



Ohio Department of Natural Resources

JOHN R. KASICH, GOVERNOR

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Richard J. Simmers, Chief
Division of Oil and Gas Resources Management
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ORDER BY THE CHIEF

ORDER NO. 2012-24

TO: Division of Oil and Gas Resources Management Permitting Section

RE: Temporary minimum spacing in the vicinity of discovery wells

SUBJECT: Take points to determine spacing to unit lines

Pursuant to Ohio Revised Code Section 1509.03, the Chief of the Division of Oil and Gas Resources Management ("Division") hereby makes the following **Findings** and issues the following **Order**:

FINDINGS:

- 1) Spacing from the end points of a lateral well bore to unit lines of horizontal shale wells has been from the point of entry into the permitted formation and at the end of the lateral well bore. In most cases this is a minimum of five hundred (500) feet.
- 2) The productive part of the permitted formation begins at the horizontal section of the borehole not at the entry point into the formation. The distance between the entry point and the point where the wellbore becomes horizontal can be several hundred feet. This area is non-productive.
- 3) If a vertical well was drilled and completed in the same producing horizon, the 500 foot setback to the unit line would apply at that point.
- 4) The Division proposes that the minimum point of setback to unit lines be changed from the point of entry into the permitted formation to the first perforation ("take point") within a cemented casing string in order to alleviate the current spacing problem that exists for horizontal shale wells that is created by a rule designed for conventional vertical wells and to promote conservation by allowing oil and gas to be produced that will not otherwise be produced. It is further proposed that the minimum point of setback to unit lines be changed from the terminus of the lateral well bore to the last perforation ("take point") within a cemented casing string.
- 5) Section 1501:9-1-04(D) of the Administrative Code allows the Chief to make an Order that permits temporary changes to the minimum spacing rules of 1501:9-1-04 OAC. Any proposed changes must be approved by the Technical Advisory Council on oil and gas (TAC).
- 6) On August 7, 2012 the proposal to make the "take point" the point of reference for well spacing to unit lines was presented by the Division to the TAC.

Following the presentation and discussion, the TAC recommended its approval of the proposal. A quorum was present and the vote was unanimous in favor of approval.

ORDERS:

- 1) Pursuant to the authority granted in Section 1509.03 of the Ohio Revised Code and Section 1501:9-1-04(D) of the Ohio Administrative Code, I hereby grant approval to the proposal that the first and last perforations in a cased and cemented well bore be the point of reference for minimum setback to the unit lines nearest to those points.
- 2) This approval shall be for any horizontal shale well drilled in Ohio to the Marcellus Shale, Utica Shale or Point Pleasant Formation.
- 3) All other spacing rules for horizontal shale wells shall remain in effect as required by 1501:9-1-04 of the Administrative Code.
- 4) Upon submittal of an application to drill a horizontal shale well, the surveyors plat shall indicate the proposed first and last take points. Furthermore, upon completion of the well, the "as drilled" surveyor's plat shall show the actual first and last take points.
- 5) This Order shall remain in effect until it is either rescinded or amended by a subsequent order of the chief or until such time that the rule is made permanent pursuant to Section 1509.25 of the Ohio Revised Code.
- 6) This Order is effective as of this date.

August 21, 2012
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 to the Oil and Gas Commission pursuant to Section 1509.36 of the Ohio Revised Code. 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 Linda Osterman, Executive Director, Oil and Gas Commission, Ohio Department of Natural Resources, 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.