

AMERICAN ARBITRATION ASSOCIATION  
Commercial Arbitration Tribunal

In the Matter of the Arbitration between

Re: 14 115 00299 12

Jacqueline T. Place (Claimant)

and

Chesapeake Appalachia, L.L.C. (Respondent)

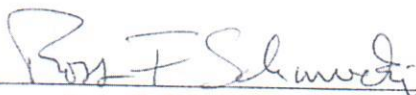
**AWARD OF ARBITRATOR**

I, THE UNDERSIGNED ARBITRATOR, having been designated in accordance with the arbitration agreement entered into between the above-named parties and dated June 07, 2008, and having been duly sworn, and having duly heard the proofs and allegations of the Parties, do hereby, AWARD, as follows:

1. RESPONDENT shall pay to CLAIMANT the sum of \$59,381.42 (Fifty-Nine Thousand Three Hundred Eighty-One Dollars and Forty-Two Cents).
2. Interest shall accrue on this AWARD at the post-judgment statutory rate provided by the laws of the State of Pennsylvania from the date of this AWARD until the sum indicated herein is paid in full.
3. The administrative fees of the American Arbitration Association totaling \$2,600.00 shall be borne equally by the Parties. Therefore, RESPONDENT shall reimburse CLAIMANT the sum of \$1,300.00, representing that portion of said fees and expenses in excess of the apportioned costs previously incurred by CLAIMANT.
4. The compensation and expenses of the Arbitrator totaling \$7,406.21, shall be borne equally by the parties.

This Award is in full settlement of all claims and counterclaims submitted to this Arbitration. All claims not expressly granted herein are hereby, denied.

January 22, 2014  
Date

  
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Ross F. Schmucki, Arbitrator

AMERICAN ARBITRATION ASSOCIATION  
CLAIMANT: JACQUELINE T. PLACE  
RESPONDENT: CHESAPEAKE APPALACHIA, LLC  
CASE NO.: 14-115-00299-12

**CLAIMANT'S ARBITRATION BRIEF**

**I. FACTUAL BACKGROUND**

A. The Lease and Arbitration Agreement

In June, 2008, Claimant Jacqueline T. Place, the owner of a residential property in Wyalusing, Pennsylvania, entered into an "Oil & Gas Lease" with Respondent Chesapeake Appalachia, L.L.C. [hereinafter "Chesapeake"], Ex. C-1, attached hereto.

Under the agreement, Place agreed to lease to Chesapeake all oil and gas underlying her property, allowing respondent to extract it by virtually any technique, including "hydrofracturing", or "fracking", in which water, sand and chemicals are injected into a well bore at high pressure, creating fractures along which natural gas may flow to a gas well. *Id.*, p.1 "leasing clause".

The lease contains an arbitration clause, providing this forum for resolution of the lessor's claims for "damages caused by lessee's operations". *Id.*, p.2. An addendum to the lease specifies that such damages include any harm to Place's fresh water well caused by "any activity carried on by [Chesapeake]". *Id.* (addendum).

B. Claim Specific Chronology

In December, 2008, before Chesapeake began operations in the vicinity of her property, Claimant, at her own expense, conducted "baseline" sampling of the quality of the water from her well. Test results revealed no contamination. Exs. C-2, C-3. Methane, a gas of central relevance to this case, was detected at 0.01 mg/L (parts per million). This is an

essentially negative result, as 0.01 ppm is even lower than the “minimum detection level” utilized in many methane tests.

Chesapeake soon began drilling nearby wells. Ground was broken for the Otten 1-H well on December 21, 2008; for the Otten 2-H on February 23, 2009. Drilling of the John Barrett 2-H well began in May, 2009, and was completed on August 11, 2009. Ex. C-13. Barrett was “fracked” through September 6, 2009. Ex. C-56. Although all these wells were close to the Place property, it was the Barrett well that extended under Ms. Place’s land, and was used to extract gas from beneath her property. The bottom of Barrett 2-H’s bore hole is within eighty yards of Ms. Place’s drinking water well. Ex. C-67 (May, 2013 expert report, George Turner).

Although it is uncertain when contaminants first affected the Place water, claimant noticed a visible sign on March 22, 2010 when she observed that her water had become reddish brown and “oily”. Ex. C-13. Claimant reported her observations to Chesapeake and to Pa. DEP. Both entities tested the water from the Place well in April, 2010, and found high levels of dissolved methane and related substances in the water, ranging from 1300 to 2,000 times the pre-drilling “baseline”. Exs. C-4, C-5. Pa. DEP detected methane as gas in the well’s headspace at levels as high as 120,000 ppm, far above the applicable “lower explosive level”. Ex. C-13, at CK00001313,1314. As a consequence, Pa. DEP determined that the Place well should not be used. Chesapeake began supplying an alternative water supply via “water buffalo”, and installed methane monitoring equipment at the Place residence.

Although Chesapeake began almost immediately to request permission to discontinue its remediation efforts at the Place site, Pa. DEP refused to grant it, given the ongoing contamination of the well and associated risks to the residents. Over the next several



months, Pa. DEP conducted an investigation of the Place contamination and, along with Chesapeake and Place's consultant, conducted additional sampling of the well, which consistently showed levels of methane hundreds of times higher than the pre-drilling "baseline" results from 2008, as well as increased iron and turbidity, characteristics affecting the aesthetic quality of the water. Ex. C-31-A (attached). On February 7, 2011, pursuant to Section 208 of the Pennsylvania Oil and Gas Act, Pa. DEP issued a determination that Chesapeake's operations had caused a "temporary impact" on Place's well, and recommended additional testing over the next two quarters. Ex. C-31. This followed Pa. DEP's December 13, 2010 permission for Chesapeake to reconnect the Place well (with a new pump and wiring). Ex. C-30. The well was reconnected on January 12, 2011.

Through the course of the next sixteen months, Pa. DEP, the U.S. EPA, and Place's environmental consultant all tested water from the well and confirmed the presence of methane at levels orders of magnitude higher than the pre-drilling levels, but below the so-called "action level" utilized by Pa. DEP. In May, 2013, plaintiff's trial expert finally detected a methane level comparable to (but still higher) than the "baseline": 0.042 ppm. Ex. C-68. He opined that the well be tested on a quarterly basis for five years in light of the ongoing presence of the original pathway of contamination, noting that the "well can never be trusted again". *Id.* A methane vent remains permanently installed on the well, and Ms. Place and her son no longer use it as a source of drinking water, relying instead on purchases of bottled water.

In short, Jacqueline Place lived for ten months deprived totally of the use of her well, and even after its "restoration", has been burdened with a water supply with chronic contamination, requiring constant vigilance and ongoing monitoring.