



Ohio Department of Natural Resources

JOHN R. KASICH, GOVERNOR

JAMES ZEHRINGER, DIRECTOR

Richard J. Simmers, Chief
Division of Oil and Gas Resources Management
2045 Morse Road – Bldg. F-2
Columbus, OH 43229-6693
Phone: (614) 265-6922 Fax: (614) 265-6910

ORDER BY THE CHIEF

December 9, 2014

ORDER NO. 2014-545

TO: Chesapeake Exploration, L.L.C.
6100 N. Western Ave.
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

91 7199 9991 7034 1929 2737

RE: Application for Unitization
Heston Southeast Unit
Carroll County, Ohio

SUBJECT: Order for Unit Operations of the Utica/Point Pleasant Formations

Pursuant to Ohio Revised Code Section 1509.28, the Chief of the Division of Oil and Gas Resources Management (“Chief” or “Division”) makes the following Findings and issues the following Order:

BACKGROUND

- 1) On June 9, 2014, Chesapeake Exploration, L.L.C. (“Chesapeake”) filed an application pursuant to Revised Code 1509.28 to operate as a unit the Utica/Point Pleasant Formations at an approximate true vertical depth located from fifty (50) feet above the top of the Utica Shale to fifty (50) feet below the base of the Point Pleasant Formation. The proposed “Unit Area” is 258.651984 acres in East Township, Carroll County, Ohio. The proposed Unit Area is comprised of a total of twenty-six (26) tracts, and known as the “Heston Southeast Unit.” The application included a Unit Agreement, Unit Operating Agreement, and relevant exhibits. The application also included the pre-filed testimony of the following Chesapeake employees: Larry Carter, Geologist; David Yard, Reservoir Engineer; and Grant Parker, Landman.

- 2) Pursuant to R.C. 1509.28, the Division held a hearing on October 8, 2014, in Columbus, Ohio at the Ohio Department of Natural Resources ("ODNR"), to consider the need for the operation as a unit of an entire pool or part thereof. At the hearing, Chesapeake employees Carter, Yard, and Parker confirmed their pre-filed testimony and answered questions posed by Division staff members.
- 3) Chesapeake's application for unitization of the Heston Southeast Unit proposed to include two (2) unleased tracts owned by the following "unleased mineral owners": Ohio River Pipe Line, LLC, 0.961187311 acre (Tract 1); and American Electric Power Service Corporation, F/K/A The Ohio Power Company, 0.403961492 acre (Tract 26). The Division provided notice of the June 11, 2014 hearing, return receipt requested, to all unleased mineral owners. Addresses and title work were provided by Chesapeake. Although notified of the hearing, no representatives of the unleased mineral owners attended the hearing, and the Division did not receive any written comments from these parties.

FINDINGS

- 4) Based on the application submitted by Chesapeake, and subsequent testimony by its employees, the Chief finds that Chesapeake has established that it is the "owner," as that term is defined in R.C. 1509.01(K), of at least ninety-nine percent (99%) of the land area overlying the pool in the Heston Southeast Unit, which is greater than the sixty-five percent (65%) as required by R.C. 1509.28(A).
- 5) Based on the application submitted by Chesapeake, and subsequent testimony by its employees, the Chief finds that the operation of the Heston Southeast Unit is reasonably necessary to increase substantially the ultimate recovery of oil and gas ("oil" and "gas" are defined in R.C. 1509.01).
- 6) Based on the application submitted by Chesapeake, and subsequent testimony by its employees, the Chief finds the value of the estimated additional recovery of oil or gas ("oil" and "gas" are defined in R.C. 1509.01) from the Heston Southeast Unit exceeds the estimated additional cost incident to conducting the operation of the Heston Southeast Unit.

ORDER

IT IS HEREBY ORDERED:

Pursuant to R.C. 1509.28, Chesapeake is authorized to conduct operations within the Heston Southeast Unit in accordance with all of the following:

Plan for Unit Operations

- 1) The Unit Area is comprised of twenty-six (26) tracts totaling 258.651984 acres in East Township, Carroll County, Ohio, as shown in Exhibits A and B.
- 2) Chesapeake proposes to drill one (1) well from a single pad site in the Heston Southeast Unit for the purpose of recovering oil and gas. Drilling operations shall commence in the Unit Area within twelve (12) months from the date of approval of this Order. In order to achieve the stated goal of substantially increasing the ultimate recovery of oil and gas (as those terms are defined in R.C. 1509.01) from the Utica/Point Pleasant Formations within the Unit Area, Chesapeake shall produce from the one (1) well no later than twelve (12) months after the well is completed. If Chesapeake fails to drill, complete, and produce at least one (1) well in the Unit Area, the Chief may amend or terminate this Order. Any additional wells permitted by the Chief for the Utica/Point Pleasant Formations in the Unit Area are subject to this Order.
- 3) Evidence introduced by Chesapeake at the Heston Southeast Unit hearing established that the Utica/Point Pleasant Formation uniformly underlies the Unit Area. Therefore, the value of each separately owned tract in the Unit Area shall be determined by calculating the ratio of the surface acreage of a specific tract to the total surface acreage of the Unit Area. This ratio shall be known as the "Unit Participation." The allocated share of production to each tract shall be equal to that tract's Unit Participation.
- 4) All charges and credits made for investments in wells, tanks, pumps, machinery, materials, and equipment shall be allocated among the working interest owners of each tract based on the Unit Participation. For purposes of this Order, any unleased mineral owner is not a working interest owner, and the proportionate share of the expenses allotted to the unleased mineral owners shall be allocated to the participating working interest owners.
- 5) All unit operation expenses shall be charged to, and paid by, the working interest owners of each tract in amounts based on the Unit Participation. All unit operation expenses concerning wells and operating equipment shall be just and reasonable.

- 6) If necessary, Chesapeake and all other participating working interest owners shall carry, or otherwise finance, any person who is unable to meet that person's financial obligations in connection with the unit operations. For purposes of this Paragraph, "person" shall mean "non-participating working interest owner." Chesapeake and all other participating working interest owners' reasonable interest charge for carrying or financing the non-participating working interest owner shall be determined by the terms of Chesapeake's Unit Agreement and Unit Operating Agreement for the Heston Southeast Unit. Once a specific cost is charged to the initial well, that same cost cannot be charged to subsequent wells in the Unit Area.
- 7) Chesapeake shall supervise and conduct all unit operations. Each working interest owner shall have a voting interest equal to its Unit Participation. Approval of unit operations shall be subject to the terms of Chesapeake's Unit Agreement and Unit Operating Agreement for the Heston Southeast.
- 8) Unit operations may commence as of 7:00 a.m. on the day following the effective date of this Order. Once the initial well is placed into production, operations within the Heston Southeast Unit may continue as long as hydrocarbons are produced from any well in the Unit Area without a cessation of more than ninety (90) days, unless otherwise approved by the Chief in writing. The Heston Southeast Unit may be terminated if working interest owners owning at least fifty-one percent (51%) of the working interest in the Unit Area determine that the unit operations are no longer warranted. If the unit operations are so terminated, Chesapeake shall provide written notice of the termination to the Division and to all unleased mineral owners. In the event that termination of unit operation occurs prior to drilling and completing for production one (1) well in the Heston Southeast 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) The following additional provisions are found to be appropriate:
 - a) No activity associated with the drilling, completion, or operation of the Heston Southeast Unit shall be conducted on the surface of any unleased property without the prior written consent of the owner of the surface rights of the unleased property.
 - b) Unleased mineral owners shall not incur liability for any personal or property damage associated with any drilling, testing, completing, producing, operating, or plugging activities within the Heston Southeast Unit.

- c) Each unleased mineral owner shall receive a monthly cash payment equal to a one-eighth (1/8) landowner royalty interest calculated on gross proceeds. Allocation of the one-eighth (1/8) landowner royalty shall be based on the Unit Participation of each unleased mineral owner's tract. Chesapeake shall make landowner royalty payments to leased and unleased mineral owners at the same time.
- d) In addition to the royalty payment, each unleased mineral owner shall receive a monthly cash payment equal to a seven-eighths (7/8) share of the net proceeds from production. Allocation of the seven-eighths (7/8) share shall be based on the Unit Participation of each unleased mineral owner's tract. After Chesapeake recovers a reasonable interest charge equal to 150% of the cost of drilling, testing, completing, and producing the initial well, Chesapeake shall begin making such monthly payments for that well. For each additional well drilled in the Unit Area, Chesapeake shall begin making monthly payments equal to seven-eighths (7/8) share of net proceeds from production to each unleased mineral owner once Chesapeake has recovered a reasonable interest charge equal to 150% of the cost of drilling, testing, completing, and producing the well. Once a specific cost is charged to the initial well, that same cost cannot be charged to subsequent wells in the Unit Area.
- e) Nothing in this Order prohibits an unleased mineral owner from entering into a lease agreement with Chesapeake pursuant to terms agreeable to both parties. An unleased mineral owner who enters into a lease with Chesapeake after the issuance of this Chief's Order is no longer an unleased mineral owner under this Chief's Order as of the effective date of the lease. Chesapeake shall notify the Division upon the execution of a lease agreement with any unleased mineral owner who is subject to this Chief's Order.
- f) Except as provided in Paragraph 9(d) of this Order, no expenses shall be paid by an unleased mineral owner for drilling, testing, completing, producing, or operating any well in the Unit Area. The unleased mineral owner is not responsible for any costs related to plugging any well in the Unit Area.
- g) If requested in writing by any unleased mineral owner or by any non-participating working interest owner, or in any manner by the Division, Chesapeake shall provide, not later than thirty (30) days after the request, any of the following:
 - i. A monthly statement of all costs incurred, together with the quantity of oil and gas produced, and the amount of proceeds realized from the sale of production during the preceding month; and

- ii. Any authorization for expenditure (AFE) prepared by Chesapeake; and
 - iii. A statement of all costs and expenses for purposes of Paragraphs 6 and 9(d) of this Order.
- h) Chesapeake shall notify the Division of the assignment or transfer of any of its working interest in the Heston Southeast Unit. If Chesapeake assigns or transfers any of its working interest, the assignee or transferee shall comply with this Order.
- i) Chesapeake shall notify the Division if a tract that is leased by Chesapeake, or any other working interest owner, for purposes of operating the Heston Southeast Unit becomes an unleased tract. If Chesapeake or the working interest owner is unable to enter into lease agreement for the unleased tract, Chesapeake must submit a request to the Division for an amendment of this Order, which will include a new hearing before the Chief.
- 10) This Order is not effective unless and until Chesapeake provides the Chief with final written approval of the unit operations as prescribed in this Order from Chesapeake, who is required to pay at least sixty-five percent (65%) of the costs of the unit operations, and from the royalty owners or unleased fee owners of sixty-five percent (65%) of the acreage to be included in the unit. Upon receipt of this approval, this Order shall become effective, and unit operations may commence as set forth above. In the event that Chesapeake fails to provide all required approvals within six (6) months after the issuance date of this Order, the Order will be deemed revoked, and the Chief shall provide notice of the revocation to Chesapeake, to the unleased mineral owners, and to the non-participating working interest owners.
- 11) In the event that this Chief's Order is appealed, the time periods as specified in this Chief's Order are tolled pending final determination of the appeal.
- 12) Within twenty-one (21) days of this Order becoming effective, Chesapeake shall file a copy of this Order within the Carroll County (Ohio) Recorder's Office, in the records of each of the twenty-six (26) tracts that are subject to this Order and referenced in Exhibits A and B. Chesapeake shall submit a certification of the filing to the Division within fourteen (14) days of filing. The certification shall include a reference to the volume and page number corresponding to each record where the Chief's Order is recorded.
- 13) The Chief of the Division retains continuing jurisdiction over the Heston Southeast Unit as is consistent with the Chief's powers and duties as established by R.C. Chapter 1509 and Ohio Adm.Code 1501:9. The Chief reserves the right to amend this Order subsequent to the commencement of unit operations within the Unit Area.

- 14) Except as specifically set forth in the terms of this Order, nothing herein shall be construed as a waiver of any private right or cause of action that may be brought by or against any party to this Order.
- 15) In the event of a conflict between the Plan for Unit Operations contained in this Chief's Order, and Chesapeake's Unit Agreement and Unit Operating Agreement, this Chief's Order shall take precedence.

Dec 9, 2014
Date

Richard J. Simmers
Richard J. Simmers, Chief
Division of Oil and Gas Resources Management

Addressee is hereby notified that this action is final and effective and may be appealed pursuant to Section 1509.36 of the Ohio Revised Code. If the Order is appealed to the Ohio Oil and Gas Commission, the appeal must be in writing and must set forth the Orders complained of and the grounds upon which the appeal is based. Such appeal must be filed with the Oil and Gas Commission, 2045 Morse Road, Building H-3, Columbus, Ohio 43229-6693, within thirty (30) days after receipt of this Order.

In addition, within three (3) days after the appeal is filed with the Oil and Gas Commission, notice of the filing must be submitted to Richard J. Simmers, Chief, Division of Oil and Gas Resources Management, Ohio Department of Natural Resources, 2045 Morse Road, Building F-2, Columbus, Ohio 43229-6693.

Enclosures

CERTIFIED MAIL TO:

Grant Parker
Staff Landman – Appalachia South
Chesapeake Energy Corporation
6100 N. Western Avenue
P.O. Box 18496
Oklahoma City, OK 73154-0496

91 7199 9991 7034 1929 2744

R. Neal Pierce
Katerina E. Milenkovski
Step toe & Johnson PLLC
Huntington Center
41 S. High Street, Suite 2200
Columbus, OH 43215

91 7199 9991 7034 1929 2751

Ohio River Pipe Line, LLC
539 South Main Street
Findlay, OH 5840

91 7199 9991 7034 1929 2768

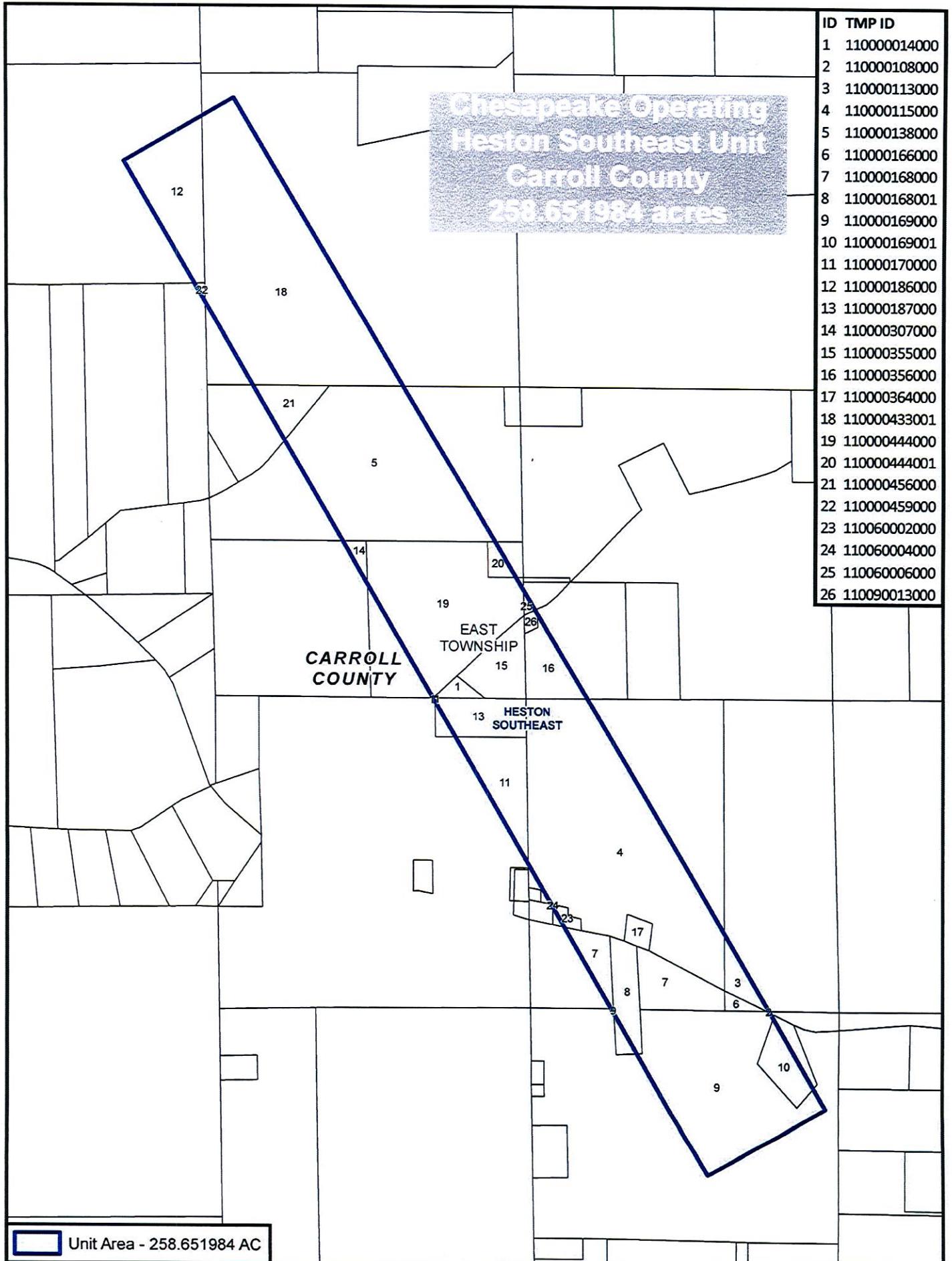
American Electric Power Service Corporation
F/K/A The Ohio Power Company
301 Cleveland Avenue SW
Canton, OH 44701

91 7199 9991 7034 1929 2775

James D. McKinney
EnerVest Operating, LLC
300 Capitol Street, Suite 200
Charleston, WV 25301

91 7199 9991 7034 1929 2782

Exhibit A
Chief's Order No. 2014-545
Heston Southeast Unit



CONTRACT AREA



Heston Southeast Unit
East Township
Carroll Co., OH

1 inch = 1,000 feet

Exhibit B
Chief's Order No. 2014-545
Heston Southeast Unit

Exhibit "A2"

Leases Within the Contract Area

Attached to and made a part of that certain Unit Operating Agreement dated June 9, 2014 as approved by the Ohio Department of Natural Resources for the Heston Southeast Unit.

TRACT NUMBER	CHESAPEAKE LEASE ID NUMBER	LESSOR	LEASED YES/NO	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	UNIT WORKING INTEREST	CHESAPEAKE WORKING INTEREST	CHESAPEAKE UNIT PARTICIPATION	ENERVEST WORKING INTEREST	ENERVEST UNIT PARTICIPATION	ERIC PETROLEUM WORKING INTEREST	ADDRESS	CITY	STATE	ZIP CODE						
1	OPEN	OHIO RIVER PIPELINE, LLC	NO	0.961187311	0.0037161	110000014000	EAST	CARROLL	OH	0.37161%						539 South Main Street	Finley	Ohio	45840						
2	34-024423-000	LOCHRIDGE RESOURCES, LLC	YES	0.002268653	0.0000087	110000108000	EAST	CARROLL	OH	0.00087%	100.000000%	0.00087%				5107 Aspen Street	Bellare	Texas	77401						
3	34-024423-000	LOCHRIDGE RESOURCES, LLC	YES	2.102168	0.0091972	110000113000	EAST	CARROLL	OH	0.81972%	100.000000%	0.81972%				5107 Aspen Street	Bellare	Texas	77401						
4	34-024423-000	LOCHRIDGE RESOURCES, LLC	YES	51.42379147	0.1988146	110000115000	EAST	CARROLL	OH	19.88146%	100.000000%	19.88146%				5107 Aspen Street	Bellare	Texas	77401						
5	1-383615-000	EARL NEUENSCHWANDER AND LOIS NEUENSCHWANDER	YES	35.96645972	0.1390535	110000138000	EAST	CARROLL	OH	13.90535%	100.000000%	13.90535%				7121 Bane Road NE	Kensington	Ohio	44427						
6	34-006607-000	THOMAS A. HALL (Deceased) ADAM H. HALL AND MEGAN L. KINSEY	YES	0.720013034	0.0027837	110000166000	EAST	CARROLL	OH	0.27837%	100.000000%	0.27837%				6176 Aurora Road	Mechanicstown	Ohio	44651						
7	34-006607-000	THOMAS A. HALL (Deceased) ADAM H. HALL AND MEGAN L. KINSEY	YES	9.046040101	0.0349738	110000168000	EAST	CARROLL	OH	3.49738%	100.000000%	3.49738%				6176 Aurora Road	Mechanicstown	Ohio	44651						
8	34-010893-000	MEGAN L. KINSEY AND ROBERT KINSEY	YES	4.284607572	0.0165651	110000168001	EAST	CARROLL	OH	1.65651%	100.000000%	1.65651%				6186 Aurora Road	Kensington	Ohio	44427						
9	34-006607-000	THOMAS A. HALL (Deceased) ADAM H. HALL AND MEGAN L. KINSEY	YES	30.06750856	0.1162470	110000169000	EAST	CARROLL	OH	11.62470%	100.000000%	11.62470%				6176 Aurora Road	Mechanicstown	Ohio	44651						
10	1-329735-000	THOMAS A. HALL (DECEASED) AND HOPE E. WILL ADAM H. HALL AND MEGAN L. KINSEY	YES	3.651596778	0.0141178	110000169001	EAST	CARROLL	OH	1.41178%	100.000000%	1.41178%				6176 Aurora Road	Mechanicstown	Ohio	44651						
11	34-006589-000	EILEEN V. ANDRICH AND CARL RICHARD ANDRICH AND MARIE M. HALL	YES	7.48427837	0.0289357	110000170000	EAST	CARROLL	OH	2.89357%	100.000000%	2.89357%				36581 Adams Road	Libon	Ohio	44432						
12	34-001248-000	LEE R. HESTON AND SALLY J. HESTON	YES	12.0906838	0.0467450	110000186000	EAST	CARROLL	OH	4.67450%	100.000000%	4.67450%				8072 Mark Road	Kensington	Ohio	44427						
13	34-013011-000	DAVID O. HILL AND RUTH J. HILL	YES	5.287959415	0.0204443	110000187000	EAST	CARROLL	OH	2.04443%	100.000000%	2.04443%				4835 Lovers Lane	Ravenna	Ohio	44266						
14	34-007303-000	SHARON AKINS A/K/A SHARON L. AKINS	YES	0.81769857	0.0031614	110000307000	EAST	CARROLL	OH	0.31614%	100.000000%	0.31614%				6010 Meter Road	Kensington	Ohio	44427						
15	34-008572-000	NATHAN OTTO AND JOYCE E. OTTO	YES	5.618146888	0.0217209	110000355000	EAST	CARROLL	OH	2.17209%	100.000000%	2.17209%				7011 Bane Road NE	Kensington	Ohio	44427						
16	34-008571-000	LESTER S. OTTO AND MIRIAM L. OTTO	YES	4.948177515	0.0191306	110000356000	EAST	CARROLL	OH	1.91306%	100.000000%	1.91306%				7010 Bane Road NE	Kensington	Ohio	44427						
17	34-024423-000	LOCHRIDGE RESOURCES, LLC	YES	1.193310831	0.0046136	110000364000	EAST	CARROLL	OH	0.46136%	100.000000%	0.46136%				5107 Aspen Street	Bellare	Texas	77401						
18	34-014939-000	ALAN L. MILLER AND LOIS M. MILLER	YES	51.10659291	0.1975883	110000433001	EAST	CARROLL	OH	19.75883%	100.000000%	19.75883%				8995 County Road 320	Holmesville	Ohio	44633						
19	34-003986-000	PHINEAS M. YODER AND MARY ELLEN YODER	YES	25.93715907	0.1002783	110000444000	EAST	CARROLL	OH	10.02783%	100.000000%	10.02783%				6107 Meter Road NE	Kensington	Ohio	44427						
20	34-004630-000	KENNETH R. YODER AND LUELLA YODER	YES	1.06013784	0.0040987	110000444001	EAST	CARROLL	OH	0.40987%	100.000000%	0.40987%				7051 Bane Road NE	Kensington	Ohio	44427						
21	34-009402-000	BILL J. MULLET AND EDNA A. MULLET	YES	3.462776523	0.0133878	110000456000	EAST	CARROLL	OH	1.33878%	100.000000%	1.33878%				5183 Aurora Road NE	Mechanicstown	Ohio	44651						
22	34-034331-000	EAST TOWNSHIP CARROLL COUNTY	YES	0.591531213	0.0022869	110060002000	EAST	CARROLL	OH	0.22869%	100.000000%	0.22869%				8194 Trout Road NE	Kensington	Ohio	44427						
23	34-014941-000	HAROLD L. BRAKE AND SALLY A. BRAKE	YES	0.002654189	0.000103	110000586000	EAST	CARROLL	OH	0.00103%	100.000000%	0.00103%				8185 Nature Road	Kensington	Ohio	44427						
24	34-009297-000	GLADE RUN MENNONITE CHURCH	YES	0.231632718	0.0008955	110060006000	EAST	CARROLL	OH	0.08955%	100.000000%	0.08955%				7044 Bane Road NE	Kensington	Ohio	44427						
25	OPEN	AMERICAN ELECTRIC POWER SERVICE CORPORATION, I/A THE OHIO POWER COMPANY	NO	0.403964492	0.0011618	110090013000	EAST	CARROLL	OH	0.15018%						301 Cleveland Avenue SW	Canton	Ohio	44701						
TOTAL LEASED ACRES:																257.115235		0.99405862		99.405862%		0.066304%		0.066304%	
TOTAL UNIT ACRES:																288.651984									