%	0.69312%
18	Brandon C. Andresen	903 Township Road 370	Toronto	OH	43964	N	1.012672	0.0015640	09-01219-000	Island Creek	JEFFERSON	OH	100.00%	0.15640%
29	Helen Morelli, fka Helen Yaksich	1560 Township Road 373	Richmond	OH	43944	N	28.989043	0.0447710	09-02760-000	Island Creek	JEFFERSON	OH	100.00%	4.47710%
33	Mt. Tabor Cemetery Association of Island Creek	c/o Jim Crawford, Trustee 773 Union Avenue SE	Minerva	OH	44657	N	0.473722	0.0007316	09-03183-000	Island Creek	JEFFERSON	OH	100.00%	0.07316%
34	Mt. Tabor Cemetery Association of Island Creek	c/o Jim Crawford, Trustee 773 Union Avenue SE	Minerva	OH	44657	N	0.222781	0.0003441	09-03187-000	Island Creek	JEFFERSON	OH	100.00%	0.03441%
65	Timothy E. Murphey and Angel Murphey	10955 State Route 152	Toronto	OH	43964	N	0.950010	0.0014672	09-03671-000	Island Creek	JEFFERSON	OH	100.00%	0.14672%
69	Arthur P. Simpson	P.O. Box 2281 OR 149 Grandview Drive	Wintersville Steubenville	OH OH	43953 43953	N	0.152749	0.0002359	09-03689-001	Salem	JEFFERSON	OH	100.00%	0.02359%
							TOTAL UNITIZED ACRES:	36.288906						0.05604495
							TOTAL UNIT ACRES:	647.496395						

**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of :
Chesapeake Exploration, L.L.C., for :
Unit Operation : Application Date: October 18, 2016
:
Bozich B Unit :

**PREPARED TESTIMONY OF ANDREW W. HOPSON
ON BEHALF OF CHESAPEAKE EXPLORATION, L.L.C.**

J. Kevin West (0091520)
Vincent I. Holzhall (0074901)
STEPTOE & JOHNSON PLLC
Huntington Center
41 South High Street, Suite 2200
Columbus, OH 43215

Attorneys for Applicant,
Chesapeake Exploration, L.L.C.

Date: October 18, 2016
Updated: November 30, 2016
Updated: January 25, 2017

Q1. Please introduce yourself.

A1. My name is Andrew Hopson and my business address is 6100 N. Western Avenue, Oklahoma City, Oklahoma 73154-0496. I am a Reservoir Engineer for Chesapeake Energy Corporation.

Q2. What is the purpose of your testimony today?

A2. I am testifying in support of the Application of Chesapeake Exploration, L.L.C., for Unit Operation filed with respect to the Bozich B Unit. My testimony addresses the following: (1) that unit operations for the Bozich B Unit are reasonably necessary to increase substantially the recovery of oil and gas, protect the correlative rights of the mineral owners, and (2) that the estimated additional revenue, due to unit operations, exceeds the estimated additional capital investment.

Q3. Can you summarize your educational experience for me?

A3. I hold a Bachelor of Science degree from Texas A&M University, College Station.

Q4. Are you a member of any professional associations?

A4. I am a member of the Society of Petroleum Engineers.

Q5. How long have you been a Reservoir Engineer for Chesapeake?

A5. I have been a reservoir engineer at Chesapeake for approximately three years.

Q6. What other work experiences have you had?

A6. Prior to working in Reservoir Engineering I supported the Utica team as a Field Engineer in Canton, OH.

Q7. What do your job responsibilities entail?

A7. I am responsible for the efficient development of Chesapeake's Utica asset. In addition to providing reserve estimates it is my job to drive development that optimizes oil and gas recovery in an efficient and responsible manner. Finally I am responsible for the preparation of expert engineering testimony for the Utica play in Ohio.

Q8. How do you do that?

A8. Using accepted engineering practices I develop an estimation of reserves from current and future wells. I also estimate the value of Chesapeake's Utica assets. Some of these practices include volumetric analysis, decline curve analysis, and analysis using analytical models.

Q9. Did you perform any analysis to support Chesapeake's application for unitization for the proposed Bozich B Unit?

A9. Yes.

Q10. What sort of analysis did you perform?

A10. Using some of the methods I previously described I analyzed analogy wells in the area to estimate the potentially recoverable hydrocarbons assuming the full 13,465 ft unitized lateral length. I also evaluated the potential hydrocarbon recovery foregoing unitization, observing regulatory setbacks. Finally, I calculated an estimated future discounted cash flow associated with the hydrocarbons using current SEC pricing and a 10% discount rate.

Q11. Why is Chesapeake looking at drilling horizontal wells?

A11. The permeability of unconventional resource plays is so low (in nano-darcy units (nd), i.e. 1.0×10^{-9} darcies) that the hydrocarbons cannot be economically produced without the use of horizontal drilling, coupled with massive stimulation treatments (i.e. hydraulic fracturing). Horizontal drilling is the predominant method used to develop shale formations such as the Utica/Point Pleasant.

Q12. Turning specifically to the Bozich B Unit, have you made an estimate of the production you anticipate from the proposed unit's operations?

A12. Yes. Based on the two 13,465 ft laterals, I have estimated the recoverable gas to be about 41.9 BCF, if unitization is granted.

Q13. How did you make those estimates?

A13. I gathered well performance and production data from the wells in the vicinity to evaluate the historical performance for this area of the play.

Q14. Once you had that data from the other Utica/Point Pleasant wells, what did you do with it?

A14. Using the data gathered from operated and non-operated wells I performed volumetric analysis, decline curve analysis, and built analytical models to estimate the well performance for this portion of the play. I then scaled that estimated performance to the fully unitized 13,465 ft lateral lengths.

Q15. Why do you qualify your calculations as an estimate?

A15. There is always the possibility that the petrophysical and geological data used from offset wells may be slightly different than the characteristics of the productive horizon at this location. However, the volumetric calculations of GIP should be a reasonably certain estimate in this statistical unconventional play.

Q16. In your professional opinion, would it be economic to develop the Bozich B Unit using traditional vertical drilling?

A16. Absolutely not.

Q17. Are the estimates that you made based on good engineering practices and accepted methods in the industry?

A17. Yes.

Q18. Do you have the calculations you performed?

A18. The results of my calculations are attached to this prepared testimony as Exhibit AWH-1.

Q19. Can you summarize what your calculations show?

A19. The results of my prior stated methodology are;

1) Capital expenditure (CAPEX) to develop the unitized project is \$13.5 million. Anticipated recoverable gas from the project is 41.9 BCF and present value of the future cash flow (CF) (using current SEC pricing of \$2.28/Mcf (no btu adjustments)) with a 10% discount rate is \$3.8 million.

2) Capital expenditure (CAPEX) to develop the non-unitized project is \$5.4 million. Anticipated recoverable gas from the project is 13.4 BCF and present value of the future cash flow (CF) (using current SEC pricing of \$2.28/Mcf (no btu adjustments)) with a 10% discount rate is \$0.5 million.

Q20. Can you briefly explain why you are using current SEC pricing in this application?

A20. Every company has its own ideas of economic indicators by which it decides to invest in an opportunity or not. Current SEC pricing, un-escalated, eliminates all the issues associated with corporate decision trees and reduces the evaluation of corporate assets, and projects, to a single deterministic standard. We have no clear crystal ball into the future of oil and gas prices. What we do know, and can verify, is the price we currently and historically get for each barrel of oil and each MMBtu of gas.

Q21. Based on this information and your professional judgment, do unit operations increase substantially the ultimate recovery of oil and gas?

A21. Yes. The recoverable gas in the unitized project increases from 13.4 BCF to 41.9 BCF.

Q22. Based on this information and your professional judgment, does the value of the estimated additional recovery of hydrocarbons from the unitized project exceed its estimated costs?

A22. Yes. CAPEX increases by \$8.1 million for the unitized project from the non-unitized project. The estimated additional present value of the proposed Bozich B Unit is approximately \$3.3 million as compared to what could be realized if the ODNR does not grant this application for unit operations.

Q23. In your professional opinion, do you believe that the proposed unit operations for the Bozich B Unit are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the unit area?

A23. Yes. The unitization of the Bozich B Unit is definitely needed to maximize the economic benefit to the interest owners, and protect the correlative rights of the mineral owners. If the project is not unitized it will strand 68% of the recoverable gas, or 28.5 BCF in the ground from which mineral owners would, most likely, never see financial benefit, nor Chesapeake, nor the State of Ohio.

Q24. Does this conclude your testimony?

A24. Yes.

EXHIBIT “AWH-1”

Bozich B Unit

UNITIZED

Well Name	Lateral Length (ft)	Anticipated Gas Recovery, BCF	Capital (MM\$)
BOZICH 28-7-2 3H	13465	20.9	\$6.75
BOZICH 28-7-2 5H	13465	20.9	\$6.75
Unitized Totals	26,930	41.9	\$13.5

NON-UNITIZED

Well Name	Lateral Length (ft)	Anticipated Gas Recovery, BCFE	Capital (MM\$)
BOZICH 28-7-2 3H	Well would not be drilled	0.0	\$0.00
BOZICH 28-7-2 5H	13465	13.4	\$5.41
Abbreviated Totals	15,303	13.4	\$5.4

* 4608' NPZ

	Unitized	Non-Unitized	Increases due to Unitization
Total Capital (MM\$)	\$13.5	\$5.4	\$8.1
Anticipated Recoverable Gas, BCF	41.9	13.4	28.5
Estimated PV of Project Cash Flow, (MM\$) @ SEC Prices*	\$3.8	\$0.5	\$3.3

*Calculated based on 100% WI and 81% NRI and 10% discount rate

**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of :
Chesapeake Exploration, L.L.C., for :
Unit Operation : Application Date: October 18, 2016
:
Bozich B Unit :

**PREPARED TESTIMONY OF ARTHUR ZWIERLEIN
ON BEHALF OF CHESAPEAKE EXPLORATION, L.L.C.**

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Date: October 18, 2016
Updated: November 30, 2016
Updated: January 25, 2017

PREPARED DIRECT TESTIMONY OF ARTHUR ZWIERLEIN

1 **INTRODUCTION.**

2 **Q1. Please state your name and business address.**

3 A1. My name is Arthur Zwierlein and my business address is 6100 N. Western Avenue,
4 Oklahoma City, Oklahoma 73154-0496.

5 **Q2. Who is your employer?**

6 A2. Chesapeake Energy Corporation.

7 **Q3. What is your position with Chesapeake?**

8 A3. My official title at Chesapeake Energy Corporation is Landman II.

9 **Q4. Please describe your professional responsibilities at Chesapeake.**

10 A4. I am responsible for assisting with our oil and gas development program in eastern
11 Ohio in Chesapeake's Appalachia South business unit.

12 **Q5. Starting with college, please describe your educational background.**

13 A5. I hold a Bachelor of Business Administration degree in Energy Management from
14 the Price College of Business at the University of Oklahoma.

15 **Q6. Please briefly describe your professional experience.**

16 A6. After graduating from the University of Oklahoma, I have been continuously
17 employed by Chesapeake Energy Corporation since 2010.

18 **Q7. What do you do as a Landman II?**

19 A7. As a landman, I am responsible for managing the company's leasehold position. I
20 help facilitate development of the Utica play through lease acquisitions, sales, and
21 negotiations, joint operation or leasehold trade negotiations, title review, unit
22 formation, wellbore planning, various permitting activities, drilling wells as a
23 landman, and other related operational activities.

24 **Q8. Are you a member of any professional associations?**

25 A8. I am a member of the American Association of Professional Landmen and the
26 Oklahoma City Association of Professional Landmen.

27 **Q9. Were you involved in the preparation of Chesapeake Exploration, L.L.C.'s**
28 **Application for unitization with respect to the Bozich B Unit?**

29 A9. I was. I also am familiar with the efforts made by Chesapeake to put Bozich B
30 Unit together and the Unit Plan that Chesapeake is proposing.

1 **Q10. Can you generally describe the Bozich B Unit?**

2 A10. The Bozich B Unit consists of seventy-three (73) separate tracts of land totaling
3 approximately 647.496395 acres in Jefferson County, Ohio.

4 **EFFORTS MADE BY CHESAPEAKE TO LEASE UNIT TRACTS.**

5 **Q11. The Application submitted by Chesapeake indicates that it owns the oil and**
6 **gas rights to 582.878381 acres of the proposed 647.496395-acre unit. Would**
7 **you describe how Chesapeake acquired its rights?**

8 A11. Chesapeake acquired its working interest in this unit through acquisitions and an
9 organic leasing effort. In the leasing effort, Chesapeake assigned field title and
10 leasing agents to research the county records for a specific area and then secure oil
11 and gas leases with the relevant mineral owners for those particular tracts. As for
12 the acquisitions, Chesapeake purchased some of its leasehold interest in the Bozich
13 B Unit from Eric Petroleum Corporation.

14 **Q12. What percentage of the total acreage of the Bozich B is represented by the oil**
15 **and gas rights held by Chesapeake and its working interest partners?**

16 A12. Chesapeake and other operators control over 94% of the acreage in the unit, with
17 Chesapeake holding 90.020328% and Ascent Resources – Utica, LLC (“ARU”)
18 holding 4.375176% of the acreage in the Bozich B Unit. Not including the non-
19 operated acreage of ARU, Chesapeake alone accounts for over 90% of this Unit
20 which still substantially exceeds the 65% statutory minimum requirement for
21 seeking unitization.

22 **Q13. Why was Chesapeake not able to acquire the oil and gas rights to all of the**
23 **acreage in the proposed unit?**

24 A13. To date, many of the unleased mineral owners in the planned Bozich B Unit area
25 have refused to negotiate an oil and gas lease on fair market terms with
26 Chesapeake. Other mineral owners are presently unleased because competitor
27 leasehold in the unit recently expired necessitating Chesapeake to pursue new
28 leases from those now unleased mineral owners. Also, Chesapeake is also still
29 attempting to locate some mineral owners. Due to the *Corban vs. Chesapeake*
30 decision by the Ohio Supreme Court, some heirs of deceased mineral reservation
31 holders are still the vested owners of the oil and gas, and Chesapeake is attempting

1 to negotiate leases with those that it has been able to locate.

2 **Q14. Have you prepared affidavits detailing Chesapeake's efforts to obtain a lease**
3 **from the unleased mineral owners in the proposed unit?**

4 A14. This Application includes Exhibit AZ-1 which details all of Chesapeake's leasing
5 efforts on all remaining unleased tracts of land to date.

6 **Q15. If the unleased tract owners in the unit were to ask to lease with Chesapeake,**
7 **would Chesapeake be likely to agree?**

8 A15. Absolutely. As Chesapeake has demonstrated on a number of occasions with its
9 previous unitization applications throughout the years, Chesapeake remains willing
10 to lease on reasonable, fair market value terms.

11 **Q16. Could you describe the location of the leased and unleased tracts within the**
12 **Bozich B Unit?**

13 A16. Yes. Exhibit AZ-2, which is attached to my testimony, is a colored plat showing
14 each of the tracts in the Bozich B Unit, along with the wellbores in same. The
15 tracts in yellow indicate that Chesapeake has acquired the necessary mineral
16 interests for those particular tracts. The tract in red indicates the tract that is still
17 open or unleased for purposes of putting this unit together. The tracts in green
18 indicate the acreage owned by ARU in the Bozich B Unit. Further, the cross-
19 hatched green and olive portions of Exhibit AZ-3 depict the approximate
20 353.417006-acre area of leasehold (Chesapeake and ARU combined) that is
21 currently stranded from development due to the aforementioned unleased tracts
22 within the Bozich B Unit.

23 **UNIT PLAN PROVISIONS.**

24 **Q17. Would you describe generally the development plan for the Bozich B Unit?**

25 A17. Chesapeake plans to develop the Bozich B Unit from a pad site parcel located in
26 the southwest portion of the Unit, which would facilitate drilling two (2) planned
27 horizontal wells in the Unit. The Unit is configured to accommodate two (2)
28 horizontal wellbores, all with projected lateral lengths of approximately 13,465 feet
29 once regulatory setbacks are taken into consideration. These planned wellbores
30 will be drilled to the northwest from the aforementioned pad site after kick outs to
31 the east from the planned pad site. If an Order is granted for this application, and

1 depending upon rig availability and other logistical considerations, Chesapeake
2 intends to drill the Bozich B initial well beginning sometime in Q2 or Q3 2017.

3 **Q18. Can you describe the location of the proposed wellbore within the Bozich B**
4 **Unit?**

5 A18. Yes, the above-referenced Exhibit AZ-2 depicts the configuration I just mentioned.
6 As you can see, it illustrates that we anticipate using a surface location on a parcel
7 in the southwest portion of the Bozich B Unit, and then drilling two (2) wells,
8 estimated to each be 13,465 feet in lateral length, in the Unit Area to the northwest.
9 Additionally, in a separate unit or units which are outside of the scope of this
10 hearing, Chesapeake anticipates ultimately drilling an additional five (5) wells off
11 of the same surface location. Using one centrally located pad site to drill up to
12 seven (7) potential wellbores, in this instance, minimizes surface disturbance in the
13 region by fully developing multiple unit areas from only one surface location. I
14 have also attached to my testimony an aerial map illustrating the pad location,
15 identified as Exhibit AZ-4.

16 **Q19. Do you know with certainty today where the drilling and completion equip-**
17 **ment will be located on the pad?**

18 A19. We have negotiated surface rights with a leased party for the area indicated on Ex-
19 hibit AZ-4. A surface use agreement has been agreed upon and signed between the
20 surface owner and Chesapeake. At their closest point, the nearest unleased parcel
21 is approximately 700 feet away from Chesapeake's planned surface location. As
22 always, we'd like to reiterate that Chesapeake has no plans to utilize the surface of
23 any presently unleased parcel.

24 **Q20. What are the benefits to this type of unit development?**

25 A20. Developing the Bozich B Unit in the manner previously described not only protects
26 the correlative rights of the unit participants, but has substantial economic and
27 environmental benefits as well. Drilling, completing and producing multiple wells
28 from a single surface location significantly reduces the impact on the surface. Only
29 one access road is constructed instead of several, the need for production
30 equipment at multiple locations is eliminated, traffic to and from the area is
31 significantly reduced, and it allows development of acreage that might not

1 otherwise be developed with traditional drilling methods due to surface limitations,
2 such as local water features and residential and commercial activities. There is a
3 significant amount of acreage in eastern Ohio, where operators have proven the
4 Utica formation is prospective. Development through vertical wells would not be
5 practicable for two reasons: (1) because unconventional reservoirs cannot be
6 produced at economic flow rates or volumes with vertical drilling (as described by
7 Andrew Hopson); and (2) because vertical wells, even if they were practical,
8 require numerous surface locations spaced at consistent intervals, which become
9 impractical in areas where the surface is already occupied with other uses (such as
10 residential and commercial activities, agricultural use, existing surface waters, and,
11 occasionally, timber activities). In contrast, horizontal drilling is both
12 economically practical and physically viable, since it allows operators to locate
13 surface operations on strategically located properties, which can serve as
14 centralized access points used to develop mineral acreage underlying otherwise
15 inaccessible lands.

16 **Q21. So is it fair to say that the benefits of this type of development are substantial?**

17 A21. Yes, the type of development planned by Chesapeake for the Bozich B Unit, and its
18 adjacent units, offers significant benefits not only to the operator, but also to the
19 landowners in the unit and the surrounding area.

20 **Q22. Are you familiar with the Unit Plan proposed by Chesapeake for the Bozich B**
21 **Unit?**

22 A22. Yes. The Unit Plan proposed by Chesapeake is set out in two documents attached
23 to the Application – the Unit Agreement, which establishes the non-operating
24 relationship between the parties in the unit; and a Unit Operating Agreement and
25 related exhibits, which establish how the unit is going to be explored, developed,
26 and produced.

27 **Q23. Let's turn first to the Unit Agreement, marked as Exhibit 1 to the Application.**
28 **Would you describe briefly what it does?**

29 A23. Yes. The Unit Agreement in effect combines the oil and gas rights in the Bozich B
30 Unit so that they can be uniformly developed as if they were part of a single oil and
31 gas lease.

1 **Q24. Are mineral rights to all geological formations combined under the Unit**
2 **Agreement?**

3 A24. No. The Unit Agreement only unitizes the oil and gas rights located fifty feet
4 above the top of the Utica Shale to fifty feet below the base of the Point Pleasant
5 formation, defined in the Agreement as the “Unitized Formation,” to allow
6 development of the Utica Shale formation.

7 **Q25. How will production proceeds from the Bozich B Unit be allocated among**
8 **royalty interest owners and working interest owners in the Unit?**

9 A25. On a surface-acreage basis. Under Article 4 of the Unit Agreement, every tract is
10 assigned a tract participation percentage based on surface acreage and shown on
11 Exhibit A-2 to the Unit Operating Agreement. Article 5 of the Unit Agreement
12 allocates production based on that tract participation.

13 **Q26. Why use a surface-acreage basis as the method of allocation?**

14 A26. Based on the testimony of Julian Michaels attached to the Application as Exhibit 3,
15 a surface-acreage basis is an appropriate method of allocation because the
16 formation thickness and reservoir quality of the Utica formation is expected to be
17 consistent across the unit.

18 **Q27. Would you go through an example from Exhibit A-2 to the Unit Operating**
19 **Agreement to illustrate how a surface-acreage basis would be applied to the**
20 **Bozich B Unit?**

21 A27. Yes. If you look at the column on Exhibit A-2 to the Unit Operating Agreement
22 entitled “Surface Acres in Unit,” it shows the number of surface acres in each tract
23 of land within the Bozich B Unit. The adjacent column on Exhibit A-2 shows the
24 related tract participation of each tract, which is calculated by taking the total
25 number of surface acres in the tract and dividing it by the total number of surface
26 acres in the unit. So, for example, if you look at Tract Number 24 on page 2 of
27 Exhibit A-2, it shows that this particular tract owned of record by Robert J. Hickle,
28 Jr. and Earla S. Hickle comprises 103.960341 surface acres in the 647.496395 acre
29 Bozich B Unit, which equates to a tract participation of approximately 16.055740%
30 (103.960341 ÷ 647.496395).

31 **Q28. What does that mean in terms of production allocated to that particular tract?**

1 A28. It would mean this particular tract owned of record by Robert J. Hickle, Jr. and
2 Earla S. Hickle would have allocated to it roughly 16.055740% of all production
3 from the Bozich B Unit, which would then be distributed based on the terms of the
4 lease or other relevant document affecting ownership to production proceeds from
5 the tract.

6 **Q29. Does it work the same way for an unleased mineral interest, that is, for the**
7 **tract of a person or entity which did not lease its property in the unit?**

8 A29. Yes. If you take a look at Exhibit A-3 to the Unit Operating Agreement, you will
9 see that it lists, among other things, the surface acreage, tract participation and
10 related working interest and unit participations of each unleased parcel in the
11 proposed unit. In the seventy-three-tract Bozich B Unit, Tract 29 is one of many
12 unleased parcels in the unit area and illustrative of how production would be
13 allocated. The minerals under this tract are currently owned of record by Helen
14 Morelli. Specifically, an estimated 28.989043 acres all within the unit area. If the
15 unleased acreage is divided by the full surface acreage comprising the unit
16 (647.496395 acres), the result gives a tract participation of approximately
17 4.47797% for Helen Morelli. Under the Unit Agreement, should the unleased
18 landowners affirmatively select the non-consenting working interest option if one is
19 provided for in the Order, the landowners would receive a 7/8 working interest and
20 a 1/8 royalty interest on its respective tract participation. The landowner's royalties
21 would be calculated on the net proceeds received by Chesapeake at the well in
22 accordance with the royalty provision contained in Exhibit B to the Unit Operating
23 Agreement and rulings in the majority of gas producing jurisdictions that royalty
24 owners are responsible for their proportionate share of post-production expenses.
25 Allowing deduction of post-production expenses for purposes of royalty calculation
26 provides incentive to producers to add value to their product by post-production
27 treatment and transportation. If producers are not allowed to deduct a proportionate
28 share of royalty owners' post-production expenses that enhance the value of the
29 product, an economic loss to all parties results and the incentive to generate
30 additional value disappears because producers are required to pay for *all* post-
31 production expenses, and also surrender one-eighth of the final proceeds received.

1 **Q30. In your experience, is surface acreage allocation a customary way to allocate**
2 **production in a unit?**

3 A30. In my experience, surface-acreage allocation is both fair and customary for
4 horizontal shale development.

5 **Q31. How are unit expenses allocated?**

6 A31. Like production in the unit, unit expenses are allocated generally on a surface-
7 acreage basis. Article 3 of the Unit Agreement provides that expenses, unless
8 otherwise allocated in the Unit Operating Agreement, will be allocated to each tract
9 of land within the unit in the proportion that the surface acres of each tract bears to
10 the surface acres of the entire unit.

11 **Q32. Who pays the unit expenses?**

12 A32. Working interest owners.

13 **Q33. Do the royalty owners pay any part of the unit expenses?**

14 A33. No. Royalty interest owners are responsible only for their proportionate share of
15 taxes and post-production costs, payable only from their share of the proceeds from
16 sales of production from the unit area.

17 **Q34. Let's turn to the Unit Operating Agreement, marked as Exhibit 2 to the**
18 **Application. It appears to be based upon a form document. Could you please**
19 **identify that form document?**

20 A34. Yes. The Unit Operating Agreement is based upon *A.A.P.L. Form 610 – Model*
21 *Form Operating Agreement – 1989*. We typically use a modified version of that
22 form agreement when we enter into joint operating agreements with other parties.

23 **Q35. Are you familiar with the custom and usage of the Form 610 and other similar**
24 **agreements in the industry?**

25 A35. Yes. The Form 610, together with its exhibits, is a commonly used form in the
26 industry and is frequently modified to fit the needs of the parties and
27 circumstances.

28 **Q36. Turning to the Unit Operating Agreement in particular, does it address how**
29 **unit expenses are determined and paid?**

30 A36. Yes. Article III of the Unit Operating Agreement provides that all costs and
31 liabilities incurred in operations shall be borne and paid proportionately by the

1 working interest owners, according to their Unit Participation percentages. Those
2 percentages can be found in Exhibits A-2 and A-3 to the Unit Operating
3 Agreement. Moreover, the Unit Operating Agreement has attached to it an
4 accounting procedure identified as Exhibit C.

5 **Q37. What is the purpose of the document marked Exhibit C in connection with the**
6 **Bozich B Unit?**

7 A37. The document provides greater details regarding how unit expenses are determined
8 and paid.

9 **Q38. At the top of each page of Exhibit C, there appears a label that reads:**
10 **“COPAS 1984 ONSHORE Recommended by the Council of Petroleum**
11 **Accountants Societies.” Are you familiar with this society?**

12 A38. Yes, COPAS stands for the Council of Petroleum Accountants Societies.

13 **Q39. Is this COPAS document used in oil and gas operations across the country?**

14 A39. Yes. This form is commonly used in the industry.

15 **Q40. In your opinion, is this COPAS document generally accepted in the industry?**

16 A40. Yes. Drafted by an organization that includes members from many different
17 companies in diverse sections of the industry, it was designed to be generally fair to
18 the parties. Chesapeake, in fact, is frequently subject to the COPAS in its
19 operations with other producers.

20 **Q41. Will there be in-kind contributions made by owners in the unit area for unit**
21 **operations, such as contributions of equipment?**

22 A41. No, Chesapeake Energy does not anticipate in-kind contributions for the Unit Op-
23 erations.

24 **Q42. Are there times when a working interest owner in the unit chooses not to – or**
25 **cannot – pay their allocated share of the unit expenses?**

26 A42. Yes, such a situation is not uncommon in the industry. Joint operating agreements
27 contemplate that there will be times when less than all of the working interest
28 owners choose to participate in operations on the Contract Area. The agreements
29 are drafted to allow the parties flexibility. That includes flexibility for one or more
30 working interest owners to decline to participate in an operation that they may not
31 believe will be a profitable venture or one that they cannot afford, as well as

1 flexibility for the remaining parties to proceed with such operation at their own risk
2 and expense if they wish to do so.

3 **Q43. Generally, how is the working interest accounted for when an owner chooses**
4 **not to participate in an operation?**

5 A43. A working interest owner who cannot or chooses not to participate is considered a
6 non-consenting party. If the remaining working interest owners decide to proceed
7 with an operation, then the consenting parties bear the full costs and expenses of
8 that operation. A non-consenting party is deemed to have relinquished its interest
9 in that operation until such time as the well pays out the costs that would have been
10 payable by that party, plus some sort of risk factor, sometimes called a risk penalty
11 or non-consent penalty.

12 **Q44. What is a risk penalty or non-consent penalty, and why are they included in**
13 **the agreement?**

14 A44. A risk penalty or non-consent penalty is a mechanism which recognizes that in
15 instances when a working interest owner chooses not to agree in advance to pay its
16 share of the costs of drilling a well, the other working interest owners should be
17 compensated for the financial risks they undertake in paying the costs of drilling a
18 well considering that the well may be a non-producer. Additionally, a non-consent
19 penalty can serve as a means to allow a working interest owner to finance
20 participation in a well when unable to advance its share of drilling costs.

21 **Q45. Can a working interest owner choose to go non-consent in the initial well in**
22 **the Bozich B Unit?**

23 A45. Yes. If a working interest owner fails to participate in the unit's initial well, and if
24 that working interest owner is not a party to a separate Joint Operating Agreement
25 with Chesapeake, then Article VI.A of the Unit Operating Agreement attached to
26 this application provides that the working interest owner shall be deemed to have
27 relinquished to the other parties its working interest in the unit with a back-in
28 provision that includes a risk factor of 500%.

29 **Q46. Does the Unit Operating Agreement treat the initial well and subsequent**
30 **operations differently in terms of non-consent penalties, and if so, why?**

31 A46. No. A risk factor of 500% applies to the initial well and subsequent operations.

1 **Q47. But if the working interest owner still has a royalty interest in the unit, that**
2 **royalty interest would remain in place and be paid?**

3 A47. Yes. The royalty interest would still be paid even if the working interest is being
4 used to pay off a risk factor.

5 **Q48. Are the risk penalty/non-consent penalty percentages included in the Unit**
6 **Operating Agreement unusual?**

7 A48. No. A risk penalty of 500% is fair and reasonable for working interest owners in
8 the Utica who have acquired their rights as lessees under current oil and gas leases.
9 While Chesapeake and its peers in the industry are optimistic about development of
10 the Utica and other shale formations, the projects proposed are significant capital
11 investments (often exceeding \$7,000,000 per well to plan, drill and complete). In
12 addition, unconventional plays like the Utica are not simple, homogeneous plays.
13 Within the boundaries of the play (here, the Utica Shale generally), there are likely
14 to be areas of uneven geological performance. Therefore, given the inherent risks
15 and significant capital outlays, it is common for companies to incorporate a higher
16 risk factor in their joint operating agreements.

17 **Q49. Is a risk factor level of 500% common among the industry or in other**
18 **jurisdictions?**

19 A49. Typically within the Utica operators have pre-negotiated Joint Operating
20 Agreements which contain risk factors of 400%, 500%, or sometimes even higher.

21 **Q50. How are decisions made regarding unit operations?**

22 A50. Article V of the Unit Operating Agreement designates Chesapeake Exploration,
23 L.L.C., as the Unit Operator, with full operational authority for the supervision and
24 conduct of operations in the unit. Additionally, except where otherwise provided,
25 Article XVI of the Unit Operating Agreement states that any decision,
26 determination or action to be taken by the unit participants shall be based on a
27 voting procedure in which each unit participant has a vote that corresponds in value
28 to that participant's allocated responsibility for the payment of unit expenses.

1 **Q51. I believe you've already described generally the documents in Exhibits A and**
2 **C to the Unit Operating Agreement. Let's turn therefore to Exhibit B of the**
3 **Unit Operating Agreement. What is it?**

4 A51. Exhibit B is a standard oil and gas lease form that is attached to the joint operating
5 agreement to govern any unleased interests owned by the parties. Article III.A of
6 the Unit Operating Agreement provides that if any party owns or acquires an oil
7 and gas interest in the Contract Area, then that interest shall be treated for all
8 purposes of the Unit Operating Agreement as if it were covered by the form of
9 lease attached as Exhibit B.

10 **Q52. Does this oil and gas lease contain standard provisions that Chesapeake uses in**
11 **connection with its drilling operations in Ohio and elsewhere?**

12 A52. Yes.

13 **Q53. Moving on to Exhibit D of the Unit Operating Agreement, would you describe**
14 **what it is?**

15 A53. Yes, Exhibit D is the insurance exhibit to the joint operating agreement. It sets
16 forth coverage amounts and limitations, and the insurance terms for operations
17 conducted under the Unit Operating Agreement. It requires the operator, to obtain
18 General Liability coverage, including bodily injury and property damage liability,
19 in an amount of five million dollars, which is substantially similar to those
20 employed in connection with Chesapeake's other unitized projects in the State of
21 Ohio.

22 **Q54. Would you next describe Exhibit E of the Unit Operating Agreement?**

23 A54. Yes. Exhibit E is the Gas Balancing Agreement, which further details the rights
24 and obligations of working interest parties with respect to marketing and selling
25 any production from the Contract Area. It would normally not come in to play with
26 an unleased landowner, but only with a working interest owner who desired to
27 market their share of production separately from the Operator.

28 **Q55. Has Chesapeake documented which of the working interest owners included**
29 **within the Bozich B Unit have given their consent to the proposed unitization?**

30 A55. Yes. Exhibit 6 to the Application documents the approvals for the Unit Plan
31 received from working interest owners included within the Bozich B Unit, up to the

1 time that the Application was filed. Exhibit 6 gives the approval of working
2 interest owners approving the Unit Plain; currently, that being Chesapeake as
3 owner of 90.020328% and ARU as owner of 4.375176%.The tracts in which
4 Chesapeake has a working interest are depicted in Exhibit 6-1. As an additional
5 note O.R.E. Oil & Gas – Utica, L.L.C. (formerly known as Great River Energy,
6 L.L.C.) or Ascent Resources – Utica, L.L.C. may be adjudicated to be the owner of
7 Tract No. 35. It is presently unclear due to pending litigation between the parties,
8 but O.R.E. Oil & Gas – Utica, L.L.C. has now approved this Application insofar as
9 they may own the working interest attributable to Tract No. 35.

10 **Q56. Does the Application contain a list of the fee interest owner and mineral**
11 **reservation holders who have not previously agreed to enter into any oil and**
12 **gas lease with respect to the tracts they own, or possibly own, within the**
13 **Bozich B Unit?**

14 A56. Yes. Exhibit A-3 to the Unit Operating Agreement lists the “unitized parties,” that
15 is, the fee mineral interest owners and/or mineral reservation holders who have not
16 leased their mineral interests to any party. For notice purposes, the proper
17 addresses for these unleased parties are listed on Exhibit A-2 as well.

18 **Q57. In your professional opinion, given your education and experience, are unit**
19 **operations for the proposed Bozich B Unit reasonably necessary to increase**
20 **substantially the ultimate recovery of oil and gas?**

21 A57. Yes. Unit operations for the proposed Bozich B Unit are reasonably necessary to
22 increase substantially the ultimate recovery of oil and gas. As testified by my
23 colleagues Mr. Michaels and Mr. Hopson, unit operations will promote a rational
24 and efficient development of the Utica formation underlying the Bozich B Unit. In
25 addition, as a land professional I am supportive of any efforts to reduce waste by
26 minimizing the number of wells and surface locations utilized for drilling
27 operations. I understand that land is a valuable commodity and that horizontal
28 drilling is an excellent way to accommodate both the rights of the mineral owner
29 and the rights of the surface owner to accomplish reasonable development.

30 **Q58. Does this conclude your testimony?**

31 A58. Yes.

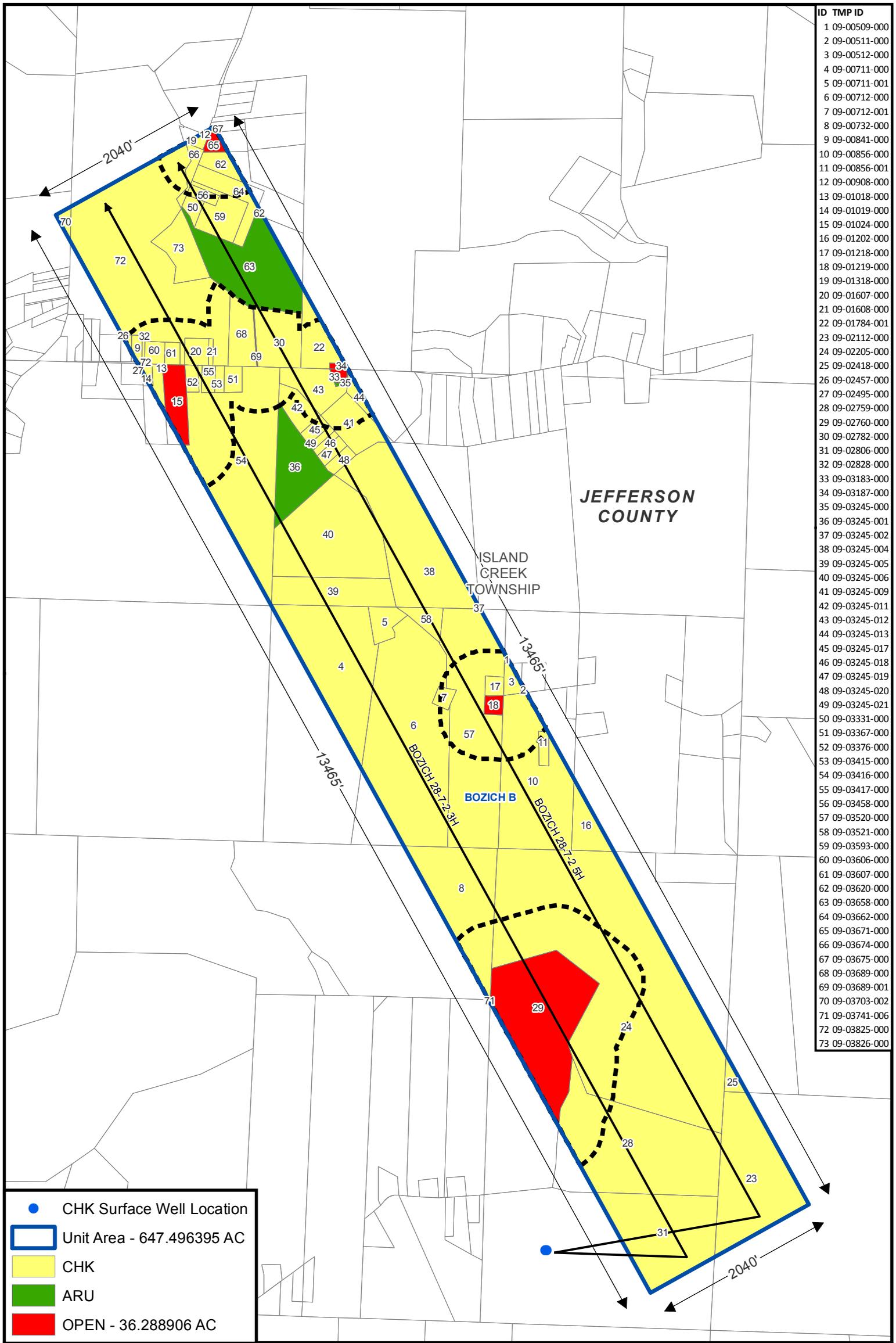
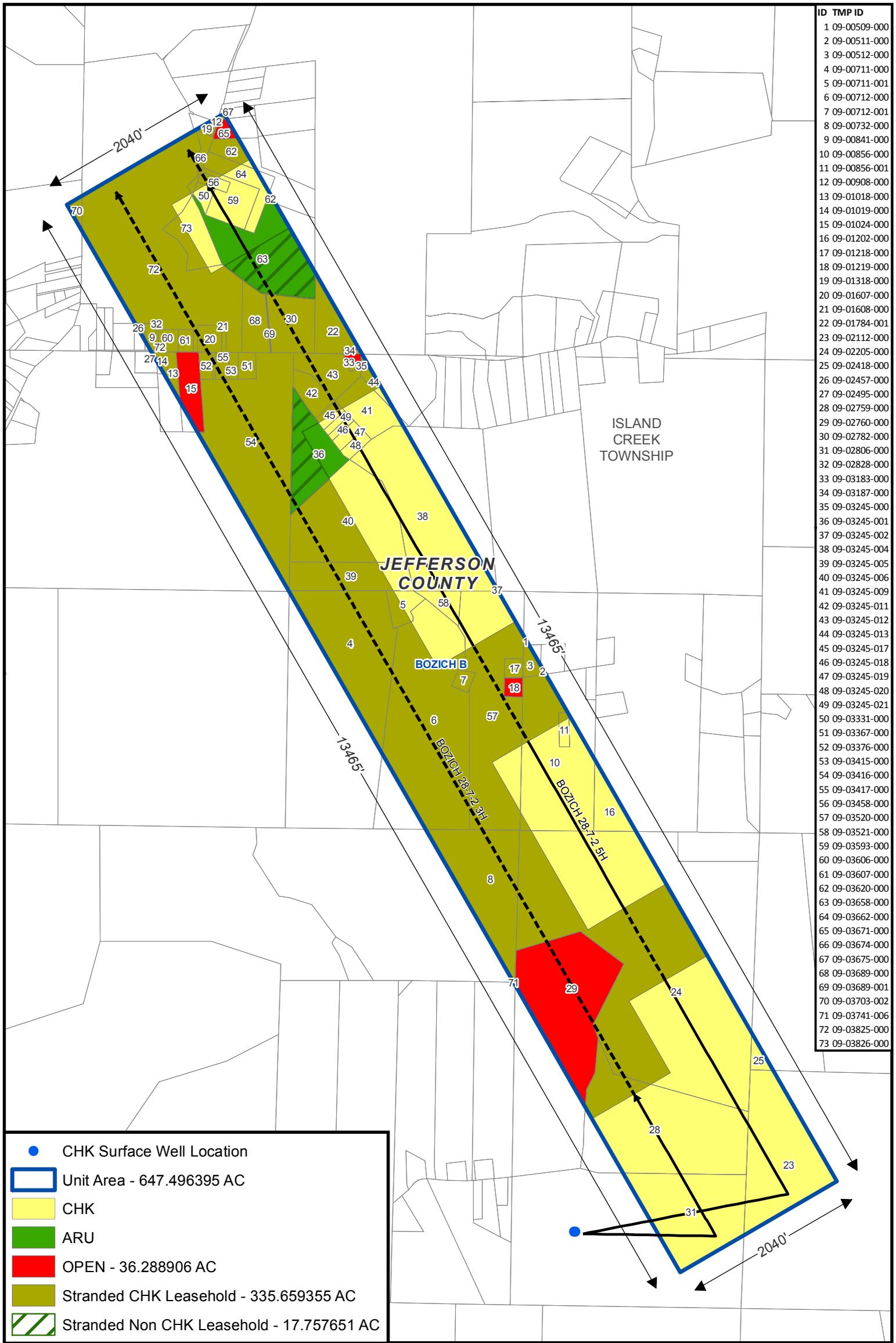


EXHIBIT AZ-2

Bozich B Unit
Island Creek Township
Jefferson Co., OH

1 inch = 1,250 feet





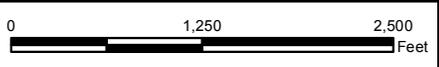
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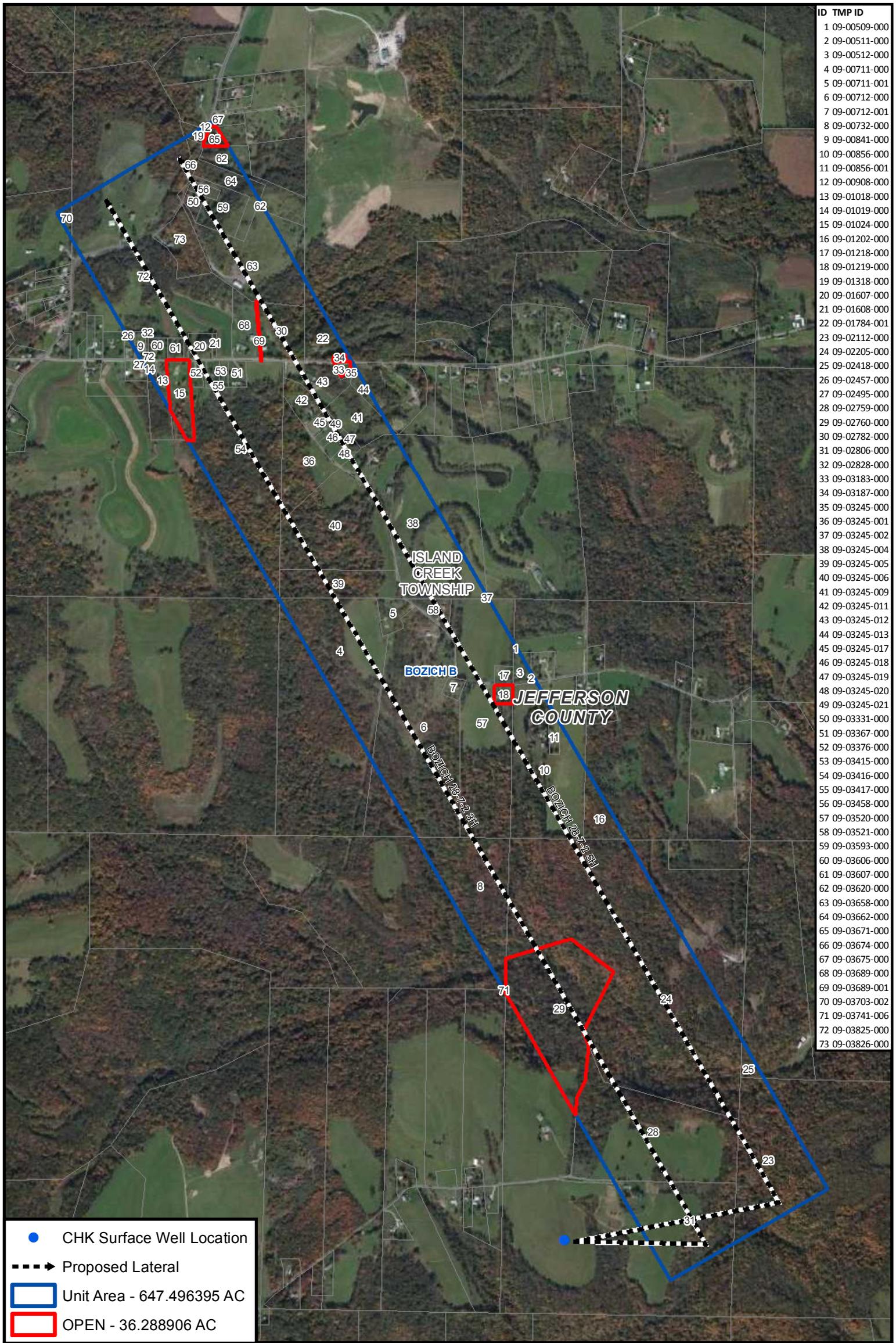
- CHK Surface Well Location
- Unit Area - 647.496395 AC
- CHK
- ARU
- OPEN - 36.288906 AC
- Stranded CHK Leasehold - 335.659355 AC
- Stranded Non CHK Leasehold - 17.757651 AC

EXHIBIT AZ-3

Bozich B Unit
Island Creek Township
Jefferson Co., OH

1 inch = 1,250 feet





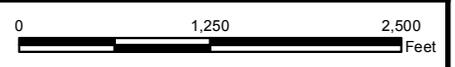
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69	09-03689-001
70	09-03703-002
71	09-03741-006
72	09-03825-000
73	09-03826-000

- CHK Surface Well Location
- Proposed Lateral
- Unit Area - 647.496395 AC
- OPEN - 36.288906 AC

EXHIBIT AZ-4

Bozich B Unit
 Island Creek Township
 Jefferson Co., OH

1 inch = 1,250 feet



WORKING INTEREST OWNER

APPROVAL OF

UNIT PLAN FOR THE

BOZICH B UNIT

Island Creek Township

Jefferson County, Ohio

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, a Unit Plan has been prepared for the testing, development, and operation of certain Tracts identified therein, which Plan consists of an agreement entitled, "Unit Agreement, The Bozich B Unit, Island Creek Township, Jefferson County, Ohio," dated October 18, 2016 (the "Unit Agreement"); and an agreement entitled, "A.A.P.L. Form 610-1989 Model Form Operating Agreement," also regarding the Bozich B Unit and of like date (the "Unit Operating Agreement"); and,

WHEREAS, the undersigned is the owner of a Working Interest in and to one or more of the Tracts identified in said Unit Plan, namely, the Tracts identified below (hereinafter, the "Owner").

NOW, THEREFORE, the Owner hereby approves the Unit Plan and acknowledges receipt of full and true copies of both the Unit Agreement and the Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the signature of its representative.

WORKING INTEREST OWNER

TRACT NO. (see attached Exhibit 6.1)

TRACT ACREAGE 582.878381

RELATED WORKING INTEREST PERCENTAGE 90.020328%

CHESAPEAKE EXPLORATION, L.L.C.
CHK UTICA, L.L.C.

Date 1-25-2017

By:



Arthur Zwierlein, Landman II – Appalachia South

WORKING INTEREST OWNER

APPROVAL OF

UNIT PLAN FOR THE

BOZICH B UNIT

Island Creek Township

Jefferson County, Ohio

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, a Unit Plan has been prepared for the testing, development, and operation of certain Tracts identified therein, which Plan consists of an agreement entitled, "Unit Agreement, The Bozich B Unit, Island Creek Township, Jefferson County, Ohio," dated October 18, 2016 (the "Unit Agreement"); and an agreement entitled, "A.A.P.L. Form 610-1989 Model Form Operating Agreement," also regarding the Bozich B Unit and of like date (the "Unit Operating Agreement"); and,

WHEREAS, the undersigned is the owner of a Working Interest in and to one or more of the Tracts identified in said Unit Plan, namely, the Tracts identified below (hereinafter, the "Owner").

NOW, THEREFORE, the Owner hereby approves the Unit Plan and acknowledges receipt of full and true copies of both the Unit Agreement and the Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the signature of its representative.

WORKING INTEREST OWNER

TRACT NO. 35

TRACT ACREAGE 0.236362

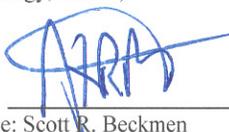
RELATED WORKING INTEREST PERCENTAGE 0.036504%

O.R.E. Oil & Gas – Utica, L.L.C. (formerly known as Great River Energy, L.L.C.)

Date

1/25/2017

By:



Name: Scott R. Beckmen
Title: Managing Member

Exhibit 6.1

Attached to and made a part of that certain Unit Operating Agreement dated October 18, 2016 as approved by the Ohio Department of Natural Resources for the Bozich B Unit.

TRACT NUMBER	LESSOR AND/OR CURRENT MINERAL OWNER(S)	SURFACE ACRES IN UNIT	TAX MAP PARCEL ID NUMBERS
1	Charles E. Cline and Jean Cline	0.080022	09-00509-000
2	Charles E. Cline and Jean Cline	0.075173	09-00511-000
3	Lee Edward Glasure and Roberta Ann Glasure	1.242663	09-00512-000
4	Doyle E. Cline and Margaret A. Cline	25.604663	09-00711-000
5	Todd R. Cline and Delores S. Cline	2.703824	09-00711-001
6	Doyle E. Cline and Margaret A. Cline	44.604843	09-00712-000
7	Jesse B. Cline and Ami J. Cline	0.999989	09-00712-001
8	Richard E. Elliott	20.886223	09-00732-000
9	Warner W. Sanders	0.744969	09-00841-000
10	Joyce I. Zimmerman	25.993870	09-00856-000
11	Joyce I. Zimmerman	0.996601	09-00856-001
12	William M. Duvall	0.041653	09-00908-000
13	Rodney Dean Barker	1.226106	09-01018-000
14	Bernice Skipper	0.488326	09-01019-000
15	Howard O. Cunningham II and Bonnie R. Cunningham - Equitable Interest	0.000000	09-01024-000
16	Doyle E. Cline and Margaret A. Cline	4.442585	09-01202-000
17	Nathan Luke Cline	1.034806	09-01218-000
19	Charles L. Lathem	0.551486	09-01318-000
20	Dwight Samuel Miller, Jr. and Sheila M. Miller	1.859515	09-01607-000
21	Warner W. Sanders	0.344351	09-01608-000
22	Elmer J. Rawson and Sue Ellen Rawson	5.362194	09-01784-001
23	Mary A. Schiappa Trust Under Agreement dated 8/21/1974, FBO Teresa C. Schiappa, Huntington National Bank, Trustee and Mary A. Schiappa Trust Under Agreement dated 8/21/1974, FBO Huberta S. Siciliano, Huntington National Bank, Trustee	25.523084	09-02112-000
24	Robert J. Hickle, Jr. and Earla S. Hickle	103.960341	09-02205-000
25	Robert Hickle and Earla Hickle	1.247447	09-02418-000
26	Terry P. Zamana	0.236999	09-02457-000
27	Clarence L. Weaver	0.057508	09-02495-000
28	Hank J. Boka	36.648105	09-02759-000
30	Warner W. Sanders and Norma M. Sanders	7.540422	09-02782-000
31	Alan J. Bozich and Kimberly K. Bozich	23.026001	09-02806-000
32	Larry V. Dobbins, Sr., trustee, or successor trustee(s) of the Larry V. Dobbins, Sr. Revocable Trust dated December 1, 2015	0.206605	09-02828-000
37	Charles W. Cline and Amie R. Cline	0.004609	09-03245-002
38	Ralph V.J. Minto, Jr., Mark A. Minto, Sherry L. Minto, and Terence L. Minto	29.143640	09-03245-004
39	Todd Cline and Delores Cline	9.968848	09-03245-005
40	Thomas E. Bocek	25.192412	09-03245-006
41	Michael G. Sronce and Laura J. Sronce	5.897385	09-03245-009
42	Andrew Phsarce and Karla Phsarce	3.112013	09-03245-011
43	Michael G. Sronce and Laura J. Sronce	5.255779	09-03245-012
44	Jared D. Blankenship	1.175192	09-03245-013
45	Stephen J. Glykas Jr., and Lori A. Teller n/k/a Lori A. Glykas	1.126826	09-03245-017
46	Mark Minto	0.569808	09-03245-018
47	Mark Minto	1.127397	09-03245-019
48	Mark Minto	1.127013	09-03245-020
49	Stephen J. Glykas Jr., and Lori A. Teller n/k/a Lori A. Glykas	0.557310	09-03245-021
50	Gary L. Snider and Cynthia A. Snider, trustees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	1.065658	09-03331-000
51	Charlene A. Reece	1.350630	09-03367-000

TRACT NUMBER	LESSOR AND/OR CURRENT MINERAL OWNER(S)	SURFACE ACRES IN UNIT	TAX MAP PARCEL ID NUMBERS
52	Howard O. Cunningham II and Bonnie R. Cunningham	1.012453	09-03376-000
53	Charlene A. Reece	0.706465	09-03415-000
54	Betty Clark and Warner W. Sanders	38.834531	09-03416-000
55	Thomas W. Mikesell	1.041040	09-03417-000
56	Gary L. Snider and Cynthia A. Snider, trusees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	1.004370	09-03458-000
57	Doyle E. Cline and Margaret A. Cline	34.282878	09-03520-000
58	Doyle E. Cline, Jr. and Lori L. Cline	2.272433	09-03521-000
59	Gary L. Snider and Cynthia A. Snider, trusees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	5.032903	09-03593-000
60	Warner W. Sanders	1.284605	09-03606-000
61	Warner W. Sanders	1.000005	09-03607-000
62	Alan Scheetz and Deborah Scheetz	2.239479	09-03620-000
64	Gary L. Snider and Cynthia A. Snider, trusees, or successor trustee(s) of the Gary L. & Cynthia A. Snider Revocable Trust dated August 29, 2011	4.376093	09-03662-000
66	Craig D. Lobmiller	1.431956	09-03674-000
67	Jeffrey W. Holmes and Brenda K. Holmes	0.102147	09-03675-000
68	Clint W. Sanders and Barbara A. Sanders	4.853674	09-03689-000
70	Peter M. Bunner	0.774708	09-03703-002
71	Larry R. Moore and Monica R. Moore	0.005040	09-03741-006
72	Warner W. Sanders	52.362302	09-03825-000
73	James S. Sanders and Traci L. Sanders	5.856402	09-03826-000
TOTAL: 582.878381			

**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of :
Chesapeake Exploration, L.L.C., for :
Unit Operation : Application Date: October 18, 2016
: :
Bozich B Unit :

ENTRY OF APPEARANCE AND WAIVER OF NOTICE

O.R.E. Oil & Gas – Utica, L.L.C., whose address is P.O. Box 2338, North Canton, Ohio 44720, does hereby enter a general appearance in the above-styled matter so as to submit and be subject to the jurisdiction of the Ohio Department of Natural Resources, Division of Oil and Gas Resources Management in this matter and so as to be treated for all purposes as a respondent in this matter, and hereby waives notice of this matter, having no objection to this matter proceeding to hearing before the Chief of the Chief's designees at the Ohio Department of Natural Resources, Division of Oil and Gas Resources Management.

By: 

Scott R. Beckmen,
Managing Member

1/25/2017
Date _____