

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY  
VIRGINIA GAS AND OIL BOARD

JANUARY 15, 2008

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER  
BILL HARRIS - PUBLIC MEMBER  
PEGGY BARBAR - PUBLIC MEMBER  
KATIE DYE - PUBLIC MEMBER  
BRUCE PRATHER - OIL REPRESENTATIVE

**CHAIRMAN:**

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND  
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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<u>AGENDA AND DOCKET NUMBERS:</u>	<u>INDEX</u> <u>UNIT</u>	<u>PAGE</u>
1) Quarterly report		5
2) VGOB-07-1218-2096	U-7	103
3) VGOB-02-1217-1109-01	VC-2832	6
4) VGOB-00-0516-0815-01	VC-1853	6
5) VGOB-04-0921-1337-01	VC-536070	6
6) VGOB-08-0115-2112	VC-505190	12
7) VGOB-08-0115-2113	AE-170(I-37)	31
8) VGOB-08-0115-2114	WOLFE CREEK 043301	42
9) VGOB-08-0115-2115	BANNER 043201	56
10) VGOB-08-0115-2116	ESTABLISH 320-ACRE CONVENTIONAL GAS UNIT	61
11) VGOB-08-0115-2117	ESTABLISH 320-ACRE CONVENTIONAL GAS UNIT	61
12) VGOB-08-0115-2118	HRVAE #24	85
13) VGOB-01-1016-0968-01	V-504637	21
14) VGOB-01-1016-0968-02	V-504637	21
15) VGOB-08-0115-2119	TA-38	116
16) VGOB-08-0115-2120	AB-78(CV)	121
17) VGOB-08-0115-2121	AY-134	CONT.
18) VGOB-08-0115-2122	AZ-143	127
19) VGOB-08-0115-2123	BH-121	131
20) VGOB-08-0115-2124	WWW-21(CV)	136
21) VGOB-98-0421-0648-02	U-36	94
22) VGOB-01-0320-0877-01	AY-112	100

INDEX (cont.)

<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
23) VGOB-08-0115-2125	V-536706	161
24) VGOB-08-0115-2126	V-530052	167
25) VGOB-08-0115-2127	HRVAE #25	90
*Discussion on VP8SGU3		140
**Approve minutes		171
***Public Comments		172

BENNY WAMPLER: Okay. We'll go ahead and get started and call the meeting to order. Good morning, my name is Benny Wampler. I'm Deputy Director for the Department of Mines, Minerals and Energy and Chairman of the Gas and Oil Board. I'll ask the Board members to introduce themselves starting with Ms. Quillen.

MARY QUILLEN: I'm Mary Quillen. I'm Director of Graduate Programs for the University of Virginia here at the Southwest Center. I'm a public member.

PEGGY BARBAR: I'm Peggy Barbar, Dean of Engineering at Southwest Virginia Community College.

KATIE DYE: I'm Katie Dye, a public member from Buchanan County.

SHARON PIGEON: I'm Sharon Pigeon with the Office of the Attorney General.

BILL HARRIS: I'm Bill Harris, a public member from Wise County. I'm on the faculty of Mountain Empire Community College.

BRUCE PRATHER: I'm Bruce Prather. I represent the Oil and Gas Industry.

BOB WILSON: I'm Bob Wilson. I'm the Director of the Division of Gas and Oil and Principal Executive to the Staff of the Board.

BENNY WAMPLER: Before we get started, if you have

cell phones and electronic gadgets that make noises, I'll ask you to mute them or turn them off at this time so we don't have that interruption. The first item on the agenda is the Board will receive a quarterly report on the Board escrow account that's administered by the Wachovia Bank. We'll ask Mr. Wilson to bring us to date.

BOB WILSON: Mr. Chairman, the opening balance for the quarter and the Board administered escrow account was \$18,437,702.83. At the end of the quarter, we received deposits of \$574,469.30 and received income net of expenses of \$184,655.97. During the quarter, we disbursed a total of \$681,962.97 leaving an ending balance for the quarter and the calendar year of \$18,514,865.13. If you'll look at the right hand column of the handout, you'll see a synopsis of the year in which we started out with a balance of \$15,942,163.33. We received deposits totaling \$2,880,421.25 and realized income of \$754,937.40. Total disbursements for the year were \$1,062,656.85. We had a net gain for the year in the account of \$2,572,701.80. Our quarter interest rate, we received 1.26%, an annualized rate. That is an annualized rate of 5.04% for the year.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Thank you, Mr. Wilson. The...I'm going to move the second item that's on our agenda here, CNX, down to when the rest of their agenda items come up after fourteen. So, we'll go ahead and call next, the Board will hear testimony for correction of ownership information pertaining to previously approved disbursement of escrowed funds for Tracts 2, 4 and 5, unit VC-2832. This is docket number VGOB-02-1217-1109-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and Board members, it will be Jim Kaiser and Don Hall on behalf of Equitable Production Company. We'd ask...I think we can consolidate items three, four and five.

BENNY WAMPLER: Okay. I'll go ahead and call the docket number...we'll also add docket number VGOB-00-0516-0815-01 and docket number VGOB-04-0921-1337-01. The parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall.

BENNY WAMPLER: The record will show no others. You may proceed.

JIM KAISER: Mr. Hall, can you just kind of give

the Board a narrative of why these items on the docket this morning, what has occurred and what it is we're attempting to fix here essentially.

(Don Hall is duly sworn.)

DON HALL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

A. We previously released some funds to Dennis Counts, Cheryl Fields and Teresa Campbell in these three wells and since we released it, I think that Mr. Wilson had attempted to get some social security numbers from them so they could pay...make payments from the escrow accounts. I guess Mr. County...Dennis Counts had decided that he didn't want to receive any of these funds. So, by this Quit Claim deed, he has conveyed his interest in any of that funds to his two sisters. We're here to provide that information so that the escrowed funds can be given to the two sisters rather than the three of them.

BENNY WAMPLER: Will you---?

Q. When---?

BENNY WAMPLER: I'm sorry.

JIM KAISER: Go ahead.

BENNY WAMPLER: Will you be sure to get in the record the tracts and the unit numbers?

JIM KAISER: Yeah. That's what I was going to do.

Q. And this change would affect, Mr. Hall, Tracts 2, 4 and 5 for unit VC-2832, is that correct?

A. Yes.

Q. Tracts 1 and 5 for unit VC-1853?

A. Yes.

Q. And Tracts 1, 2, 4 and 5 for unit VC-53670?

A. That's correct.

JIM KAISER: And just to get on the record, Mr. Chairman, and I'm not trying to stir up anything or anything, but in a case like this, I guess, because of the statute it is the operator's obligation to come before the Board and do this. But in this particular case, I mean, the reason this guy wants to do this is because he doesn't want it to effect his government disability draw or whatever. It seems to me like it should almost be their obligation to come and do this in a case like this. But I know it's not, but I just want to get that on the record.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Just looking at this Quit Claim deed, it appears that Mr. Counts is deeding his share to these...to his two daughters, Cheryl Fields and Teresa Campbell, jointly or what's the...what's the division?

DON HALL: It's his two sisters and not his daughters.

JIM KAISER: I think we've been taking it as it was his intent to give half to each.

SHARON PIGEON: Fifty/Fifty?

JIM KAISER: Yeah.

DON HALL: Yeah. I think that was the intent. I don't know.

JIM KAISER: The intent was half to each.

BOB WILSON: We need to know before we can retool the disbursement orders exactly how they're supposed to be disbursed.

BOB WILSON: Well, initially, they were divided... they were in thirds.

JIM KAISER: Two-thirds.

BOB WILSON: But his third is now being divided half to each of these, is that what your testimony is?

JIM KAISER: That's what our testimony is.

DON HALL: Yeah.

BOB WILSON: Okay.

JIM KAISER: So, they will each get a sixth...additional sixth.

DON HALL: You take the total amount and divide it by two rather than three.

BOB WILSON: Okay. Mr. Chairman, I'd like to point out too---

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: ---that all three of these disbursements, as Mr. Hall said, were approved sometime back. We actually recorded orders and have processed this up to the point of attempting to disburse the money at which time as was stated testimony. We were unable to receive an Internal Revenue Service for W-9 from Mr. Counts, which, of course, prevented us from being able to disburse the money. We will have to go back and do new orders to correct the old ones that are already recorded and probably will do that under the same docket number as the other and just issue it as a corrected order, if that suits the Board.

BENNY WAMPLER: I think that would be the best way to do it. Counsel, do you have---?

SHARON PIGEON: I think that's the simplest way under the circumstances.

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I have a question about this last paragraph before his signature. It says, "In addition to the above, it is the intent of the Grantor to convey any other oil, gas and coalbed methane gas that he may own..." to those folks also.

DON HALL: Uh-huh.

BILL HARRIS: How do we approach that? I mean...I know it has been said that it's maybe it's encumbered upon the company who is doing the payout to handle this. But is there any...does that give us some obligation to---?

DON HALL: I think all they're saying is if he owns property---

BILL HARRIS: If this comes up in the future---

DON HALL: ---and---

JIM KAISER: Yeah, it's just a catchall. If he has got anything else it goes to them it goes to them too so he just has to do it once.

BILL HARRIS: Yeah, I understand that. But I didn't know if there were any other orders in which those folks have been---

JIM KAISER: No.

BILL HARRIS: Okay, okay.

DON HALL: No.

BILL HARRIS: Thank you.

BENNY WAMPLER: Anything further?

JIM KAISER: No, Mr. Chairman.

BENNY WAMPLER: Board members, any questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item  
on the agenda is a petition from Equitable Production  
Company for pooling coalbed methane unit VC-505190. This is  
docket number VGOB-08-0115-2112. We'd ask the parties that  
wish to address the Board in this matter to come forward at  
this time.

JIM KAISER: Now, Mr. Chairman, Jim Kaiser and Don  
Hall, again, on behalf of Equitable Production Company.

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, you could state your name for the record, who you're employed by and in what capacity.

A. My name is Don Hall. I'm employed by Equitable Production Company as District Landman.

Q. Do your responsibilities include the land involved in this unit?

A. They do.

Q. And you're familiar with the application that we filed seeking to pool any unleased interest in the unit for EPC well number VC-505190, which was dated December the 14th, 2007?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement with

each?

A. Yes.

Q. And what is the interest under lease to Equitable within the gas estate in the unit?

A. We have 97.66813% leased.

Q. And the interest under lease in the coal estate?

A. The same.

Q. Okay. So, both the coal estate and the gas estate has 2.331870% remaining unleased?

A. Yes.

Q. Okay. And there are no unknown or unlocateables, correct?

A. That's correct.

Q. And the addresses set out in Exhibit B to the application, to the best of your knowledge, are the last known addresses for all respondents?

A. Right.

Q. Are you requesting this Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. That being the undivided interest that Belisha Compton Deel has in Tract 2?

A. That's correct.

Q. Are you familiar with the fair market value of drilling rights in this unit and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay five dollars per acre on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

Q. Now, as to the...Ms. Deel who remains unleased, do you agree that she be allowed the following options with respect to her ownership interest within the unit: 1) participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: such carried operator should be entitled to the share of production from the tracts pooled accruing to his/her interest exclusive of any royalty or overriding royalty reserved in any leases or assignments thereof or agreements

relating thereto of such tracts, but only after the proceeds applicable to his or her share equal A) 300% of the share of such costs applicable to the interest of a carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of the carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that elections by respondents be in writing and sent to the applicant at Equitable Production Company, Land Administration, P. O. Box 23536, Pittsburgh, Pennsylvania 15222, Attention: Nicole Atkinson, Regulatory?

A. Yes.

Q. Do you recommend that the order provide that if no written election is properly made by a respondent, then such a respondent should be deemed to have elected the cash royalty option in lieu of participation?

A. Yes.

Q. Should unleased respondents be given 30 days from the date that they receive the recorded Board order to file their written elections?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay their

proportionate share of well costs?

A. Yes.

Q. And the applicant expects that party electing to participate to pay those...that share of actual completed well costs in advance?

A. Yes.

Q. Should the applicant be allowed 120 days following the recording date of the Board order and thereafter, annually on that date until production is achieved to pay or tender any delay rental or cash bonus becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then that election be treated as being null and void?

A. Yes.

Q. Do you recommend that where a respondent elects to participate, but defaults in regard to the payment of well costs, any cash sum becoming payable to that respondent from the operator be paid by within sixty days after the last date on which that respondent could have paid their actual well costs?

A. Yes.

Q. Even though this is a CBM well, we've got fee mineral tracts and there is no need for the Board to create an escrow account, correct?

A. That's correct.

Q. And who should be named the operator under the force pooling order?

A. Equitable Production Company.

Q. And the total depth of the proposed well?

A. It's 2127 feet.

Q. Estimated reserves?

A. 400 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board with the application as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state both the dry hole costs and complete well costs for this well?

A. The dry hole cost is \$137,716 and the completed well cost is \$297,142.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: You don't need an Exhibit E?

JIM KAISER: No.

DON HALL: The unleased party owns the coal and the oil and gas.

BENNY WAMPLER: Would you just, for the record, spell the unleased party for the record, spell the name, the first name?

DON HALL: Let me find it. B-E...the name is Belisha Compton Deel. The first name is B-E-L-I-S-H-A.

BENNY WAMPLER: Okay. Thank you. Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: When you look at your Exhibit B-3 and you look at your Exhibit B, percent of unit unleased,

those numbers are different. If there a reason for that or is that just a typo?

JIM KAISER: Yeah, we've got a 1875 and 1870.

DON HALL: It's probably a...it's probably a typo.

JIM KAISER: A typo.

DON HALL: We can look at that and see which is correct and send a corrected exhibit with a corrected number.

JIM KAISER: You'll resubmit a corrected exhibit?

DON HALL: Yeah, once we determine which one of those is correct. (Inaudible.) It may have just been rounded.

JIM KAISER: Yeah, it looks to me like maybe it's just down there on the totals because if you look at the interest within the unit that's attributable to Belisha in the Exhibit B it matches up with Exhibit C or B-3 rather.

DON HALL: Right.

JIM KAISER: So, it looks like the totals were done wrong. So, we'll fix that.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: What did you list as your TD on that well? I forgot and didn't write it down. The total

depth.

DON HALL: 2127.

JIM KAISER: It's consistent with the AFE.

BENNY WAMPLER: I was just looking at...you know, he had production casing 2157 and the tubing 2127 and contract footage 2127.

DON HALL: Yeah. Evidently another typo. We can correct that as well.

BENNY WAMPLER: Okay. Submit a revised AFE. Any other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted with the correction of the typo on B-3 and the AFE, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Motion and second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Mr. Chairman, do you want to move to thirteen and fourteen and finish up Don or do you want to go on through it?

BENNY WAMPLER: We can do that. Thirteen on your agenda is the request that the Board will hear testimony for correction of ownership information pertaining to previously approved disbursement of escrowed funds for Tract 2, unit V-504637. Can we combine those two?

JIM KAISER: Yeah. And that should actually be Tract 4. That's a typo on you all.

BENNY WAMPLER: Tract 4, okay.

JIM KAISER: Yeah.

BENNY WAMPLER: And then a petition from Equitable Production Company on behalf of Barbara Smith, Margaret Peacock, Wilda Smith and Range Resources-Pine Mountain, Inc. for disbursement of funds for escrow and authorization of direct payment on royalties on Tract 4, unit V-504637, docket number VGOB-01-1016-0968-02. We'd ask the parties that wish to address the Board in these matters to come forward at this time.

JIM KAISER: Mr. Chairman, again, Don Hall and Jim

Kaiser on behalf fo Equitable Production Company.

BENNY WAMPLER: The record will show no others.  
You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, we've had a request from several of the respondents in Tract 4 of this unit along with Range Resources-Pine Mountain for a disbursement in accordance with their voluntary agreement. We have filed an application for such. I think you've pointed out to me that we had an error in the application.

A. Well, in application for the Barbara Smith, Margaret Peacock and Wilda Smith, number fourteen on here, the exhibit I just passed was in error to the one that was attached to the application...this is a corrected exhibit. The figures were wrong.

Q. Okay.

A. This just corrected the figures. It's the same exhibit relative to number thirteen on the docket, the correction of the Clara Smith situation. So, this exhibit that I just passed out would be for thirteen and fourteen.

BENNY WAMPLER: Okay. This is going to be exhibit

what?

JIM KAISER: I think it would be D maybe. Would that be right?

BENNY WAMPLER: You've got an E in here. Do you want to go F?

JIM KAISER: Yeah, let's go F.

BENNY WAMPLER: F. Exhibit F for both docket numbers?

JIM KAISER: Yes.

BENNY WAMPLER: 01 and 02?

JIM KAISER: Right.

DON HALL: Let's clean up thirteen first, the Clara Smith.

JIM KAISER: Okay. Yeah, we're going to go ahead with our testimony and clean up Clara Smith, item thirteen first.

Q. Can you explain what's going on there, Don?

A. Well, when we released the funds, we released it to Clara Smith as executrix of her husband's estate. Since then...actually before then, that estate had been settled and the...it should just be Clara Smith. She was the one that inherited it. We had listed on the original exhibit as Clara Smith, executrix of her husband's estate. That's all we're doing here with this exhibit is

eliminating the executrix language.

BENNY WAMPLER: And what tract is she in.

DON HALL: She's in...it's Tract 4. She's next to the bottom there.

BENNY WAMPLER: Yeah, I see it. I just wanted to get it in the testimony.

DON HALL: Yeah. Oh, okay. And these other parties in Tract 4 are some of her relatives that also have gotten...have requested a release of the funds. But the purpose of this exhibit is just to clear up that issue on the disbursement for the Clara Smith.

JIM KAISER: Yeah. That was previously disbursed also.

DON HALL: Yeah, right. But it was a matter of clearing up so that Mr. Wilson can get a proper social number so that he can issue the funds.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: The previously approved disbursement for Clara R. Smith as executrix of the estate of James O. Smith was approved by the Board on August the 21st, 2007. Again, we actually executed an order for that disbursement and recorded it. When attempting to get the remainder of the paperwork required by the Internal Revenue Service

rules, we were told that the estate had been settled for some time and the executrix position was closed. So, we do have an outstanding order already on this. Presumably, again with the Board's permission, what we will attempt to do, if the disbursement under item fourteen is approved, is issue a new corrected order and include all of these people in a single order under the same docket number as we had recorded earlier. That disbursement was not completed. We were unable to disburse any money. So, the money is not an issue. It's a matter of how we correct our record.

BENNY WAMPLER: Any objection to correcting the record? It's the same as it was...as we previously discussed that he would just issue a modified order once we go through this next one.

(No audible response.)

BENNY WAMPLER: Okay. Then that's approved. Go ahead.

DON HALL

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. Okay. Item fourteen, Mr. Hall, is a request on behalf of some additional heirs and additional respondents in Tract 4 other than Clara Smith that have also

reached a voluntary agreement with Range-Pine Mountain for the disbursement of any funds attributable to their interest, correct?

A. That's correct.

Q. And that is the correct amounts and percentages as depicted on our corrected exhibit that was just passed out today?

A. That's correct. They are also for Tract---

Q. Also Tract 4.

A. ---4.

MARY QUILLEN: Mr. Chairman, I have one question---

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---for Mr. Hall. In item fourteen, we have Barbara Smith, Margaret Peacock, Wilda Smith and Range Resources-Pine Mountain, Inc. listed on our agenda. Now, on the handout, the Exhibit F that you gave us, it also includes William E. Smith and Barbara Smith. Is that correct?

DON HALL: Yes, that's the same people. William is Barbara's husband.

MARY QUILLEN: Okay. And Clara Smith is not listed in item fourteen. Is she also included or is this

just on item thirteen and does the same thing pertain---?

DON HALL: I'm using the same exhibit for both items. But, Clara Smith was involved in...she was the one that was released in item thirteen.

MARY QUILLEN: Okay.

DON HALL: And we just...when they corrected this exhibit they did it one time.

MARY QUILLEN: So, she's not involved in fourteen?

DON HALL: No, she's not.

MARY QUILLEN: Okay. Thanks.

JIM KAISER: So, the goal will be to just do one corrected order and use this exhibit for disbursement purposes.

KATIE DYE: Mr. Chairman, I have a question.

BENNY WAMPLER: Mrs. Dye.

KATIE DYE: Why do we have no notary seal for Barbara Smith from the State of Michigan?

DON HALL: Pardon?

KATIE DYE: Why do we have no notary seal for Barbara Smith?

DON HALL: On what?

KATIE DYE: From the State of Michigan, where she...it's page three of three where she agreed to the agreement. There is one from the State of California and

Indiana.

DON HALL: That's a Virginia notary. You're not required to have a notary seal in Virginia if it's going to be recorded in Virginia. Actually, there appears to be a seal on it. It's just burnt out.

KATIE DYE: Okay. I can't see it on my copy.

DON HALL: I guess the number of copies...where it has been copied a number of times has burnt out. Doesn't that look like a seal?

JIM KAISER: Yeah.

DON HALL: Regardless, in the State of Virginia if the document is going to be recorded in Virginia, it doesn't require a seal.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Just for the record, a copy of the application that we have in the file shows a barely legible seal in the corner.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I was just going to comment, the...page two of two where Phil Horn signed the last paragraph, it says, "Please evidence your agreement to these terms by signing this letter agreement on the line indicated below and returning this letter agreement." It doesn't say

anything about being notarized. But, then, the next page is "Agreed to and accepted by" and it is signed. Then, there's a blank line. Is that where the notary would have...I mean, if it doesn't say, "have this notarized" is that an obligation?

DON HALL: Is that...are you talking about the blank line here near the top?

BILL HARRIS: Yes.

DON HALL: That's just for...that's a signature line. Yeah.

BILL HARRIS: (Inaudible).

JIM KAISER: It looks like an additional signature line.

DON HALL: Additional signature line.

(Benny Wampler and Bill Harris confer.)

JIM KAISER: Don't forget too, we're doing this on behalf of them.

BILL HARRIS: Well, I mean, the question was the notary for her signature.

JIM KAISER: Right.

BILL HARRIS: I was thinking that it didn't ask for a notary for her signature. I am just not...but that...in fact, I thought the notaries were using a stamp now. Is that not right?

DON HALL: Well, they can use a stamp or a squeeze seal. It's just supposed to...now, effective the first of July, it has to be a...if you use a seal, it has to be a reproducible seal.

BILL HARRIS: Rather than an embossed seal?

DON HALL: Right. Yeah, but, again, in the State of Virginia if it's a document that's notarized in Virginia and it's going to be recorded in Virginia it doesn't require a seal.

BENNY WAMPLER: Do you agree with that Counsel?

JIM KAISER: Yes.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Just for clarification, on your Exhibit F, all the way down through Wilde A. Smith and Range Resources is the 02. The Clara R. Smith 01 and Range Resources. Is that correct? In other words, the top six boxes are 02?

DON HALL: Yes, that's correct.

BENNY WAMPLER: And the last two boxes are 01?

DON HALL: Right. That's correct.

BENNY WAMPLER: Did everybody follow me on that?

(All members signify by saying yes.)

BENNY WAMPLER: I'm just trying to clarify the exhibit since we had only one exhibit. Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Wilson, are you satisfied with what we have?

BOB WILSON: Yes, sir.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application with the corrected exhibit be approved for disbursement purposes and that the order state that all future royalty proceeds attributable to these folks be paid directly to them.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DON HALL: Thank you all.

BENNY WAMPLER: Thank you. Next is a petition from Appalachia Energy, Inc. for pooling of coalbed methane unit AE-170, Garden District, Buchanan County, docket number VGOB-08-0115-2113. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser, Justin Phillips and Tom Blake on behalf of Appalachian Energy, Inc. I've got a revised Exhibit B that I'm passing out to correct some totals.

(Justin Phillips and Tom Blake are duly sworn.)

BENNY WAMPLER: The record will show no others. You may proceed.

JUSTIN PHILLIPS

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, if you would state your name for the Board, who you're employed by and in what capacity?

A. Justin Phillips, Appalachian Energy, Landman.

Q. And you've previously testified before the

Board on some of these force poolings?

A. Yes, I have.

Q. And your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we've filed seeking to pool any unleased interest in the unit for AEI well number 170, which was dated December the 14th, 2007?

A. Yes.

Q. And does Appalachian Energy, Inc. own drilling rights in the unit involved here?

A. Yes.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. Okay. And at this time, Appalachian Energy in the gas estate has 84.08% under lease, is that correct?

A. Yes.

Q. And the coal estate has 98.92% under lease, is that correct?

A. Yes, it is.

Q. And all unleased parties are set out in

Exhibit B-3, which was not revised...didn't need to be revised, is that correct?

A. Yes.

BENNY WAMPLER: Let me stop you just a second. What...when you said the well number, what did you say?

JIM KAISER: Well, I said A...it's unit I-37, but it's well number AE-170.

BENNY WAMPLER: Okay.

JIM KAISER: I know it's a little confusing.

BENNY WAMPLER: I thought you said AEI-170 is the reason I stopped you.

JIM KAISER: Oh, I'm sorry.

BENNY WAMPLER: But, anyway, go ahead.

JIM KAISER: I may have.

BENNY WAMPLER: Go ahead.

Q. Let's see, Mr. Phillips, we do not have any unknown or unlocateables, correct?

A. Correct.

Q. So, in your opinion, profession...due diligence was exercised to locate each of the respondents?

A. Yes.

Q. And addresses set out in the revised Exhibit B are the last known addresses for the respondents?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. And are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. A five dollar bonus, a five year term and a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Now, Mr. Chairman, as to the election options afforded any...statutory election options afforded any unleased parties, I would like to incorporate the testimony taken previously this morning in docket number 2112.

BENNY WAMPLER: Do you accept those terms?

JUSTIN PHILLIPS: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Let's see, Mr. Phillips, they do...we don't have an escrow, do we?

A. The only escrow we have is the difference in the coal.

(Jim Kaiser confers with Mr. Phillips.)

Q. Okay. So, in this particular unit, the Board does not need to establish an escrow account, is that correct?

A. That would be correct.

Q. And who should be named operator under any force pooling order?

A. Appalachian Energy.

Q. Appalachian Energy, Inc.?

A. Inc., I'm sorry.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Question of this witness from members of the Board?

(No audible response.)

BENNY WAMPLER: In your Exhibit B on page three of that exhibit, you have in Tract 4 a double asterisks by Norfolk Southern Railway. Do you see that?

JIM KAISER: Uh-huh.

JUSTIN PHILLIPS: Yes, sir.

BENNY WAMPLER: And out from that you have a single asterisks by the lease, but it's not noted at the bottom. What...does that distinguish itself from---?

JIM KAISER: Where is the single asterisk?

BENNY WAMPLER: Straight out from Norfolk Southern.

JIM KAISER: Um, I don't know.

JUSTIN PHILLIPS: It has got two next to mine.

BENNY WAMPLER: Maybe it's not on the revised. I'm Sorry. Let me look.

JUSTIN PHILLIPS: It's all right.

BENNY WAMPLER: I was looking at the original.

JIM KAISER: Those would be...anything double asterisks would be CNX leases---.

BENNY WAMPLER: Okay.

JIM KAISER: ---which are included in the---.

BENNY WAMPLER: It's corrected on that---.

JIM KAISER: ---AMI and JOA that we have with them.

BENNY WAMPLER: It's corrected on the revised exhibit.

JIM KAISER: Okay.

BENNY WAMPLER: Never mind. Other questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

TOM BLAKE

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Blake, if you would state your name for the Board, who you're employed by and in what capacity?

A. It's Tom Blake, Appalachian Energy, Inc., Vice President.

Q. And what's the total depth of the proposed well?

A. 1350 feet.

Q. Estimated reserves for the unit?

A. 250 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C to the application?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs for this particular well?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. Yeah, dry hole is \$116,823 and completed well costs \$363,992.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: This is just a interest...in the amount there versus the depth, usually with coalbed methane we have seen amounts, I guess, there up into the \$200,000.

This appears to be a lot greater than that. Could maybe you talk about...I'm not comparing this to others that you've done, but it just struck me as---

TOM BLAKE: Yeah. It is a little bit higher. First of all, it's near the river. So, we anticipate having some difficulty with water...surface water.

BILL HARRIS: So, is that---?

TOM BLAKE: So, that's incorporated in there. And the other thing that's in here is a sales line that's extensive to get from the body of the field. This is the extremity of the field boundaries.

BILL HARRIS: Now, wait a minute, you called it a "sales line".

TOM BLAKE: Pipeline.

BILL HARRIS: Oh, okay.

BENNY WAMPLER: Other questions?

BILL HARRIS: Thank you.

BENNY WAMPLER: Going back to your first witness. In your revised exhibit, you do have...if you'll...it first appears at least on page two under Tract 3 that you have a single asterisks and then on the 4 you have a double asterisks. Now, you've taken off the description of what those stand for here.

JIM KAISER: Well, the single asterisk is for the

Equitable Production lease. If you'll look underneath it on page two.

BENNY WAMPLER: Yeah.

JIM KAISER: And the double asterisk would be the---

BENNY WAMPLER: The CNX?

JIM KAISER: ---CNX lease, right.

BENNY WAMPLER: Okay. Is that the same throughout or is that the only place that it appears?

JIM KAISER: That would be the only place that it occurs.

JUSTIN PHILLIPS: That would be the only one there.

JIM KAISER: The only place the single asterisk occurs. It's just an oil and gas lease. It doesn't cover the coal estate.

BENNY WAMPLER: All right. Then we come over to the parties that are listed. Under Timothy McDonald and Tamela Williams those are double asterisks.

JIM KAISER: Those are CNX leases.

BENNY WAMPLER: Okay. So, that ties it all back into those?

JIM KAISER: Yes, sir.

BENNY WAMPLER: Okay.

JIM KAISER: I guess we could do a legend on these things or something if you want.

BENNY WAMPLER: No, that's okay. I just want to get some information in the record.

(Sharon Pigeon and Benny Wampler confers.)

BENNY WAMPLER: Yeah, it's better to do it...I'm sorry, it's better...it would be better to do it consistently so that, you know, when people are looking through that they know what it stands for. Ms. Quillen.

MARY QUILLEN: Mr. Chairman, and it does appear on the original. It just doesn't appear on the revision.

JIM KAISER: Well, on the original, we had some math problems and we thought it was more confusing to list the amount we had leased and the list the amount that CNX had leased because it's...these particular leases are part of a JOA and AMI that Appalachian Energy has with CNX. So, they're really not pieces that have to be force pooled. So, we changed it kind of when Mr. Wilson called us. So, this is what we've got.

BENNY WAMPLER: I don't think...you know, I think the problem was it's just not consistently set out.

JIM KAISER: Right. What we should probably do is just put a legend...you know, we could put a legend down there with double asterisks CNX leases part of JOA and AMI

and one asterisk Equitable Production lease or something like that. Yeah.

BENNY WAMPLER: Right.

SHARON PIGEON: At the bottom of the page---.

JIM KAISER: Right.

SHARON PIGEON: ---and not in the middle of it.

JIM KAISER: Right. Right. I gotcha.

BENNY WAMPLER: I think that's where it has the confusion to it. Other questions? Or at least it was to me.

JIM KAISER: I understand.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved with the revised Exhibit B.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Dart Oil and Gas Corporation for pooling of conventional gas unit Wolfe Creek 04330, docket number VGOB-08-0115-2114. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser, Bob Powell and Ed Diminick on behalf of Dart Oil and Gas Corporation.

(Bob Powell and Ed Diminick are duly sworn.)

BENNY WAMPLER: The record will show no others. You may proceed.

BOB POWELL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Powell, we'll start with you. If you could state your name, who you're employed by and in what capacity?

A. I'm Bob Powell. I'm employed as a landman by Dart Oil and Gas Corporation.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. And does Dart's application seeking to... first of all, these wells are in Tazewell County, Virginia in what's in a field rule that has been formed called the Abb's Valley Field Rules, is that correct?

A. That's correct, yes.

Q. And they're actually 200 acre squares, the units?

A. Yes, they are.

Q. Okay. And, so, are you familiar with the application that we filed seeking to pool any unleased interest within the unit for this particular well, which we're calling the Wolfe Creek 043301, which was dated December the 14th, 2007?

A. Yes, I am.

Q. Okay. Does Dart own drilling rights in this unit?

A. Yes, they do.

Q. And prior to the filing of this force pooling application, did you attempt to contact each of the respondents in the unit and make an attempt to obtain a voluntary lease from each?

A. Yes, we did.

Q. And what is the interest under lease to Dart in the unit at this time?

A. It's 91.11%.

Q. And are all the unleased parties set out in Exhibit B-3?

A. Yes, they are.

Q. Are you familiar with the ownership of drilling rights of parties other than Dart underlying this unit?

A. Yes.

Q. And what percentage of the unit remains unleased leased?

A. 8.89%.

Q. Okay. We don't have any unknown or unlocateables, correct?

A. No, sir.

Q. And the addresses set out in Exhibit B to the application, to the best of your knowledge, are the last known addresses for the respondents within the unit?

A. Yes, it is.

Q. Are you requesting this Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes, we are.

Q. And are you familiar with the fair market value of drilling rights in this unit and in the surrounding area?

A. Yes, we are.

Q. Could you advise the Board as to what those are?

A. It's twenty dollars an acre for a five year paid up lease or a minimum of one hundred dollars for a small acreage lease.

Q. In your opinion, do the terms that you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, at this time, I'd again ask that the statutory election options afforded any unleased parties and their time frames and implications in which to make those elections that was first taken docket number 2112 this morning be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

BOB POWELL: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Powell, the Board does not need to establish an escrow account for this, correct?

A. Correct.

Q. And who should be named operator under any

force pooling order?

A. Dart Oil and Gas Corporation.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Could you...if you go to your B-3 in Tract 9 and 11, other than your difference in the interest there, describe the difference. In one it has Douglas M. McClanahan and then the other one has Douglas M. McClanahan, et als.

JIM KAISER: In Tract 9, we've got listed just being owned by Douglas McClanahan. In 11, we've got Douglas McClanahan and others.

BOB POWELL: Yeah. There's just two different ownerships. One he owns by himself and the other he owns with some family from what I gather.

BENNY WAMPLER: Okay.

SHARON PIGEON: Do you have the names for these et als?

BOB POWELL: Well, yeah, I'm sure we do, if we could find...you know, I'm sure we found them and talked to them. I don't have them with me personally right now, but we...you know, we contacted everybody we can that has ownership...has ownership and we---.

JIM KAISER: Do you got your sheets with you?

BOB POWELL: I do not have my sheets with me at this time.

JIM KAISER: My guess is it's just...the notice just went out to Mr. McClanahan and he signed for it...or actually, I guess...well---

BOB POWELL: And sometimes---

JIM KAISER: ---Teresa McClanahan signed for it.

BOB POWELL: And sometimes the surveyors...when the surveyors survey these things, we'll try to put them all together and they'll break them up by tract. If there's et als in there, then I'd have to just check the file. I'm not particularly sure.

JIM KAISER: My guess is the et al is incorrect.

SHARON PIGEON: Well, if it's et al, I need to have names...we need names.

JIM KAISER: Right.

BENNY WAMPLER: Yeah, that's---

BOB POWELL: Okay. We'll get the names for you.

JIM KAISER: I don't think there is an et als.

SHARON PIGEON: And if there...if there's no other party, then we need it corrected exhibit without that.

JIM KAISER: We need to take it off. I gotcha.

SHARON PIGEON: We need a corrected exhibit one way or the other.

BENNY WAMPLER: Other questions of this witness from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

ED DIMINICK

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Diminick, if you would state your name for the Board, who you're employed by and in what capacity?

A. Ed Diminick, Dart Oil and Gas Corporation in engineering and operations.

Q. Do your responsibilities include the land involved here and throughout Abb's Valley?

A. Yes.

Q. And what's the total depth of the proposed well here?

A. 4500 feet.

Q. And estimated reserves?

A. 750 million cubic feet.

Q. And has AFE been reviewed, signed and submitted to the Board as Exhibit C to the application?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. It does.

Q. Would you state both the dry hole costs and completed well costs for this well?

A. The dry hole is \$591,675 and the completed costs is \$796,525.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Who is C. M. Randolph?

ED DIMINICK: He is our senior engineer.

BENNY WAMPLER: Just have him put his title under

there in the future. Other questions of this witness from members of the Board?

BILL HARRIS: Mr. Chairman---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---I always have these questions about amounts. Could you maybe talk about why this is so expensive?

ED DIMINICK: Yeah. The formations up there are steeply dipping and it's very hard rock. It costs money to keep the hole straight in order to get the well casing in the hole. Then, in this hole, we will be...once we come out of the intermediate casing we'll be steering the bit in a northwest direction.

BILL HARRIS: So, it's directional services or something---

ED DIMINICK: Yeah.

BILL HARRIS: ---is that what---

ED DIMINICK: Yes.

BILL HARRIS: I do have a question about drilling contracts, I guess. We've never really asked about these before. I notice that that shows on a lot of AFEs. I can't say I've never seen them in the past, but I don't remember seeing them. But there is a charge per foot to drill usually or how---

ED DIMINICK: Well, there's two...there's two different ways. Some contractors will charge a dollar per foot---.

BILL HARRIS: To the job or something---.

ED DIMINICK: ---and others will charge a day rate. When you're in difficult drilling like this is, they will not do a footage rate because you run into too many difficulties. So, they charge you a day rate. So, our contract is for eleven thousand a day...eleven five.

BILL HARRIS: In fourteen drilling days?

ED DIMINICK: Well, that's an average. We've drilled wells up there anywhere from probably eleven days to we were on one for probably twenty-five or so. Again, just difficulties that we run into.

BILL HARRIS: Okay. This...I guess, I'm just sort of shocked by the amount. I know that there are contributors to that amount. But, anyway, okay. Thank you then.

BRUCE PRATHER: Mr. Chairman, I think that one of the problems that they have up there is, of course, topography.

ED DIMINICK: Yes.

BRUCE PRATHER: They have a big problem up there with sink holes and getting that top hole drilled. It's

tough in that country up there if you start really with sink holes.

JIM KAISER: I think...we probably have force pooled a dozen of these units anyway. I think the costs have been pretty consistent down the line.

BILL HARRIS: I just can't remember---

MARY QUILLEN: Mr.---

BILL HARRIS: ---\$700,000.

JIM KAISER: Yeah.

ED DIMINICK: Yeah, the last...the last year we had---

BILL HARRIS: You know, that's \$800,000. You know, that's a lot of money. And I'm not saying it won't cost that. I'm just...I'm just sort of---

ED DIMINICK: Well, you know, we're trying to keep the costs down. We're doing...you know, we're trying some different things to try to keep that cost down. But, you know---

BENNY WAMPLER: Well, I guess, with 750 mcf you can pretty much figure that's worth it.

BILL HARRIS: Oh, is that what the---?

BENNY WAMPLER: Yes.

BILL HARRIS: Okay.

MARY QUILLEN: Mr. Chairman, I just had one---

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---question. Is the whole Abb's Valley area, is it that same topography in that whole area...most...I know Tazewell County has a lot of course topography, but---?

ED DIMINICK: Yes, this whole field---.

MARY QUILLEN: This whole...the whole field is...oh, okay. Do you anticipate multiple wells in this Abb's Valley? Obviously, if there's that much natural gas there---?

ED DIMINICK: Yeah, we have---.

JIM KAISER: What is 40 squares maybe?

BOB POWELL: 36.

ED DIMINICK: Yeah, I mean, we have about four or five Virginia wells right now and then we have a couple more in Virginia...in West Virginia.

MARY QUILLEN: In West Virginia.

ED DIMINICK: Yes.

JIM KAISER: But I think there's 36---.

BOB POWELL: It's 36 square acres.

JIM KAISER: ---200 acre squares set up in Tazewell.

MARY QUILLEN: Is the anticipated production about the same in all of those or do you not know---?

ED DIMINICK: It's still...it's still early. You know, some wells perform better than others. But, you know---.

MARY QUILLEN: But, obviously, there's a lot...you've anticipated there would be a lot of---.

ED DIMINICK: Yeah.

MARY QUILLEN: Just for my own information.

JIM KAISER: I mean, you anticipate drilling quite a few more wells this year than you have in years past, correct?

ED DIMINICK: Oh, yeah. Well, these two and then the ones we did late...late in '07. I think we have four planned for Virginia this year.

MARY QUILLEN: Right. So, this is the third one, is that right, in this---?

ED DIMINICK: Yeah. One hearing was actually late '06, which is in this year's program.

MARY QUILLEN: Right. Yeah.

ED DIMINICK: One was just in, I guess, the November hearing and then two today.

MARY QUILLEN: Right. Just is just a kind of new area that I'm not real familiar with. Obviously, it's productive.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved with the revised Exhibit B that we will submit with either Douglas McClanahan by himself or naming the et als.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

SHARON PIGEON: Jim, that needs to be on B and B-3.

JIM KAISER: Okay. B and B-3.

BOB POWELL: B and B-3.

BENNY WAMPLER: Next is a petition from Dart Oil and Gas Corporation for pooling of conventional gas unit Banner 043201. This is docket number VGOB-08-0115-2115.

We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser, Bob Powell and Ed Diminick for Dart Oil and Gas Corporation.

BENNY WAMPLER: The record will show no others. You may proceed.

BOB POWELL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Powell, do your responsibilities include the land involved in this unit?

A. Yes, it does.

Q. And are you familiar with the application that we filed seeking to pool all the unleased interest in the unit for what we're calling Banner 043201, which was dated December the 14th, 2007?

A. Yes, I am.

Q. And does Dart own drilling rights in the unit involved here?

A. Yes, they do.

Q. And prior to the filing of the application, were efforts made to contact each of the respondents owning an interest in the unit or an attempt made to work out a

voluntary lease agreement with each?

A. Yes, they were.

Q. And what is the interest under lease to Dart in this unit?

A. 88.07% at the time of the application.

Q. And all the unleased parties are set out in Exhibit B-3?

A. Yes, they are.

Q. And that leaves us with 11.93% being unleased?

A. That's correct.

Q. We don't have any unknown or unlocateables, correct?

A. No, sir.

Q. Are you requesting this Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes, I am.

Q. Could you advise the Board as to what those are?

A. Twenty dollars an acre for a five year paid

up lease or a minimum of one hundred dollars.

JIM KAISER: Again, Mr. Chairman, I'd ask that the statutory election testimony be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms, Mr. Powell?

BOB POWELL: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Powell, we do not...the Board does not need to establish an escrow account for this unit, correct?

A. That's correct.

Q. And who should be named operator under the force pooling order?

A. Dart Oil and Gas Corporation.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: We have it on Exhibit B and B-3 another et als that you need to clean up in Tract 18.

JIM KAISER: James Price, okay.

BENNY WAMPLER: Questions of this witness from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

ED DIMINICK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Diminick, again, state who you're employed by and in what capacity.

A. Dart Oil and Gas Corporation, engineering and operations.

Q. And your responsibilities include the Abb's Valley Field?

A. Yes.

Q. And the total depth of this well?

A. 4,500 feet.

Q. Estimated reserves?

A. 750 million cubic feet.

Q. And AFE has been signed, reviewed... reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, the AFE represents a reasonable estimate of the well costs?

A. Yes.

Q. Again, state the dry hole costs and completed well costs for this well?

A. The dry hole \$586,075 and completed well \$791,275.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your opinion, would the granting of this application be in the best interest of conservation, the prevention of---

A. Yes.

Q. ---waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted with, again, a revised B and B-3.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Thank you.

BENNY WAMPLER: Thank you.

BOB POWELL: Thank you.

BENNY WAMPLER: Next is a petition from Range Resources-Pine Mountain, Inc. for establishment of a 320-acre conventional gas unit for drilling of horizontal wells. This is docket number VGOB-08-0115-2116. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Range Resources-Pine Mountain Oil and Gas. We'd ask at this time for the Board to consider calling item eleven too and combining those two.

BENNY WAMPLER: We'll also call a petition from Range Resources-Pine Mountain, Inc. for establishment of a 320-acre conventional gas unit for drilling horizontal

wells. That's docket number VGOB-08-0115-2117. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: All, Mr. Chairman, in these matters it will be Jim Kaiser, Phil Horn and Jerry Grantham on behalf of Range Resources-Pine Mountain.

BENNY WAMPLER: That's items ten and eleven, Board members.

(Phil Horn and Jerry Grantham are duly sworn.)

JIM KAISER: All right. We'll start with Mr. Horn.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, if you'd state your name, who you're employed by and in what capacity?

A. My name is Phil Horn. I'm district landman for Range Resources-Pine Mountain, Inc.

Q. Okay. Let's start with item number ten on the docket. If you would explain the lease land situation for that particular unit.

A. All oil and gas located inside of this proposed unit is owned by either Range Resources-Pine Mountain, Inc. or either by Steinman Development Company, a limited partnership. The Steinman tract is under lease to our partner Equitable Production Company.

Q. And the same question for item number eleven?

A. That's correct. It's the same...the same parties own the interest in both units.

Q. So, it's all...all the...both 320-acre units, all the property within those two units is under lease to either Range, Pine Mountain or to Equitable who is Range-Pine Mountain's partner in this endeavor?

A. That's correct.

JIM KAISER: Okay. Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Grantham, again, state who you're employed by and kind of what your job duties are and then we'll have you go through your presentation as to why we want to form these units and what our plans are and that sort of thing.

A. Okay. My name is Jerry Grantham. I'm vice president for Range Resources-Pine Mountain, Inc. We can go ahead and start with Exhibit C, which I've handed out to you, those additional exhibits. You've seen similar exhibits to this in the last hearing and I guess at a hearing prior to that. The proposed horizontal unit or proposed provisional horizontal unit is a 320-acre square unit. These are the same units that the Board has approved as far as size and dimensions in the past.

If we go to Exhibit D---

BENNY WAMPLER: Let me stop you just one second. This set of exhibits beginning with Exhibit C are for both of these docket numbers that have been called.

JERRY GRANTHAM: That is correct, yes.

BENNY WAMPLER: Go ahead.

A. Exhibit C, then, shows the dimensions of the units in footage and a diagonal and then also it shows a

300 foot set back, which I'll explain Exhibit D.

Exhibit D is a narrative of what the unit would look like, 320-acre square with dimensions on either side of 3733 feet. It's a square unit. It has a diagonal distance of 20...of 5280 feet.

We are proposing that there be a 300 foot window on the outside, which we cannot produce. That there be a 600 foot set back or standoff from producing well bores... horizontal producing well bores in adjacent grids. Again, all of this is consistent with what we've done in the past.

We would propose that there be a 600 foot distance limitation between any proportion of a horizontal well bore in the unit...within the unit and any vertical well bore within the unit that is producing from the same horizon.

We propose that the unit be established to allow for multiple laterals, whether they be within one formation or multiple conventional formations. We are not requesting that these units be set up for coalbed, just conventional reservoirs.

And that we ask that the unit...that be allowed to put the surface location either in the unit in the 300 foot window or outside of the unit. If we flip to actually Exhibit F, I know I'm jumping one here real quickly, but I think that will explain this a little better. With a

horizontal well, of course, we drill the vertical section of (inaudible) like we did a normal well that we do everyday here in Virginia. Then, we turn the well horizontally and it takes a distance to do that. Obviously, we can't do that instantly. It takes about 600 feet for the ones that we've done.

BILL HARRIS: No 90 degrees?

A. Yeah, no 90s. The drill pipe doesn't like that. So, what...having been able to have the surface location either in the exterior window frame or outside of the unit, it allows us then to land...we call it landing the curve within the unit, but no producible formation would be in the window or outside of the unit. So, all it does is it makes the horizontal more efficient with the distance that is in the unit and let's us...allows us to potentially drill more and produce more.

I guess, if we could just flip back to E real quickly. I know you've seen this, but the concept...of course, you've seen this before, but the concept is is that we think a horizontal well will drain more area than a vertical well because we're drilling through that formation parallel to it and not just penetrating it vertically. This has been proven in other plays around the country that it does indeed work that way. So, the concept between or

behind the 320-acre square unit was to effectively sort of put together roughly three conventional units. Our conventional vertical units, of course, are 112 acres. You put three of those together, it's about 336 acres. What we're proposing is a 320-acre square unit.

If we go back to Exhibit F, I've talked a little bit about building the curve of what this sort of...diagram shows is that we think that several of the conventional reservoirs probably have horizontal potential. We think that we could potentially drill a horizontal in the unit in the Devonian Shell. Then, maybe move the rig a very short distance but still utilizing the same surface that has been disturbed, the roads, the infrastructure and then possibly drill one in the Berea and maybe other conventional reservoirs. So, there's an efficiency there in doing that and doing it from roughly same location and some advantages to that and I'll talk about that in a little bit.

If we go to Exhibit G, again, this is maybe a little more detailed schematic of what one of these horizontals might look like. The surface casing to protect the ground water or the fresh water is the same as the requirements for a vertical well as the coal protection stream, the 7 inch that we have to set. So, both of those...those requirements don't change any with the

horizontal versus a vertical well.

In this particular case, we're showing the horizontal being drilled through Lower Huron and roughly that 600 feet to turn from vertical to horizontal. What we've seen on the well that we've drilled is that around 3,000 to...at least on the first one we got about 3,000 feet of extension. We'd like to get more than that. I think as we learn and we go through a learning curve and become more efficient we probably will be able to get out further than that. But for our first try, we felt like we did pretty well.

Exhibit H is a...I guess, an exhibit showing the specific relationship between our two proposed horizontal units, which are 530094 and 530095, and existing unit that the Board approved in...well, last fall. The reason I put this exhibit in there is to show you we are proposing that these new units do conform to the spacing and to the spacing, I guess, that we get in original 530033.

One of the things, and I can talk about this a little bit about our first well, we did drill it back in October. It was completed in November and it went on line the first of December. We have six weeks of production data. I'd rather not go into any specifics about it, but I can tell you that we are encouraged with the results that we

have so far. It's early. Six weeks, you know, is early in a well life that may be twenty years. But what we see so far we are encouraged with. I think I've testified in front of the Board that Pine Mountain has a very large acreage holding out here and that we want to go around and test a large portion of our acreage. We think that's important in seeing does this work in certain areas. Right now I'd say if someone had to ask me...if my boss asked me, "Is this well successful?", I'd say, "What I see right now I like. I think so." We do want to test other parts of the field. But the concept here is to come in and make sure that it's not a one well wonder. In other words, we know this well looks encouraging. Let's offset it and see do we still get positive results because that's important too. It's important to go test the whole field and see does it work, you know, over a large area. But it's also important to come in and test the results in a very limited area and that's what we're doing here and that's why we're proposing these two units adjacent to the existing well that we've drilled.

BENNY WAMPLER: In your 530033, you're showing just one lateral. Is that what...is that all you did on that one?

JERRY GRANTHAM: Yes. That is all we drilled to

date.

BENNY WAMPLER: Is that just to see how well that performs...if it continues to perform to or out perform expectations would you envision going in and putting another lateral in?

JERRY GRANTHAM: Yes.

BENNY WAMPLER: Okay. Go ahead.

A. Exhibit I just summarizes the benefits that we see of these horizontal units. Certainly probably the most important one is the benefit...the potential benefit to us, the working interest owner, the royalty owners and the State in that these wells cost more to drill than a vertical well, but we're also seeing more production out of them. So, if we're making more production, obviously that benefits all three of us.

We think in the long run that it will promote conservation of the gas resource by draining reserves that probably would not be effectively drained by a vertical well bores. Certainly, one advantage to a lateral or a horizontal well is that you can drill into areas that may be sensitive from a surface standpoint whether it be a town or a creek or any number of things where you might not be able to get a vertical well bore. Certainly, I think it's going to have less potential impact upon the coal because, again,

we're maybe putting less wells or we can cluster it into wells together and, you know, one concept that I've discussed earlier in this type of scenario is that we're hoping that we can use a surface location very near this well bore to drill this unit to the southeast. That's what we're working on. So, there again we're sort of packaging and clustering these well bores so that they really have less impact. Less potential surface disturbance. Of course, that goes along with it. And then these square units, of course, particularly in this type of scenario where we're starting to build a grid pattern here we don't have any stranded acreage like we've seen in the conventional units.

Q. And, Mr. Grantham, would I be correct in stating in reviewing these plats for these two units, that we're asking the Board to approve to form all the existing wells within either unit or coalbed methane wells that are not conventional wells? Is that correct or do you need to look at them?

A. I need to look at them.

BENNY WAMPLER: You anticipated my question didn't you, Jim? You saw me looking.

A. Yes.

JIM KAISER: I thought he was going to put on

Exhibit H, the Bob Wilson exhibit but he didn't do it.

BENNY WAMPLER: So, the answer to that was yes---?

JERRY GRANTHAM: Yes.

BENNY WAMPLER: ---they all are?

JIM KAISER: There's no...there are no other existing vertical conventional wells in either one of those units.

JERRY GRANTHAM: To my knowledge and based on reviewing the plats, I see know existing conventional vertical wells in unit.

BRUCE PRATHER: How about outside the units? Are there any that are part owned by Equitable and Range-Resources?

JIM KAISER: I would assume---.

JERRY GRANTHAM: Not to my knowledge in this area.

BRUCE PRATHER: Okay, okay. One of the problems that I have is the correlative rights of adjacent operators. As long as you don't have an adjacent operator of this thing, then, you know, I see no problems with it. But, as far as that 600 foot spacing between these laterals, if you had an outside operator out there I'm not too sure he's being protected too well on a 600 foot spacing. So, as long as you stay within the confines of your lease holdings, I've got no problem.

JERRY GRANTHAM: And these are.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Questions from members of the Board of this witness?

MARY QUILLEN: Mr. Chairman, I have just one.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: You said that the two proposed wells that the drill site was going to be in the...the 95 would be in the northeast corner and in 94 in the northwest corner drilling to the southeast and southwest respectively.

JERRY GRANTHAM: No. Actually, the 94, and again we're working on the drill site, so I can't tell you at the end of the day that that's absolutely where it will end up. But we're attempting to get a drill site in the very northwest corner of 94, which that is what you said, wasn't it?

MARY QUILLEN: Uh-huh.

JERRY GRANTHAM: 95, we don't know...we can get a location in this area. Part of what we have to look at, certainly from a geological standpoint, is what is the preferred orientation. I mean, we just don't go, you know, drill this because we think or we can get a site here. We think there may be what's called a preferred orientation related to the nature fracturing. What you would typically

want to do would be to intercept as many of those natural fractures in the formation at a perpendicular angle. So, in other words, we think, obviously, or we thought here that the natural fracturing was running northeast southwest. So, this is a preferred orientation.

MARY QUILLEN: Right.

JERRY GRANTHAM: We don't know about drilling in the opposite direction yet. We will try one of those. I really don't want to do that early on because my knowledge tells me that's not a preferred orientation. So, as far as getting a location up in here for this unit, we haven't really looked at that in great detail. We have looked at this unit and we're trying to get a location.

MARY QUILLEN: That...uh-huh.

JERRY GRANTHAM: Very...actually, it's very close to this well right in sort of the corner.

MARY QUILLEN: Uh-huh. And clustering those would---?

JERRY GRANTHAM: Again, clustering those that are a few hundred feet apart. Use the same roads and the same pipelines, you know. Yes, ma'am.

MARY QUILLEN: Thank you.

BENNY WAMPLER: Other questions?

BILL HARRIS: Let me just ask---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---another question about production. I know you said that you would prefer not discussing production from the one that you've drilled. But it is promising? I'm just wondering, you know, because these are a little more expensive in the new era...well, not era, but the new direction, I guess, in terms of well drilling. Now, nationally this is being done elsewhere and the...I guess it shows a worthwhile increase in production. I'm not sure how best to ask that.

JERRY GRANTHAM: Yeah, absolutely. Horizontal drilling actually has been around...I can't tell you, but I know since the '70s. It has been one of these technologies that has evolved and we learn and become more efficient. It was used early on in certain areas. Probably the biggest application, certainly within the last, you know, five years since 2000 or early 2000 has been its application in shell wells. That is what, you know, our...initially what was drilled in Lower Huron. That has been done in Texas primarily in a play called the Barnett. That play has gone from a vertical play, which effectively was non-economical. In fact, it was too expensive. I mean, they could not recover their costs and a reasonable way to return on a vertical well in probably the biggest play in the country in

a very short period of time, in about five years. With that came a lot of evolution of this technology and learning, okay, this didn't work and now we try this and now that's being applied to a number of other areas including Oklahoma and the (inaudible) Shell in Arkansas and the Fayetteville. In our basis in the Appalachian Basin, it's being done in Kentucky in the Lower Huron effectively and commercially, Southern West Virginia and also Pennsylvania in another Devonian Shell. So, we're seeing a lot of it. I mean, in the last two years in the Appalachian Basin this technology has really I think proven itself in these horizons. So, I'm very excited about it. I think has the potential to be very applicable here in Virginia.

BILL HARRIS: Thank you.

BENNY WAMPLER: One final comment on the information. It kind of follows what Mr. Prather brought up is the Board has a responsibility protecting correlative rights. As you present, you know, any future requests for provisionals, it would be good, particularly if you're dealing with an area like this to show the extent of your...I'm not asking you to disclose anything that's proprietaries, but to the extent of your lease boundaries of you and your partners so that we know when we're encroaching on other correlative rights outside of what you have under

lease.

JERRY GRANTHAM: So, beyond the...outside of the area around---?

BENNY WAMPLER: I think it's important because I think he brings up---.

JERRY GRANTHAM: ---the horizontal unit?

BENNY WAMPLER: ---,you know, a good point that it's likely that if you're going all the way even to the 300 feet, we don't have any information to say that 300 feet is a boundary that's going to protect draining beyond that.

JERRY GRANTHAM: Yeah.

BENNY WAMPLER: Do you follow me?

JERRY GRANTHAM: Yes. Uh-huh, certainly.

JIM KAISER: So, you'd just like to see us include that additional information?

BENNY WAMPLER: Additional. For any additional provision because I think, you know, it helps us ensure that we're protecting correlative rights.

JIM KAISER: Or through testimony?

BRUCE PRATHER: Or, you know, within a mile of thing. That way you wouldn't have to give up all of your acreage position.

JERRY GRANTHAM: Well, yeah, I'm not...you know, a mile is a pretty large area. Are you saying sort of a mile

radius like that---?

BRUCE PRATHER: Yeah, something like that.

JERRY GRANTHAM: ---or a half mile radius, I guess?

BRUCE PRATHER: Or a square or something.

JERRY GRANTHAM: Okay.

BRUCE PRATHER: Jerry, I've got a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: If you drill these wells on structure and I assume that the fractures are going parallel to the structure, can you drill these things up dip? Don't they have to be more or less easily drilled going down dip instead of up dip?

JERRY GRANTHAM: Actually, this well we drilled up dip.

BRUCE PRATHER: Did you?

JERRY GRANTHAM: Uh-huh. And it gets a little complicated. I can go...talk about it a little bit. You know, we have what we call a window. That's within the shell. The shell, fortunately, it about 200 feet deep here. Now, we targeted a specific interval in the shell, which was much smaller than that. So, what we have to plan, as Mr. Prather says, when you have structure, in other words, the geology is rising or falling underground, we have to plan

that horizontal so that we don't run out of it. If we drilled exactly 90 and the structure is rising, we're going to run out of the bottom. If it's falling, we might run out of the top. So, there's a lot that has...in the planning stage of this. But to answer your question, the well...the horizontal that we drilled, we actually drilled at roughly 91 or 91 and a 1/2 degrees. So, we did bring it up slightly. That was because our geology was rising. So, we had to chance it up structure.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: Exactly.

BRUCE PRATHER: I was just wondering, would it be easier to do it down dip?

JERRY GRANTHAM: We're going to try that very soon.

BRUCE PRATHER: Okay.

JERRY GRANTHAM: I'll tell you that.

BRUCE PRATHER: Okay.

JERRY GRANTHAM: I don't know the answer to that. I think it can be done either way. In theory, it should be able to be done either way. You know, one of the issues that we see is that sometimes we want to go up, but it doesn't want to go up. It wants to fall. So, you have to do things with the drilling assembly to make it go up. You

know, all of those things have to be factored in when we're planning and then executing the horizontal.

BENNY WAMPLER: Other questions?

PHIL HORN: I have a comment. On the one mile radius, I'm not sure that I...I mean, it would take a great deal of work to try to determine a 100% of the ownership within a one mile radius of one of these 320-acres. So, I'm not...I mean, that's---.

SHARON PIGEON: He asked what your ownership was and not---.

PHIL HORN: That I own. Oh, okay. I'm sorry. I thought you wanted---.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: Well, and what I was actually thinking was what if we did something that would be anything that's within a normal vertical distance from the interior window. In other words, a 12...it would be a 1250 outside of that. Do you see what I'm saying?

BRUCE PRATHER: Uh-huh.

JERRY GRANTHAM: Because see that would be no different than a vertical spacing well. Does that make sense?

JIM KAISER: Yeah.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: Because, I mean, you're---

BENNY WAMPLER: Yeah, we just want...we want to get at the point we can be assured that we're not draining other lease...other correlative...you know, the correlative rights protection. It's important---

JERRY GRANTHAM: Sure. And, you know, one...yes, I understand that and we can do that. You know, I will say certainly I think that as these maybe are done more, you know, we'll get over and drill on these other properties. But where, you know, they ultimately may be in the other situation, you know, benefitting. At this point, we're just learning and trying to understand, you know, what is the effective drainage of one of these things. We do not know at this point.

BILL HARRIS: But---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---one other thing. The production really doesn't commence until you're in that horizontal section. So, the curved section and, of course, the vertical is not producing?

JERRY GRANTHAM: That's correct.

BILL HARRIS: Okay. So---?

JERRY GRANTHAM: That's correct. The...I mean, again, we say horizontal, it may be 92 or it maybe 88

degrees because we can't drill that thing exactly 90...it goes, to be quite honest with you, like this.

BILL HARRIS: Yeah. So, relatively horizontal is what...I guess, what I'm looking at is the way these...the patterns when you go into curve, do you anticipate, I guess, producing from that curved part?

JERRY GRANTHAM: If we're on the curve and we're at a, you know, a pretty high angle of 85 plus degrees and we're in the targeted area and we aren't...we aren't...and we're in the window here and we have no other spacing---

BILL HARRIS: Yeah.

JERRY GRANTHAM: ---issues, personally yes I would like to be able to produce that, absolutely.

BILL HARRIS: Okay, okay. So, I was just...I guess I was just drawing straight down and saying, okay, is this a 300 foot or whatever. Of course, this is drawing on a paper. Of course, on the ground things are a little different.

But---

BENNY WAMPLER: And you're discussing Exhibit F when you're doing that?

BILL HARRIS: I'm sorry, yes. Exhibit F that does show a bit different sandstone formulations and I guess

a...I'm not sure if this actually a proposal for drilling, but an example of how the drilling would look.

JERRY GRANTHAM: It's really sort of a cartoon to show, you know, how we can do it and how we execute it.

BILL HARRIS: Okay, okay. Thank you.

BENNY WAMPLER: Other questions?

JIM KAISER: Just by way of clarification, so in the future applications what the Board would like the applicant to present would be either through exhibits and/or testimony would be the...a representation of whether or not there's any "adverse acreage" that's within basically 1250 feet of the exterior boundary of the 320-acre unit. Does that sound right?

JERRY GRANTHAM: Or the interior window because that's one that really matters.

JIM KAISER: The interior...yeah, it would be the interior window.

JERRY GRANTHAM: We can't drill within...yeah.

JIM KAISER: Does that sound fair?

BENNY WAMPLER: I mean, that sounds reasonable at this point until we know more about it. These are provisional units. I don't know...I don't what...at what point it drains. But that's the current statewide spacing. So, I think that's a reasonable---

JIM KAISER: Something to go on anyway.

BRUCE PRATHER: Yeah, I think basically our problem is that we don't know, and you don't either, to what extent you do drain the reservoir. Of course, it all depends on how big it's...how large it's fraced and a few other things. But, basically, you know, your sand goes some place. If it all goes in one direction, then it goes further than it would if it went out in a nice symmetrical manner. So, that's one of the problems that we have with correlative rights is that if it all went in one direction it might go out there 1200 feet. I mean---

JIM KAISER: Well, again, I think as a general principal, if you went back and reviewed the testimony and the transcripts from the last two or three years of the hearings that the general consensus among all the operators would be that basically all of these units are too big and not too small. So---

BENNY WAMPLER: Anything further from members of the Board?

MARY QUILLEN: Just one---

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---question. I think in the previous testimony you had testified that you and your partners that you've listed on here own considerable acreage

in this region. So, the location of these wells that...these three wells, the one you're producing from and the two proposed wells, are they on the fringes of your acreage that you own or is it pretty much in a central area?

JERRY GRANTHAM: I wouldn't call it, I guess, either. It's not right on a fringe. It's on the western side of the acreage that we own.

MARY QUILLEN: But it's not close enough that we should have any concerns to the boundaries outside the western boundary of the acreage that you have? Is that what you're saying?

JERRY GRANTHAM: I think that's correct, yes.

MARY QUILLEN: Okay.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the applications be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. A call for a  
break.

(Break.)

BENNY WAMPLER: The next item on the agenda is a  
petition from Hard Rock Exploration, Inc. for a well  
location exception for proposed conventional well HRVAE #24,  
docket number VGOB-08-0115-2118. We'd ask the parties that  
wish to address the Board in this matter to come forward at  
this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Jim  
Stephens on behalf of Hard Rock Exploration.

BENNY WAMPLER: The record will show no others.  
You may proceed.

JIM STEPHENS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Stephens, if you'd state your name for  
the Board, who you're employed by and in what capacity.

A. My name is Jim Stephens. I'm president of

Hard Rock Exploration.

Q. And your responsibilities with the company include the prospect in Buchanan County?

A. Yes.

Q. And you're familiar with the application that we filed seeking a location exception for Hard Rock well number 24?

A. Yeah.

(Jim Stephens confers with Jim Kaiser.)

JIM KAISER: Yeah, did you swear him in?

(Jim Stephens is duly sworn.)

JIM KAISER: Should I start over, Mr. Chairman?

BENNY WAMPLER: Just have him affirm the information that---.

Q. Do you affirm the information that...from the previous questions?

A. Yes, I do.

Q. And have all interested parties been notified of this hearing as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. Yes.

Q. And could you indicate for the Board the ownership of the oil and gas underlying the unit for well number HRVAE #24?

A. It's a 100% Hard Rock.

Q. And does Hard Rock have the right to operate the reciprocal well, that being the one well that we're seeking this exception for which is Hard Rock 16?

A. Yes.

Q. Okay. Now, explain for the Board why we're seeking this particular exception of roughly 270 feet from Hard Rock 16.

A. Approximately a year ago, we met with one of the coal operators, Jewell Smokeless and was trying to...was trying to position wells so that we would not impact our coal...future coal mining. They requested that we try to line up with some of the wells that had already been drilled CBM lines by CNX. That's basically...we agreed to shorten our spacing if they would allow us to drill the well. That's basically what this amounts to.

Q. So, in other words, this location is where it is as an accommodation to the coal owner basically?

A. Yes.

Q. Okay. In the event this location exception were not granted, would you project the estimated loss of reserves?

A. Yes. It would be 300 million cubic feet.

Q. And what's the total depth of this proposed

well?

A. 6600 feet.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the conventional gas reserves underlying the unit for HRVAE #24?

A. Yes, I would.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

MARY QUILLEN: Mr. Chairman, I just have one question.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: You said that Hard Rock owns number 16. Is this also a conventional well?

JIM STEPHENS: Yes, ma'am.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Your application states that you need this because of topographic constraints and your testimony says you need it to accommodate the coal owner.

JIM STEPHENS: Yes.

BOB WILSON: It would be nice if both of those would say the same thing.

JIM KAISER: Okay. Well---.

BENNY WAMPLER: Yeah. I was going to bring up the same thing.

JIM KAISER: That's sort of my fault, but not really my fault because...anyway. Yeah. Do you want us to amend one of them or can I---?

BOB WILSON: Just for future reference, please.

JIM KAISER: I mean, I can sort of explain how that happened, but---.

BENNY WAMPLER: Well, we have...we have the testimony. I just...you know, I was going to raise the same issue and that's what I was---.

JIM KAISER: Right. And you'll see the same thing in the next one.

BENNY WAMPLER: ---doing. Right. You know, you need to put all the reasons in the application.

JIM KAISER: Right.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Other discussion?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Is the well 270 feet closer or a  
169 feet?

JIM KAISER: Yeah, I'm sorry. I did the math  
wrong. It's a 169 feet.

BRUCE PRATHER: Okay.

JIM KAISER: Thank you, Mr. Prather.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Other discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Going to  
twenty-five, folks. I'm going to bounce you around here for  
a little bit. It's a petition from Hard Rock Exploration,  
Inc. for a well location exception for proposed well HRVAE  
#25, docket number VGOB-08-0115-2127. I'd ask the parties  
that wish to address the Board in this matter to come

forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Jim Stephens on behalf of Hard Rock.

BENNY WAMPLER: The record will show no others. The witness has been previously sworn.

JIM STEPHENS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Stephens, do your responsibilities include the land involved in this unit?

A. Yes, it does.

Q. And you're familiar with the application that we filed seeking a location exception for Hard Rock #25?

A. Yes.

Q. And have all interested parties been notified as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. Yes.

Q. And does Hard Rock own or have a...did they either own or have force pooled a 100% of the acreage within

this unit?

A. Yes.

Q. And do they have the right to operate the reciprocal well, which would be Hard Rock #20?

A. Yes.

Q. Okay. Again, explain why we're having to come before the Board for this exception.

A. For the same mining reasons as the #24 well and this also has topographical reasons why the well has been moved within the 2500 foot spacing.

Q. Okay. So, this one is a combination of both an accommodation of Jewell Smokeless and their either ongoing or anticipated mining plans and topographic constraints?

A. Yes.

Q. And in the event this location exception were not granted, would you project the estimated loss of reserves?

A. Yes. 300 million.

Q. And the total depth of this proposed well?

A. 6700 feet.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the

recovery of the conventional gas reserves underlying the unit for HRVAE #25?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

JIM KAISER: Thank you.

JIM STEPHENS: Thank you all.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Before Mr. Kaiser gets away and while Mr. Swartz is coming down, if the Board will remember that sometime back we discussed discrepancies in the boundaries between the Oakwood and Nora Fields and I think I reported once after that that we had started looking at that and found that that there is significant problems with the fields' definition and such. We are planning to bring that back before the Board in the February hearing and show what we have learned and where we think the situation is right now and solicit input from the operators who are directly involved. I think these two gentlemen represent most of those people who are directly involved in right now. I just wanted to let them know ahead of time. We will try and get some information out to the major players in these fields before the Board hearing so that everybody will know what we're dealing with.

MARK SWARTZ: Great.

BENNY WAMPLER: All right.

JIM KAISER: Thank you.

BENNY WAMPLER: Good deal. Thank you. I'm going to move to item twenty-one because we have some folks here that...for the U-36 unit that are interested in that. I

want to go to that so they won't have to wait. It will be a petition from CNX Gas Company on behalf of the Hurt McGuire Land Trust, Arthur Stilwell, Joe Nipper, Donald Nipper and Virginia Stilwell for the disbursement of funds from escrow and authorization of direct payment of royalties on Tracts 1B, 1C, 1D and 4D of unit U-36. This is docket number VGOB-98-0421-0648-02. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington and Anita Duty.

BENNY WAMPLER: One of your parties is refusing to come forward.

(Laughs.)

SHARON PIGEON: It's going to be hard to swear him from over there.

MARK SWARTZ: He's just delaying the inevitable.

BENNY WAMPLER: We'll get these witnesses sworn in or the witness.

(Leslie K. Arrington and Anita Duty are duly sworn.)

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name for us, please?

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. And what do you do for them that would pertain to this disbursement request?

A. Just to make sure that the deposits that we send to the escrow bank are accounted for and balanced.

Q. Okay. What records did you review to prepare the spreadsheet that you've submitted today?

A. I've prepared...compared our deposit records with Wachovia ledger sheets for information---

Q. Okay.

A. ---that I got from Wachovia to make sure---

Q. And what---

A. ---that all of the---

Q. When you did that, what did you find?

A. All deposits were there.

Q. Okay. And then, obviously, the additional information that you get from the bank is their cost and

fees, right?

A. Yes.

Q. And so you've accounted for all the deposits that you think you made and they've been received and now you've accounted for their fees as well, correct?

A. Yes.

Q. And when you do a spreadsheet, do you pick a date that it's as of?

A. Yes.

Q. And what's the relevant date here?

A. The last one...the last spreadsheet I had was November the 30th, 2007.

Q. Okay. And so these amounts would as of that date?

A. Yes.

Q. But the percentages that you've utilized would be the going forward way of making the disbursement?

A. Yes.

Q. Okay. I've noticed that we're talking about several tracts here, correct?

A. Yes.

Q. And which tracts are you asking or seeking a disbursement with regard to?

A. Tract 1B, 1C, 1D and 4D.

Q. Okay. And for each of those tracts, have you reported the owners that have entered into a split agreement?

A. Yes.

Q. And in your application that was filed with regard to U-36, did you in fact attach an Exhibit EE?

A. Yes.

Q. And did you list in that in more detail the names of the Stilwell Heirs?

A. Yes.

Q. Okay. This split agreement, is it a 50/50 agreement or is it some other percentage?

A. They're 50/50.

Q. Okay. And in making a disbursement with regard to the four tracts at issue here, should the Board's escrow agent apply the percentage in owner's percent of escrow at 50% in making the disbursements?

A. Yes.

Q. Okay. Obviously, the amount that will be disbursed will be larger than that or should be larger than that, which is reported in November of last year, correct?

A. Yes.

Q. Okay. Do you wish to add anything?

A. No.

Q. In the disbursement order, are you also requesting that the Board allow the operator after the disbursements are made to begin paying the people who have split agreements directly, consistent with their agreements?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Wilson, are you okay with this?

BOB WILSON: Yes, sir.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Do you folks understand that after...from the date that this order...this chart was prepared, which was November the 30th, this was the amount in effect at that time and how that would be distributed. After that date, everything will be paid directly to the parties that are listed here. Thank you.

MARK SWARTZ: Mr. Chairman, as long as we've skipped the disbursements and I've got Anita here, could we do the next one perhaps and---?

BENNY WAMPLER: Sure.

MARK SWARTZ: ---be done with the---?

BENNY WAMPLER: Let me ask just one question. She gave us another Exhibit E. Has it been revised?

ANITA DUTY: The only thing was I noticed half way down through there, I didn't have the percent of payment allocation on some of the...I only had it on the Stilwell tract for some reason.

BENNY WAMPLER: Okay.

ANITA DUTY: So, I went ahead and fixed that. Nothing changed with the percentages or anything.

BENNY WAMPLER: Okay. Thank you.

SHARON PIGEON: Additional information?

ANITA DUTY: Yes.

BENNY WAMPLER: Is it twenty-two that you're talking about?

MARK SWARTZ: Yes, Mr. Chairman. That would be---

BENNY WAMPLER: Next is a petition from CNX Gas Company on behalf of Buchhorn Coal Company and Mike Rasnake for disbursement of funds from escrow and authorization of direct payment of royalties on Tracts 2E and F, unit AY-112, docket number VGOB-01-0320-0877-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Anita Duty.

BENNY WAMPLER: This number twenty-two in the Board's information. The record will show no others. You may proceed.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name for us, again?

A. Anita Duty.

Q. You're still under oath.

A. Yes.

Q. Who do you work for?

A. CNX Gas Company.

Q. What do you do for CNX that pertains to the application that we're talking about?

A. Just ensuring that the deposits are accredited in the account.

Q. And what records did you review to do that?

A. Our deposition information with Wachovia ledger.

Q. Their account ledgers?

A. Yes.

Q. Okay. What tracts are you requesting be disbursed?

A. Just a portion of Tract 2E and a portion of 2F.

Q. Okay. So, there will remain some escrow on deposit with regard to both of those tracts even after this disbursement?

A. Yes.

Q. Do the...the folks that are receiving the disbursement, have they reached a written split agreement?

A. Yes.

Q. And you've seen that?

A. Yes.

Q. Is it a 50/50 agreement?

A. Yes.

Q. Have you also identified them...the recipients of the disbursement that you're requesting on an Exhibit EE that was attached to the application?

A. Yes.

Q. Okay. When you made the comparison was it as of a specific date?

A. November the 30th, 2007.

Q. Okay. And as of that date, the amounts reflected were as of the end of November of last year?

A. Yes.

Q. Would it be your expectation that those amounts would larger by the time the disbursement is made?

A. Yes.

Q. Consequently, is it important that the Board's escrow agent be directed to use the percentages that you report as opposed to the dollars?

A. Yes.

Q. If this disbursement is approved and made, is it your further request that CNX as operator be allowed to pay the people who have reached these split agreements directly rather than doing any further escrow?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Okay, we'll go to number two. I'm going back and clean up now. This is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit U-7, docket number VGOB-07-1218-2096 that was continued from December. We'd ask the parties that wish to address the Board in this matter to come forward at

this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: I'd like to incorporate, if I could, the testimony from the last hearing because I think we actually had concluded the testimony with the exception of addressing the mine plan issue.

BENNY WAMPLER: Do you agree with that, Mr. Arrington?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Just to remind the Board where we where since you have a lot of issues, you know, every month. We had done the testimony with regard to pooling this unit and some alert member of the staff or Board...I'm not sure if it was troublesome Mr. Wampler or the troublesome Mr. Wilson enquired as to whether or not this was an infill drilling area, which was a really good question. It was told that, no, it was a mine plan area. So, we've showed up with the map today. That's what we need to supplement the record. And they also had an issue with the plat that we had agreed last time to correct that. So, Les is also giving you a corrected plat.

SHARON PIGEON: This is the second revised plat, correct, because I've got one---

LESLIE K. ARRINGTON: I don't think we've...we didn't mail one, did we?

MARY QUILLEN: It looks the same.

LESLIE K. ARRINGTON: Okay.

SHARON PIGEON: Well, I have one in my file already that says, "Revised" on it.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: It may be---

LESLIE K. ARRINGTON: We may have sent it.

ANITA DUTY: I may have sent it to Bob ahead of time.

SHARON PIGEON: Okay. So, we have now two copies. That's good.

MARK SWARTZ: Two copies, right.

LESLIE K. ARRINGTON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name for the record, please.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. Do you recall that we were here last month on this unit?

A. Yes.

Q. Okay. You've given the Board two exhibits today. One of them is a revised plat, correct?

A. It is.

Q. Okay. And that was an error that came up when we were last here and you've got that straightened out?

A. Right. We removed the well U-7 from the plat. That was actually our injection well. It wasn't part of the proposed production unit.

Q. And as I recall, that was...it sort of a---  
?

A. It was kind---.

Q. ---more in the window?

A. It was kind of in the middle of the unit.

Q. Okay. Okay. And then addition, have you provided the Board with a mine plan map or a mining map, as well as a topo map that also incorporates that mine map?

A. Yes, I have.

Q. Okay. And are the locations of the wells

shown on the revised plat driven by an underground mine located under these units?

A. Well, it was actually. What we're attempting to do here is to be able to drill on through the 3 seam without getting into the existing mine works.

Q. Okay.

A. And, secondly, these...they were driven...the locations were driven by the mine plan, but also by topography. And like, for instance, U-7 there's a very skinny bench that runs around the contour there. That's the reason for U-7A. That's the reason for the location U-7A. U-7B you could see it's kind of up along an old dump.

Q. And, also, the location drilling?

A. U-7B, I'm sorry. Yes.

Q. Okay.

MARK SWARTZ: Okay. That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you understand they're supplementing the record from the last hearing?

(No audible response.)

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Yes, sir. I believe the question here was...number one, was the unit approved for the drilling of multiple wells and I believe that the applicant was stating that they were uninsured about that, but that the multiple wells were being drilled because of the existence of a mine plan. It is my thought that the field rule allows multiple wells drilled in front of a progressing mine and not a sealed mine, which is what we're dealing with here. I believe we established that last time that this mine that you're drilling over is a sealed one and it was an abandoned mine. I don't think, in my view, that the field rule allows multiple well drilling where a mine plan has been. I think that the intention of that was strictly to allow for degassing the coal ahead of mining or during mining. That being the case, in my view, this unit would need to be approved for the drilling of multiple wells. It would also need location exceptions for both of those wells in order to drill both outside of the window, which is contrary to the multiple well modifications that we've made in the past. I think that's kind of where we were the last time except that...don't let me put words in your mouth, but I believe your contention is that the fact that there is a mine there and there has been a mine plan gives you the

right to do this and basically drill wherever you would like in these units and in as many wells as you would like. I think that's what the Board is going to have to clarify.

MARK SWARTZ: To respond to that, I don't think that the rule is prospective rule in the field rules. I don't recall that as being prospective. But I will point out that the reason U-7A is where it is is because the wells to the north of that entry would not drain that block of coal. I mean, if we don't drill into it we're not going to get it, you know. So, I mean, I guess what I'm saying is the mine plan really does drive that second well because any well located north of that entry would not drain that block of coal. I mean, that's...I mean, is that why it's there, Les, I mean, in this---?

LESLIE K. ARRINGTON: Actually, the reason it's there is so we can drill on through a solid block of coal to go deep---.

MARK SWARTZ: Okay.

LESLIE K. ARRINGTON: ---on to the rest of the formations. Actually, U-7B that's the reason it's there, so we can drill on through without impacting the old works.

MARK SWARTZ: Okay. So, essentially what you're saying is you're dodging the entries in open areas in the mine, which is driving the locations of these?

LESLIE K. ARRINGTON: Uh-huh. (Inaudible) Uh-huh. That's what we are doing.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: There are provisions in the field rule to allow for a location exception outside of the interior window for cause shown when they are not obvious correlative rights issues. But that does not address drilling multiple wells in the unit, both of which are outside of the window.

BENNY WAMPLER: U-7 is in...I think you referred to it as U-7B, but I see it on the plat it's U-7...let me see the corrected plat. I'm sorry.

MARK SWARTZ: See, U-7 is an injection well, Mr. Chairman.

BENNY WAMPLER: I gotcha.

BRUCE PRATHER: Water disposal?

(No audible response.)

BRUCE PRATHER: Okay.

BENNY WAMPLER: And in the revised plat, the U-7B is in the upper right hand corner. Mr. Wilson is pointing out that you have...in effect have two wells in the window.

SHARON PIGEON: Outside.

BENNY WAMPLER: Outside the window.

LESLIE ARRINGTON: That's right. We do.

BRUCE PRATHER: Mr. Chairman, I have a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: What depth is this coal seam that you're penetrating? I mean, is it a deep seam or is it on---?

LESLIE ARRINGTON: This is a Poca 3 seam and I can look right here and tell you.

BRUCE PRATHER: Okay. The total depth of the well was 1483 feet. So, it's probably 1200 feet or so.

BRUCE PRATHER: Oh, okay. Okay. So, this is a zone in that you are going to treat in the blocks of the number 3 Pocahontas seam.

LESLIE ARRINGTON: Not this 3 seam.

BRUCE PRATHER: Okay.

LESLIE ARRINGTON: We won't do the 3 seam.

BRUCE PRATHER: Okay.

LESLIE ARRINGTON: With the injection well there, we certainly can't do that.

BRUCE PRATHER: Oh, okay. So, you're injecting into the old mine works?

LESLIE ARRINGTON: Yes.

BRUCE PRATHER: All right.

BENNY WAMPLER: Now, which of these wells is

existing?

LESLIE ARRINGTON: U-7. That's shown on the mine map that I passed out.

BENNY WAMPLER: Right. And so U-7A and U-7B are both proposed?

LESLIE K. ARRINGTON: Yes.

MARY QUILLEN: Mr. Chairman, I just want to---.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---clarify what you had said earlier. You gave us this mine map and this is a sealed mine, is that correct?

LESLIE K. ARRINGTON: Yes. Uh-huh.

MARY QUILLEN: Okay. And this block that you're drilling into is a block that has been left after mining retreated from that mine?

LESLIE K. ARRINGTON: After mining, yeah. It was...yes.

MARY QUILLEN: Okay.

BENNY WAMPLER: Is it possible for you to move U-7B?

LESLIE K. ARRINGTON: I have actually been to the field myself. My field foreman has been out there and told me this was the best location. I certainly could have him look at that.

BENNY WAMPLER: I mean, my...my view is consistent with Mr. Wilson's in regard to the type of well you're proposing here and that he has the discretion of approving the U-7A or B. But when we get to having both of them, you know, I think there's a problem in proving that it's in order to facilitate mining. That's my word and not a direct quote from the law, but that was the intent of the law, I believe.

LESLIE K. ARRINGTON: Okay. I'll have them revisit the U-7B.

BENNY WAMPLER: So, I guess, what I'm offering is I have no problem and I'm speaking for myself, we'll see what the Board wants to do, approving one of these, but not both. We can do that and if you want to make a case and come back---

LESLIE K. ARRINGTON: Sure. I have no---

MARK SWARTZ: That works.

LESLIE K. ARRINGTON: Mr. Wilson, does that---

BOB WILSON: Yes, sir. The application, I believe, was for pooling of the unit, which---

BENNY WAMPLER: It is. I understand.

BOB WILSON: ---is...but the AFEs that would go along with...I need to indicate two wells. If that's the

case, that's where the two well situation comes in. I believe we have two AFEs in here for that---

LESLIE K. ARRINGTON: We do.

BOB WILSON: ---for participation.

BENNY WAMPLER: They're there.

BOB WILSON: I would...I would kind of like to address the issue of...that they have brought up as to whether or not the existence of a sealed mine allows the implication of Oakwood II Rules, which allows multiple wells...additional wells...any additional wells, I believe, the terminology is something like, "Any additional wells needed.", which basically gives the operator (inaudible) to drill anywhere that this area has been mined out without restriction basically. I mean, that's the way the drilling is done ahead a of mining and such for obvious reasons to degas the mines. I think we certainly need to clarify, in my view, that that is not the case under that field rule or if it is then we have to change a lot of the way we're looking at permit applications.

BENNY WAMPLER: Well, I guess, from my prospective I just did that, but---

BOB WILSON: Well, that's---

BENNY WAMPLER: ---as I said...I said that's up to the Board to decide that. But, you know, to me you pick one

well if you want this approved today, just from my prospective, you pick which one of these. You've got everything else in here. We've heard testimony on it. You know, if it's A or B, I don't care. But the whole purpose that we approve multiple was to facilitate mining. This is going below the mine. It's used in a block in order not to interfere with the mine and going below to drain gas there, which is, you know, fine. We want to encourage that. But it doesn't... it's not consistent, in my opinion, with the intent. That's just my opinion. I'm not trying to force feed that to the Board. I'm just sharing this in the way of getting to a ruling here. So, I mean, I...what I'm doing right now, I guess...let me just go ahead and open what...my statement up for discussion with the Board, you know. If there's a difference of opinion, please feel free to state that. I'm not trying to give a legal interpretation here. I'm just sharing my thoughts on why we did what we did when we approved the Oakwood II.

] (No audible response.)

BENNY WAMPLER: So, I guess, if there's no different thought, then you've got an interpretation on that. What we would need to do is you pick which one you're most comfortable with and then clean up the record and submit to Mr. Wilson. Okay?

LESLIE K. ARRINGTON: Okay. It would be U7A.

BENNY WAMPLER: U7A, okay. And you'll supplement the record with what you need to---?

MARK SWARTZ: I think we've already got it. I mean, we've got the well cost estimate for U-7A, so we should be good to go. So, we're---

SHARON PIGEON: We do. Why don't you just have them put that in---?

MARK SWARTZ: ---in effect...well, we probably need a new plat to get rid of this other well.

BENNY WAMPLER: What I'm saying is clean the application where we just have---

LESLIE K. ARRINGTON: The one?

MARK SWARTZ: I gotcha.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: Okay.

BENNY WAMPLER: ---the one...take out...yeah. That's what I'm talking about.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: Okay.

BENNY WAMPLER: Just tidying up.

MARK SWARTZ: We can do that.

LESLIE K. ARRINGTON: Okay. We'll do that.

BENNY WAMPLER: Any further discussion from

members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion for approval of U7A?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Now, we'll go to fifteen, folks. This is a petition from CNX Gas Company, LLC for creation and pooling of coalbed methane unit TA-38, docket number VGOB-08-0115-2119. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show there are no

others. You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, I need you to state your name again.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. What do you do for them?

A. I'm manager of environmental and permitting.

Q. And with regard to this application and other applications that we're going to see today, did you sign all of the notices and applications?

A. Yes.

Q. And did you either prepare the exhibits and applications and notices yourself or supervise their preparation?

A. Yes, I did.

Q. This unit that we're dealing with, docket item fifteen, who is the applicant?

A. CNX Gas Company, LLC.

Q. And is CNX Gas Company, LLC a Virginia

Limited Liability Company?

A. Yes, it is.

Q. Is it authorized to do business in the Commonwealth?

A. Yes.

Q. And who is it that you're seeking to be appointed the Board's operator in the event the application is granted?

A. CNX Gas.

Q. And in that regard, has CNX Gas registered with the Department of Mines, Minerals and Energy?

A. Yes, we have.

Q. Do you have a blanket bond on file as is required by the code and regulations?

A. Yes.

Q. What kind of unit is this?

A. This is a statewide spacing unit with 40.57 acres.

Q. And a 750 foot circle radius or was it 12? This is a CBM unit.

A. Yes, it's a CBM. 750.

Q. Okay. And it's a CBM well under statewide spacing?

A. Yes.

Q. Okay. The...with regard to the leasing that you were successful with in this unit, what interest were you able to acquire?

A. We've acquired 87.8235% of the coal, oil and gas owners within the unit. We're seeking pool 12.1765% of the oil and gas...coal, oil and gas owners.

Q. Okay. You're saying coal, but you're probably really mean only oil and gas, right...no, this is CBM. So, it's coal, oil and gas. You're right.

A. CBM. Coal, oil and gas.

Q. Okay. Is there an escrow requirement here?

A. No.

Q. With regard to the owners that you were able to reach agreements with, in general, could you summarize the lease terms that you've offered?

A. Yes. For a coalbed methane, it's a dollar per acre per year with a five year paid up term with a one-eighth production royalty.

Q. We're going to have some conventional units today as well.

A. Yes.

Q. What are the standard terms that you offer on a conventional well?

A. It's five dollars per acre per year with a

five year paid up term with a one-eighth royalty.

Q. Okay. Have you provided the Board with a well cost estimate?

A. Yes, we have. It's \$231,601.73 to a depth of 1,636 feet. The permit number is 8913.

Q. It looks like you've obtained the permit since you filed. This is a frac well?

A. Yes, it is.

Q. And, obviously, it's going to be located in the center of the circle shown on the plat?

A. Yes, it is.

Q. There are no split agreements?

A. No.

Q. And this well, I believe, is located, according to the plat, in Tazewell County?

A. Yes, it is.

MARK SWARTZ: That's all I have, Mr...oh, I have two more questions.

Q. Is it your opinion that drilling a frac well in the center of this unit is a reasonable way to extract coalbed methane...the coalbed methane resources from within and under the unit?

A. Yes, it is.

Q. Is it your further opinion that if you

combine a pooling order pooling roughly 12% of the interest in this unit with the 80 plus percent that you've acquired, that the correlative rights of all owners and claimants to the CBM in this unit would be protected?

A. Yes, it will.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC for creation and

pooling of conventional gas unit AB-78, docket number VGOB-08-0115-2120. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.  
You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name again for us.

A. Leslie K. Arrington.

MARK SWARTZ: I'd like to incorporate Mr. Arrington's prior testimony regarding the applicant and operator, his employment and the standard lease terms, and in this event it would be the standard lease terms for a conventional.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

Q. Mr. Arrington, you have a quite a list of respondents here. Do you see that at the...in the---?

A. Yes.

Q. ---notice? What did you do to notify those

folks that there would be a hearing today?

A. We noticed by certified mail, return receipt requested on December the 14th of '07. I published in the Bluefield Daily Telegraph December the 27th of '07.

Q. And have you filed your proofs in that regard and your certificates in that regard with Mr. Wilson?

A. Yes, we have.

Q. In that regard, do you want to add any people to the list of respondents today?

A. No.

Q. Okay. But you do, I think, want to dismiss one?

A. Yes.

Q. And who is that?

A. Arnold Deel.

Q. And why is---?

A. That interest is leased.

Q. Okay. So, subsequent to the filing of the application, you've been able to reach an agreement with him?

A. Yes.

Q. Okay. And have you provided then an Exhibit B-2 to the Board this morning?

A. We have.

Q. And that shows the respondent that you're seeking to have dismissed, his interest and the reason stated that he was leased?

A. Yes.

Q. Have you accordingly then revised Exhibit B-3 to remove his name?

A. Yes, we have.

Q. And also have you revised Exhibit A, page two, which is the last page of the exhibits that you gave out?

A. Yes, we have.

Q. And the percentage of...the gross percentage and net percentage that you need to pool has gone down because of the lease, I assume?

A. Yes.

Q. Okay. As of today, what interest have you been able to acquire in this unit and what are you seeking to pool?

A. We've acquired 76.4959% of the oil and gas owner's claim and 23.5041% of the oil and gas owners will be pooled.

Q. Okay. And is there a requirement that you obtain a specified interest in a conventional unit before you can pool it?

A. Yes, 25%.

Q. And, obviously, you've met that requirement there.

A. Yes.

Q. This is a conventional unit, correct?

A. Yes.

Q. Is it going to be a frac well ultimately?

A. Yes...yes, it is.

Q. Have you provided the Board with a plat?

A. It have...we have.

Q. All right. And the shape of the unit is a---?

A. A circle with 112.69 acres.

Q. Okay. And the radius of that circle?

A. Is 1250.

Q. And this...is this a statewide unit?

A. Yes, it is.

Q. So, you're essentially asking the Board to create the statewide unit as plated and then pool it?

A. Yes.

Q. Have you provided the Board with a well cost estimate?

A. Yes, we have. The cost is \$436,249.94 to a depth of 6,250 feet. The permit number is 8712.

Q. There's no escrow requirement here?

A. No.

Q. And there are, obviously, no split agreements?

A. No.

Q. Is it your opinion that drilling a frac well in the center of the statewide unit is a reasonable method to develop the conventional gas within this unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order, which would pool the outstanding interests here with the leasing efforts and acquisition efforts that the applicant has been successful with that the correlative rights and the interests of all of the owners would be protected?

A. Yes, it will.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AY-134, docket number VGOB-08-0115-2121. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others. You may proceed.

MARK SWARTZ: I think we need to continue this one. Between sending it out originally and today, about a week ago, we discovered that one of the owners we had listed had deeded her property...she called us after she got the notice and we...we have to renotice those folks. So, if we could continue it for a month, we'll be back. But it's just one...one of the respondents. But we'll renotice the right

person this time and be back, if that works.

BENNY WAMPLER: Okay. That will be continued until February. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-143, docket number VGOB-08-0115-2122. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others. You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, is this a Middle Ridge unit?

A. Yes, it is.

Q. How many acres?

A. 58.74.

Q. And how many wells?

A. One.

Q. Where is it located?

A. It's within the drilling window.

Q. Okay. And is it intended to be a frac well?

A. Yes, it is.

MARK SWARTZ: Okay. I'd like to incorporate Mr. Arrington's prior testimony concerning his employment, the applicant and operator and standard lease terms with regard to coalbed methane, if I could, Mr. Chairman.

BENNY WAMPLER: That will be incorporated.

Q. Have you provided the Board with a well cost estimate?

A. Yes, we have. It's \$242,569.93 to a depth of 2,299 feet. The permit number is 8761.

Q. Have you listed all of the folks that you seek to pool?

A. Yes, we have.

Q. Do you want to dismiss any or add any today?

A. No.

Q. And what did you do to notify the folks that you've listed as respondents that we were going to have a hearing today?

A. We mailed to them by certified mail, return receipt on December the 14th of '07 and published in the Bluefield Daily Telegraph on December the 28th, 2007.

Q. And have you filed your proof of publication and your certificates with regard to mailing

with Mr. Wilson?

A. Yes, we have.

Q. What are the interests that you've been successful in acquiring in this unit?

A. We've acquired 85.2741% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 14.7259% of the coal, oil and gas owner's claim to coalbed methane.

Q. We have some conflicts here?

A. Yes, we do. In Tract 2A, 2B and 3.

Q. And, actually, in 3 we don't...we're not sure we have a conflict, we have an unknown?

A. We do.

Q. We have no split agreements?

A. No.

Q. Is it your opinion that drilling one frac well in the window of this Middle Ridge unit is a reasonable way to develop the coalbed methane under unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order with the successful leasing and acquisition efforts of CNX Gas the correlative rights of all owners and claimants to the coalbed methane would be protected?

A. Yes, it would be.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the  
Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Any further questions?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes, but Katie  
Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain.

BENNY WAMPLER: Mrs. Dye abstains.

SHARON PIGEON: Mark, on that Tract 3---?

MARK SWARTZ: Right.

SHARON PIGEON: ---was the testimony that there  
was no conflict in that tract is---?

MARK SWARTZ: We don't know.

BENNY WAMPLER: They don't know.

SHARON PIGEON: You just don't know?

BENNY WAMPLER: Just don't know.

MARK SWARTZ: We don't know. Yeah, we don't know because we don't who the owners are. It could be.

BENNY WAMPLER: Don't know on the coal or the gas.

SHARON PIGEON: It could be both?

MARK SWARTZ: It could be. So, you probably need to---

BENNY WAMPLER: The owner is unknown both in coal and the gas estate?

MARK SWARTZ: Correct. Correct.

BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-121, docket number VGOB-08-0115-2123. We'd ask the parties that wish to address the Board in this matter to come forward this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. What kind of a unit is this, Les?

A. It's a Middle Ridge. It has 58.74 acres in it.

Q. How many wells are proposed?

A. One.

Q. Where is it located in relation to the window?

A. It's within the drilling window.

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr. Arrington's testimony, if I could, with regard to his employment, with regard to the applicant and operator and with regard to standard lease terms pertaining to coalbed methane.

BENNY WAMPLER: That will be incorporated.

Q. What did you do here to notify folks that we were going to have a hearing today?

A. We mailed by certified mail, return receipt requested December 14, 2007 and published in the Bluefield Daily Telegraph on December the 28th, 2007.

Q. And have you provided Mr. Wilson with your certificates concerning mailing and your proof of publication that you received from the newspaper?

A. Yes.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. Yes.

Q. Which one?

A. Carolyn Griffith.

Q. And is she identified on the Exhibit B-2 that you provided the Board with today?

A. Yes.

Q. And what's the reason that you're seeking to dismiss her?

A. Leased.

Q. Okay. And have you also provided the Board today with a revised Exhibit B-3?

A. Yes, we have.

Q. And is the change on that limited to removing Carolyn Griffith because she has been leased?

A. Yes.

Q. And then lastly, have you provided the Board with a recalculation of the interests acquired and the interest sought to be pooled?

A. Yes, we have.

Q. And what are those numbers at this point?

A. We've acquired 100% of the coal owners' claim to coalbed methane and 95.5056% of the oil and gas owner's claim to coalbed methane. We're seeking to pool

4.4944% of the oil and gas owner's claim to coalbed methane.

Q. Have you provided a well cost estimate?

A. Yes, we have. It's \$238,844.25 to a depth of 2,509 feet.

Q. And, again, the frac costs are in that estimate?

A. Yes, they are.

Q. Is there an escrow requirement?

A. Yes, there are for Tract 3A, 3B, 3C, 3D, 3E, 3F and 4B.

Q. And all of those tracts need to be escrowed because of traditional conflicts?

A. Yes.

Q. And do we have some split agreements here?

A. Yes. For 3G, 3H, 3I and 4A.

Q. And is it your request that if the application is approved that the people identified in Exhibit EE with regard to their split agreements that the operator be allowed to pay them directly rather than escrowing their funds and that those payments would be made in accordance with their written fee agreements?

A. We do.

Q. Is it your opinion that drilling one frac well in the window of this Middle Ridge unit is a reasonable

way to develop the coalbed methane from within and under the unit?

A. Yes, it is.

Q. Is it also your opinion that if you combine a pooling order pooling approximately 4 and 1/2% of the unit with the successful leasing and acquisition efforts of the operator and applicant that the correlative rights of all owners and claimants to the coalbed methane would be protected?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Just a couple of questions that I have. Carolyn Griffith in the...well, both...you now say she's leased. But it says it varies. Is that the same as et al or what is that? What does that mean?

LESLIE K. ARRINGTON: Well, actually, that's husband and wife.

BENNY WAMPLER: Husband and wife. So, do you know the husband's name or---?

LESLIE K. ARRINGTON: I don't.

BENNY WAMPLER: Okay. What about Henry Miller when it's et ux.

LESLIE K. ARRINGTON: And wife. Now, I don't know the names.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I don't.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You approve.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC for pooling of conventional gas unit WW-21(CV), docket number VGOB-08-0115-2124. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.  
You may proceed.

MARK SWARTZ: Mr. Chairman, I would like to incorporate, if I could, Mr. Arrington's testimony concerning his employment, the applicant and the operator and the standard lease terms in this instance for a conventional.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Les, is this a conventional unit?

A. Yes, it is.

Q. Is one frac well proposed?

A. Yes, it is.

Q. The plat discloses that it's a circular unit, right?

A. It is. 1250 foot radius.

Q. And the 1250 radius would be consistent with statewide spacing?

A. Yes, it is. 112.69 acres.

Q. Have you provided the Board with a well cost estimate for this unit?

A. Yes, we have. It's \$385,409.36 to a depth of 5,201 feet. The permit number is 8753.

Q. Okay. What did you do to notify the respondents that there would be a hearing today?

A. We published in the Bluefield Daily Telegraph on December 27, '07 and we mailed by certified mail, return receipt on December the 14th of '07.

Q. And have you filed proofs of publication that you receive from the newspaper and your certificates with regard to mailing with Mr. Wilson's office?

A. Yes, we have.

Q. Do you want to dismiss any respondents today?

A. No.

Q. Do you want to add any?

A. No.

Q. What interests have you been able to acquire and what are you seeking to pool?

A. We've acquired 85.9408% of the oil and gas and we're seeking to pool 14.0592% of the oil and gas.

Q. If I'm not mistaken, I don't think there's any escrow requirement, is that correct?

A. No.

Q. And, obviously, there's not split

agreements either?

A. No.

Q. At least as far as we know?

A. Right.

Q. Okay. Is it your opinion that drilling one conventional frac well in the center of this statewide unit is a reasonable way to develop the gas from within and under this unit?

A. Yes, it is.

Q. And if you combine a pooling order pooling the interests of the respondents named with the successful leasing and acquisition efforts of the applicant, is it your opinion that the correlative rights and interest of all of the owners of the conventional oil and gas would be protected?

A. Yes, it will.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Before these folks get away, we have  
another issue that we need to throw at the Board this  
morning. Sometime back, I don't have the exact dates at  
hand, the Board approved and pooled a sealed gob unit---

MARK SWARTZ: In June was the order.

BOB WILSON: Excuse me?

MARK SWARTZ: June was the order.

BOB WILSON: June, okay. Okay, the---

MARK SWARTZ: I'm trying to be helpful, Bob. I  
know it surprised you.

BOB WILSON: Thank you. Yeah. We have had  
discussions---

(Laughs.)

BOB WILSON: You'll be able to tell. VP8SGU3, it  
was brought to our attention that in the final order there

was one tract that was unleased and was omitted from the pooling order. To go back a ways and, Mr. Swartz, keep me straight here so I don't get my chronology mixed up, the original application that was sent out to all respondents actually included the coal and oil and gas interests of Tract 41. The revised orders or revised application exhibits that were handed out to the Board on the day of the application and the application was heard omitted Tract 41 oil and gas interests, as did the order, which was issued as a result of that hearing. Tracts 41 coal interests were pooled under that order. Tract 41 interest, in my view, were not pooled under that order because they were omitted from the Exhibit B-3, which is labeled "A list of unleased owners and claimants." These are the people who are subjected to pooling.

BENNY WAMPLER: Can I stop you just one second?

BOB WILSON: Sure. Please.

BENNY WAMPLER: You said Tract 41 coal interest were subjected to it, but then you Tract 41---.

SHARON PIGEON: Was omitted.

BENNY WAMPLER: Do you mean gas interest then?

BOB WILSON: Yes. This is going to...this is very confusing.

BENNY WAMPLER: That's okay. I just wanted to get

it clear here. So, you're saying Tract 41---

BOB WILSON: Yes, you're right.

BENNY WAMPLER: ---coal interests were pooled, but in your opinion Tract 41 gas interest was not---?

BOB WILSON: Tract 41 gas interests were omitted from Exhibit B-3 in the final application and the order and, in my opinion, were not pooled.

BENNY WAMPLER: Right.

BOB WILSON: I'm not going to attempt to make statements to Swartz's opinion because he's here to help us with that. But we've had conversations about this. I think that the normal procedure would require repooling to account for that tract. Mr. Swartz disagrees with me. I will let him---

MARK SWARTZ: We sort of...we've been going back and forth for the last couple of days and we decided rather than killing a bunch of trees and having an appeal, we would just talk to you about it. I think the difference of opinion is we deal with a lot of issues in a supplemental order basis. The question really from our standpoint is this the kind of issue that can be dealt with by a supplemental order. I think that it is. Mr. Wilson thinks that it is not. Let me tell you why I think it is and then you can sort of determine what the scope of that is.

Frankly, it's worth talking to you about because this kind of things happens periodically and it wouldn't hurt to run it by you officially as a Board.

When I look at...well, let me sort of start with my view of how notices is given and what operators are expected to do and then I'll turn briefly to the statute with you and to the order to show you why I think a supplemental would work here. There is a statute Section 19 of the Virginia Gas and Oil Act, which requires notice. And that is a notice statute that requires notice to a person, okay. It's...you know, most of our notice requirements in this country and in the Commonwealth are people related because we have a fourteenth amendment and, you know, you can't affect the interests of folks without giving them notice. So, you know, this notice provision as many...as many notice provision they're almost always couched in terms of telling a person that some event is going to happen so that they can show up at that event and have some input into it.

So, my first step here would be to say that we listed the Trust that is an owner of...there are actually three tracts in this sealed gob unit that this Trust has an interest in. We named the Trust as a respondent and we mailed the application to the Trust and the Trust signed for

their mail. Then, when the Board...I think the hearing was in March, if I'm not mistaken, and then the Board entered its order in June---

BOB WILSON: Yeah.

MARK SWARTZ: ---and then we mailed ultimately the Board to the Trust and the Trust signed for the order.

The second question, you know, which we've talked about, okay, do we tell the people who were the owners that they were going to have a hearing? My assertion in that regard, I don't think you dispute that, we gave the Trust notice of the hearing. You know, they were named and they were mailed. The question is whether or not the Trust needed to receive notice of the tracts that were at issue in the unit? My response to that is they were told that we thought they had interests in three tracts and they were told the percentage of interest in those tracts and those tracts have not changed. They're tracts 40, 41 and 52 and the percentage of interest has not changed. So, where I'm coming from with Bob, and our discussions have been, we gave the owners notice, so they knew there was going to be a hearing. In addition to that, we told them we think you have an interest in three tracts and this our description of your interest.

So, my view is we notified the owner, we

identified the tracts and that we ultimately got an order from the Board and that the Board's order...you know, you never think about this stuff until you have an issue or a question, but the Board's order is essentially track the notice provisions of the Code and track sort of the procedural due process requirements of the Constitution because the Board orders, and I'll give you copies of this stuff in a second and we can kind of walk through it. But the order, there's always a section called "Relief Requested" and then there's a section called "Relief Granted". In the "Relief Granted" section of this particular order, and it's a form so it's, you know pretty consistent, it says at 7.4, "All the interests and estates in and to the gas in the subjected unit, including that of the applicant, the unit operator and the known and unknown persons listed on Exhibit B-3." Now, this Trust was listed, you know, in three places at least on Exhibit B-3 are pooled. I mean, that's what the order says. So, my analysis and why I think this can be handled on a supplemental order basis is the...I'll give you a copy of the Code provision first and we're looking at 19A on who do you notify. Then, I took some pieces of the Board order and exhibits to the Board order so that you can see the tract identifications that went out as well and then the general

language of the order in terms of the pooling. So, with regard to 19A, it starts off, "If you apply for a hearing you shall provide notice by certified mail to each owner having an interest." So...and you need to bear in mind, when we file an application we say, you know, you've got a bunch of examples in front of you this morning, but there is a...your interest or claims sought to be pooled by this application pertains to, and it's just...do you have a coalbed methane interest in this unit? So, this...you know, this is the interest that you have in this unit that we are attempting to effect. And...so, that's a notice provision.

Then, we have the order that you all...a form order that you all issued and at page three at the bottom. For some reason or another in the lateness of the evening, I probably should have copied the next page, but it's "Relief Granted." It's all interest and estates in the unit and people listed in Exhibit B-3 and then the next page says "are pooled". And so what I'm suggesting to you as a basis for being able to handle this kind of an issue on a supplemental basis, we revised interests names ownership all the time on a supplemental basis. The question is generally, does the change affect somebody else? You know, a lot of times we'll have the situation for the percentage

changes. That is typically the situation where we have to come back. Bob and I don't get into arguments about that. Here we had the percentages right because the tracts were actually accounted for, incompletely no question, but they were accounted for. So, we had on the oil and gas side and on the coal side the percentages were alright and all we're saying is at this juncture we would like to file a supplemental order which says, "For this percentage it is indeed the trust that has both sides of the equation." Bob is saying, "No, you need to repool that." So, that's...that's the issue, I think, reasonably, fairly flushed out in terms of where he is and where I am, I hope. Have I---?

BOB WILSON: Yes, I agree with that analysis. Basically, we don't disagree that with any of the notice provisions or anything of the sort, I think we all agree the substantive notice was given. Where we disagree is whether or not a supplemental order can be used to add a party who was not included in a recorded order that we've left in the Courthouse.

MARK SWARTZ: That party was included. It's a tract. That's where we part company.

BOB WILSON: Yeah. Yes, the party that's included in other interests and in other tracts.

MARK SWARTZ: Right.

BOB WILSON: But that Tract 41, I believe, on the oil and gas interest side was not included in B-3, which is the Exhibit that we used to display the names of all people who are subjected to this order. In my view, that means that Tract 41 oil and gas interest were not subjected to this order. That's where I'm---

MARK SWARTZ: I gave the Board the pages from the order. I mean, the first...the second to the last page is twenty-seven. The recorded number over here, it's one of thirty-three and it shows Tract 40 and 41. It shows the trust as an owner on the coal side. Then, the next page, page thirty-three of thirty-three shows fifty-one...I'm sorry, fifty-two, which would be the oil and gas side and it shows the trust as the owner. That was what was included with the order.

BENNY WAMPLER: This affects the John Tollman Sheffield Trust and Mr. Sheffield is here. I'd ask him to come down. If you'll...if you'll swear him in.

(John Sheffield is duly sworn.)

JOHN SHEFFIELD: I didn't know I'd be here about this today, but---

BENNY WAMPLER: That's okay. I guess---

JOHN SHEFFIELD: Les, how are you doing?

LESLIE K. ARRINGTON: Okay.

BENNY WAMPLER: I guess the first...the first question I'd have, and I know it doesn't get at what you're trying to get at. You're getting at a technicality. I want to get at, do you believe you had notice, you know?

JOHN SHEFFIELD: I was...I will just run through it real quick.

BENNY WAMPLER: Sure.

JOHN SHEFFIELD: I was given notice.

BENNY WAMPLER: Okay.

JOHN SHEFFIELD: The notice I was given, and I believe it was February the 27th of '06, I was unleased in all tracts. It's Tract 18, 22, 40, 41, 43 and 52. 47 may be one too, if you've got that there Mark. Then, when I came before this Board, Mr. Glubiack didn't make it, my attorney. He sent a letter. There was another issue for VP8SGU3. Of course, I couldn't speak that day. The Board, Mr. Ratliff, after the VP8SGU3 went through gave me his copy of what the Board was given the day of the hearing. I never received the same copy the Board got. I understand that there's supplementals done. At that time, it showed me to be leased in some tracts and unleased in others. I just know for the elections and how we go through procedures...as a matter of a fact, I've talked to Les about this back in

August. I talked to Scott Hodges about this back in June of '06, a gentleman that works for CNX, about, hey, you know, I wouldn't shown to be...I'm unleased in that tract. You know, I just think you have to afford me my election. I wasn't afforded my election in Tract 41, not in the Board order.

SHARON PIGEON: Just to clarify what you just stated though, on that date you were not told that you could not speak. You were told you could not act as your own attorney because you told the Board you have an attorney which would have---

JOHN SHEFFIELD: We had a letter of representation.

SHARON PIGEON: Excuse me, I'm talking right now. Which would have elevated you to co-counsel. We did not tell you that you could not speak to this Board as a witness.

JOHN SHEFFIELD: Yes, ma'am.

SHARON PIGEON: Just as you've been asked to come down here today.

JOHN SHEFFIELD: Yes, ma'am.

SHARON PIGEON: So, let's just clarify that.

JOHN SHEFFIELD: Yes, thank you.

BENNY WAMPLER: So, let me ask Mr. Wilson a

questions then. Does this get at whether or not he had before him election options?

BOB WILSON: It would come to that insofar...in my opinion, insofar as Tract 41 oil and gas interest, he not have been given options. In my view, the other tracts in which he was listed as an owner, and unleased owner on B-3 he has had his elections on that, his opportunity to elect on that. But if, in fact, the Tract 41 oil and gas interests are subjected to repooling that would come with elections for that interest.

BENNY WAMPLER: Then, I think we're at the point of asking our attorney to give us advise as to what she believes the law---.

SHARON PIGEON: I'm not sure that I understand the facts completely. Mark has given us a copy of the statute, but our Regs very specifically state what's supposed to be included in the notice. I am not sure from the way we heard the factual situation if you fulfilled the requirements of 4VAC25-260-70 or VAC25-160-80, depending on whether or not we have conflicting claims in this unit. I just don't remember that far back to know what the---.

MARK SWARTZ: I actually have a note...a copy of your Reg on the notice of hearing.

SHARON PIGEON: Uh-huh. I have a copy of it as

well. Thank you.

MARK SWARTZ: I mean, I looked at it and I felt like we complied with it.

SHARON PIGEON: Okay. At which point here? You know, we've got several.

MARK SWARTZ: Well, it says that we have to---.

SHARON PIGEON: In your original notice, did you send out the tracts and percentages on every tract on everything? Is that what you're saying?

MARK SWARTZ: We sent out an Exhibit B-3---.

SHARON PIGEON: In your original package?

MARK SWARTZ: ---and we identified the Trust as a respondent. The problem that we have---.

SHARON PIGEON: In every tract and every percentage that they own? Each and every---?

MARK SWARTZ: The percentages have never changed.

SHARON PIGEON: And you did identify everyone correctly in every tract, is that what you're saying?

MARK SWARTZ: The reason we need a supplemental order is we've never got it right. I mean, you know, we...I mean, we wouldn't be here today. We need to fix between Tract 40, 41 and 52, which I gave you copies of what was recorded with the order. As I understand it, Les, they should have been listed on both the coal and the oil and gas

exhibits and they weren't consistent with---.

SHARON PIGEON: They never were, that's my question?

MARK SWARTZ: Apparently not. But all three tracts were identified.

SHARON PIGEON: With the correct percentage of ownership?

MARK SWARTZ: With the correct percentage. All right, you're still under oath, Anita. Why don't you?

ANITA DUTY: Do you want me to talk to you first?

MARK SWARTZ: No, you go ahead and tell them.

ANITA DUTY: When we originally filed it, all of the tracts were shown on the coal side and oil and gas side, but they were all shown incorrectly as unleased.

SHARON PIGEON: But the percentages were correct?

ANITA DUTY: No, the percentages have never changed. When we came before---

SHARON PIGEON: And they were shown then?

ANITA DUTY: Yes. We've listed all of them. We listed all tracts as unleased, which was incorrect. When we came before the Board and passed out revised exhibits, that's where on the oil and gas side that tract got taken out accidentally.

SHARON PIGEON: As far as the ownership, was it

shown everywhere else? So, what the Board had before them that day was a revised Exhibit without that information.

MARK SWARTZ: Well, they---.

ANITA DUTY: Well---.

MARK SWARTZ: Go ahead.

BENNY WAMPLER: I mean, basically, that's what you just said.

ANITA DUTY: What we originally filed had all five...I think there's five...I don't know how many tracts.

MARK SWARTZ: Five.

ANITA DUTY: Five tracts shown on the coal side oil and gas. Everything was there. The only problem with the way that we had filed is we've shown on tracts unleased and we had to dismiss some tracts. When we---.

SHARON PIGEON: But what was in evidence that day at the hearing was a revised exhibit that did not include the gas interest in Tract 41?

ANITA DUTY: Yes.

SHARON PIGEON: So, you had a partial unit before the Board that day, is that correct? And I don't know of any mechanism that allows you to pool a partial unit if it's not all---.

BENNY WAMPLER: Well, we had the whole unit. It was just shown as a coal unit and not a gas unit. She took

the gas tract out.

ANITA DUTY: That tract was accidentally deleted from the B-3 on the oil and gas side.

SHARON PIGEON: The gas wasn't addressed either way?

BENNY WAMPLER: Right. Right.

SHARON PIGEON: So, we have a blank spot.

MARK SWARTZ: The thing you need to recall too is you don't pay twice, you know. If you have the oil and gas interest you pay one election option. You know, if two people have the interest you have...each would have to pony up. I mean, the net effect is if a person is pooled and you show them as a gas owner and you should have showed them as a gas and coal owner, it wouldn't change the amount of money they would pay to participate. It would be the same number. You know, essentially, what we've got here is we've got...he got an election right in all three of these tracts because you've got the order in front of you.

SHARON PIGEON: I'm interested in what the Board had in front of them when they were making their decision and hearing the evidence.

MARK SWARTZ: Well, it had all five tracts and the right percentages. Then, the revised exhibit was incorrect in the respect that Anita has just testified. I mean,

that's...that's what happened.

SHARON PIGEON: Why do you not feel you got your election rights under that?

JOHN SHEFFIELD: Because the Board saw something different than what I saw.

SHARON PIGEON: But you had notice under the original---.

JOHN SHEFFIELD: And my order was different than what I received in February.

SHARON PIGEON: But you did receive that?

JOHN SHEFFIELD: Uh?

SHARON PIGEON: You did receive that final order.

JOHN SHEFFIELD: The final order, I did receive. Yes, ma'am.

SHARON PIGEON: And you didn't have any reason to bring that to our attention---?

JOHN SHEFFIELD: I'm sorry. I did bring that to Les Arrington's attention and had conversations---.

LESLIE K. ARRINGTON: We missed it. We tried to correct it and it was just one of those things we missed.

JOHN SHEFFIELD: And just so the Board knows, Tract 52 was presented to the Board. It was not presented to me in the original thing, but it's fine. I'm just saying that, so that we know, Tract 52 was not sent to me in my

original application, but it was---

SHARON PIGEON: So, that was not in the original application?

JOHN SHEFFIELD: It was not Tract...but that Tract 41 is the one we're discussing. But Tract 52 was not in my original application. They did put it in in the final order.

BENNY WAMPLER: Presented it at the day of the hearing you're saying?

JOHN SHEFFIELD: I'm sorry, sir?

BENNY WAMPLER: They presented that information at the---?

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---day of the hearing and corrected the application?

MARY QUILLEN: Mr. Chairman.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Tract 41 is the tract that there is a discrepancy in the gas and oil?

SHARON PIGEON: In the final order.

MARY QUILLEN: In the final order. So, that was never...that never appeared...it was never addressed in the final order?

BENNY WAMPLER: Just from the gas prospective.

MARY QUILLEN: The gas. But the coal---

BENNY WAMPLER: According to testimony.

MARY QUILLEN: ---was.

BENNY WAMPLER: Yes.

MARY QUILLEN: And he's saying that it doesn't change the percentages or the amount that they would receive, is that right? Is that what you're saying?

MARK SWARTZ: Or the amount they would pay because we're really focused on the percentage that you would use to---

MARY QUILLEN: Right.

MARK SWARTZ: ---calculate what check you would need to write if you want to participate and it does not change that and that's what I've said. If you own both sides of the interest or just one, you're going to write the same check to participate. I can tell I've totally confused you.

SHARON PIGEON: It's very confusing factually.

MARY QUILLEN: Totally confusing, yes.

BENNY WAMPLER: You know, I guess from my standpoint, you know, I look at two different ways here. Is the supplemental order satisfactory to you for a correction of the problem rather than us trying to make a ruling on something this complex? If it is, then, I...you know, from

my prospective I'm okay with that. If it isn't and you feel like you want the thing repooled so you can get a letter that says you're in both gas and coal, then I'm willing...I'm talking about just me, I'm not talking for the Board here---.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---from my prospective then bi-cracky that's what we'll do because---.

JOHN SHEFFIELD: Well, I think we need to be correct...in my opinion from everything I've read and looked at, I feel that those need to be repooled. I did make an attempt to get in touch with CNX, and it wasn't with Les, it was with Scott Hodges to try and inform him before the final order and didn't hear back.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: A part of what...where I'm coming from to go through beyond this particular thing---.

BENNY WAMPLER: I understand.

BOB WILSON: ---is what is acceptable to done in a supplemental order?

BENNY WAMPLER: Correct.

BOB WILSON: In the past, we have accepted all kinds of changes between the order and supplemental, but

they have to reflect the fact that ongoing due diligence had leased people in the interim.

BENNY WAMPLER: Right.

BOB WILSON: People have come in voluntarily and this sort of thing. In addition to stating the elections of people that people have made, we're talking here, in my opinion, about putting an exhibit with the supplemental order that doesn't match what the Board actually approved.

BENNY WAMPLER: Yeah. You know, I don't think... personally, I don't think a supplemental order can be used to correct a mistake, a problem with an omission.

BOB WILSON: We have caused other units to be repooled because of there have been attempts by other operators...many operators to do things like that in supplemental orders that we thought were outside of the scope or continuity from order to supplemental.

BENNY WAMPLER: I mean, frankly, from the Board's prospective, I could argue this either way because he had notice. He knew about it. He has coal, oil and gas owner. So, you know, but at the same time, and that's the reason I asked him the question that I did at the same time. We have a technicality here.

SHARON PIGEON: Yes.

BENNY WAMPLER: And the technicality is when were

provided stuff on record that wasn't correct that day and the issue is can you correct it with a supplemental order or do you have to repool it. That's clear and simple---.

MARK SWARTZ: Right.

BENNY WAMPLER: ---of what we have before us here today.

SHARON PIGEON: And maybe establishing a precedent for a time when it isn't one individual in a tract, you know.

BENNY WAMPLER: Right, right, certainly.

SHARON PIGEON: It was confusing enough with one individual and one tract. The next time it could be several.

BRUCE PRATHER: Basically, what we're saying is that once the order was approved then it shouldn't be changed by a supplemental order?

BENNY WAMPLER: Right.

SHARON PIGEON: Well, certainly, not for this type for a situation.

BENNY WAMPLER: The supplemental was to supplement. In other words, you can continue to lease---.

BRUCE PRATHER: Right.

BENNY WAMPLER: ---and add to what you had identified, but you can't---.

BRUCE PRATHER: Before the order is---

BENNY WAMPLER: Right.

BRUCE PRATHER: ---given.

SHARON PIGEON: Add information.

BENNY WAMPLER: So, rather than belabor this, you know, am I hearing that we need to repool? Is that in the form of a motion?

MARY QUILLEN: So moved.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: I abstain.

BENNY WAMPLER: We're done. Thank you.

JOHN SHEFFIELD: Thank you, sir.

BENNY WAMPLER: Break for lunch. Do you want to do that? I don't if our lunch will hold or not. We'd better---

BOB WILSON: No, we don't want to mess these instead of eating.

BENNY WAMPLER: Okay. We'll break for lunch.

(Lunch.)

BENNY WAMPLER: Okay, we're back to order. The next item on the agenda is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-536706. This is docket number VGOB-08-0115-2125. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Jerry Grantham, Phil Horn and Tim Scott for Range Resources-Pine Mountain, Inc.

BENNY WAMPLER: I'll just remind the gentlemen that you've been previously sworn. If there are no others, you may proceed.

TIM SCOTT: Did it take?

BENNY WAMPLER: I think so.

TIM SCOTT: I'm sorry.

BENNY WAMPLER: You'd have to ask them.

TIM SCOTT: Okay. I apologize.

BOB WILSON: Yes, it did.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name and your occupation, please?

A. My name is Phil Horn. I'm District Landman for Range Resources-Pine Mountain, Inc.

Q. And did you participate in the preparation of this application now pending before the Board?

A. Yes, I did.

Q. And are you familiar with the ownership of the oil and gas within this unit?

A. Yes, I am.

Q. All right. Who owns the oil and gas, please?

A. Range Resources-Pine Mountain, Inc. owns all oil and gas inside of this unit.

Q. And who operates wells P-130 and P-118?

A. Equitable Production Company, our partner, operates those wells.

Q. So, you do participate in the operation of those wells?

A. That's correct.

Q. We've listed parties on Exhibit B who had received notice of this hearing, is that correct?

A. That's correct.

Q. And how were those parties notified of this hearing today?

A. By certified mail.

Q. And have we provided proof of mailing to Mr. Wilson?

A. Yes, we have.

TIM SCOTT: That's all the questions I have for Mr. Horn.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, would you please state your name and by whom you're employed?

A. I'm Jerry Grantham. I'm vice president with Range Resources-Pine Mountain, Inc.

TIM SCOTT: I'll let Mr. Grantham complete his passing out the exhibits and then we'll go forward.

(Jerry Grantham passes out exhibits.)

Q. And did you participate in the preparation

of this application?

A. Yes, I did.

Q. Would you please explain to the Board why we need a well location exception for this particular well?

A. We need an exception for this well because there is no other viable location within the unit that would not be an exception.

Q. Now, do we have some topographical issues here with this particular well?

A. We do. If you will refer to your Exhibit C, Exhibit C shows the location of the proposed well and the exception. The area in green represents the acreage within the unit that's not in any other unit. So, you can see that we're asking for an exception from P-130 and 118. If you look at the distance on the circle, and of course that's a 1250 foot radius, you can see that we aren't actually butting up to these wells to the south. So, the question is why can't we move it back to the south and west and get a legal location in that direction. But the reason for that is because this ridge becomes very steep to the south and it's topographic issues. Where we position this well is actually right on a CBM well location. We did that because there's an existing road there. It has already been disturbed. There are no safety issues. If we move it back

to the south and got a legal location, we would move off of that onto a very steep area.

Q. What...what's the proposed depth for this well?

A. This well is proposed to be drilled to 6100 feet.

Q. And what would be the potential loss of reserves if this application is not approved by the Board?

A. It would be 400 million cubic feet.

Q. Why then should the Board approve this application?

A. The Board should approve this application to prevent waste, the area in green that would not be drained by any existing unit here is a 104 acres and also to protect correlative rights.

TIM SCOTT: Okay. That's all the questions I have for Mr. Grantham.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Let me just ask a question about the existing A, which is the plat that we have in our...in our packet. I notice the locations of P-130 and P-118 that's

written approximate location. I don't recall seeing approximate in the past. Is there a reason why that's---?

JERRY GRANTHAM: That is basically...I think that it is always written approximately on the plats. Is that not---?

BILL HARRIS: I may have just not seen it before. Is that---?

JERRY GRANTHAM: ---correct, Mr. Wilson?

BOB WILSON: Generally, we...yes. On the plats, they are constructed for location exception, the locations has been shown as approximate because they are not---.

BILL HARRIS: Okay.

BOB WILSON: ---actually located by state plain coordinates as I understand it.

BILL HARRIS: Okay. I just...I guess I'd missed that then. Okay, thank you. That's all.

JERRY GRANTHAM: Uh-huh.

BENNY WAMPLER: Other questions or comments?

(No audible response.)

BENNY WAMPLER: I compliment you on Exhibit C to depict---.

JERRY GRANTHAM: Thank you.

BENNY WAMPLER: ---for the Board the request. Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

TIM SCOTT: Thank you.

BENNY WAMPLER: Next is a petition from Range-  
Resources-Pine Mountain, Inc. for a well location exception  
for proposed well V-530052, docket number VGOB-08-0115-2126.  
We'd ask the parties that wish to address the Board in this  
matter to come forward at this time.

TIM SCOTT: Yes, sir. Jerry Grantham, Phil Horn  
and Time Scott for Range Resources-Pine Mountain, Inc.

BENNY WAMPLER: The record will show no others.  
You may proceed.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name, by whom you're employed and your occupation again, please?

A. Phil Horn, district landman for Range Resources-Pine Mountain, Inc.. I'm in charge of the land department in this Abingdon District.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And with regard to ownership of the oil and gas underlying this unit, are you also familiar with that?

A. Yes, I am. Range Resources-Pine Mountain owns 100% of the oil and gas inside this unit.

Q. And we have three wells in which the location exception is requested. Who operates P-390, P-53 and P-244?

A. Equitable Production Company, who is our...also our partner.

Q. So, you did participate in the operation of these wells, is that correct?

A. That's correct.

Q. Now, again, we've listed parties on Exhibit B who were required to receive notice of this hearing. How was that affected?

A. By certified mail.

Q. And have proofs of mailing been provided to Mr. Wilson?

A. Yes, they have.

TIM SCOTT: That's all the questions for...those are all the questions I have for Mr. Horn.

BENNY WAMPLER: Questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, again, would you please state your name, your occupation and by whom you're employed?

A. Jerry Grantham. I'm vice president of Range Resources-Pine Mountain, Inc.

Q. And did you participate in the preparation of this application pending before the Board?

A. Yes, I did.

Q. And would you please explain to the Board why we're requesting a well location exception for V-530052?

A. We're requesting a location exception for

this well because there is no other location that can be drilled for this well that would be a legal, non-exception type of location.

Q. Okay. What...how much acreage are we talking about that would be stranded here if this application were not approved?

A. If you look at Exhibit C, Exhibit C shows in red the 1250 foot radius circle for the unit. The area in green represents the area that is currently not in any existing conventional unit and represents about 80 acres that is undeveloped at this point.

Q. What's the proposed depth for this well?

A. This depth is proposed to a depth of 5700 feet.

Q. And what would be the potential loss of reserves if well...if this application were not granted?

A. It would be 350 million cubic feet of gas.

Q. And, then, would you please explain to the Board why this application should be approved?

A. Again, it should be approved it promotes conservation of the resource and basically developing the undeveloped portion of the area in green, the 80 acres, and also to protect the correlative rights of the owners under that area.

TIM SCOTT: Okay. Thank you. That's all the questions I have for Mr. Grantham.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Did you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

TIM SCOTT: Thank you.

JERRY GRANTHAM: Thank you.

BENNY WAMPLER: Thank you.

PHIL HORN: Thank you.

BENNY WAMPLER: The Board previously had received the minutes from the last hearing. I'll entertain a motion

for approval unless there's suggested changes.

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: They are approved. We'll go to the public comment period. Is there anyone wishing to make a public comment?

CHARLES BARTLETT: Yes, I do.

BENNY WAMPLER: Okay. Come forward, please.

(Charles Bartlett comes forward.)

BENNY WAMPLER: State your name if you will, please.

CHARLES BARTLETT: I'm Charles Bartlett.

BENNY WAMPLER: Have a seat.

CHARLES BARTLETT: I have materials for you for a concern.

(Charles Bartlett passes out exhibits.)

CHARLES BARTLETT: A few preliminaries first. This is my first appearance at this Board, but I use to appear at the Arkansas Oil and Gas Commission office with some frequency years in the past. I am the agent for a family who have become Heirs to property that was once owned by a friend of mine, Bill Baker, who used to live here in Abingdon and his wife, Emily. When he died about seventeen or eighteen years ago, his wife moved back to Georgia in Atlanta, and about eighteen months ago, she passed on. There are three Heirs to the Baker properties. They have properties...two in Dickenson County and actually three close by, but separate properties in Buchanan County.

You can see more about me, if you want to, on the enclosed and stapled in piece of paper that I laid before you. I have been here in Abingdon for about thirty-five years and have been the agent for the Baker family since 1990. That's the first document that you have that's loose there. I copied the portion in which one of the Baker Heirs, Betty Anne Cox, who lives in Connecticut designated me as the agent for she and her mother and the other Heirs. Pauline Legard is in a nursing home, I think, still down in Bristol and her son takes care of her matters and has recently moved to Oregon. The other Heir is also in

Connecticut. So, they are absentee landowners. I did not...I did not know this, but being a friend of Bill's he had told his wife that if anything ever happened to him to have me take care of their properties. I have done so now for approximately eighteen years.

As time would have it, their properties was in the path of drilling and exploration for natural gas. Early on I began to make a series of ledgers because they would send me, as those gas wells produced, material indicating what they were paid. So, in order to keep up with it, as additional wells were drilled, it was really necessary to have a ledger. But, first, the next item that you have in there is just to indicate that we do have an oil and gas lease on the property...one of the properties in Dickenson County, which is 346 acres and has about fifteen gas wells on it now or they have at least portions of the unit that they have some claim to. I've copied just a couple of pages of that and on the back side of that lease dated November, 1975 I underlined some items...some lines there that are pertinently wrong. Where it says, and you can read it yourself, "Lessee agrees to deliver to the credit of the Lessor free of costs one-eighth of the proceeds received by the Lessee at the well." The other property, I have copied just the pertinent parts of that oil and gas lease, it's on

the Long Ridge. It's a topographic ridge in Dickenson County comprised of 101...103 acres. Again, underlined, "Agrees to pay royalty for all gas for receipts received by the Lessee at the well."

Now, it so happens that Pine Mountain Oil and Gas owned the coal rights under this particular ownership of the Bakers and at various times, we have asked them for release of the escrowed royalties and they have done so. The most recent one was June the 26th, 2006 and we could go further into that history, but this is just to give you an example that Pine Mountain waives its claim to the escrow royalty proceeds indicated in this particular case for five wells. Finally, after over a year was released by Equitable after many phone calls and letters hammering at them to try and get that money released. They finally in September sent them an accounting of those wells.

You have next is an item from my own ledgers. I've got on green paper, but they're printed here in white and black for you. You can see particularly here the main reason that I am before is because quite accidentally when I was working on the Estate for Mrs. Emily Baker down in Atlanta trying to give them some estimate of what the property was worth as far as the geological aspects, being the oil and gas especially, and they also had some coal

mining on some of these properties. I went to the State office and Mr. Bob Wilson was kind enough to print out for me the production that had been reported to the State. Then, when I got the moneys released and the information forwards to me from the Bakers, you'll see I wrote in there the Baker production and what this is all about is the fact that there are differences.

As soon as I noted that, I said, what is going on here? Why are there these differences? We'll get into that more, but the next letter is the one I sent in July to Bob Wilson after I had already talked to him about it and I asked him particularly to please check with Equitable to see why there were these differences. The Bakers wanted to know, and I wanted to know for them. So, there were examples like this one on the previous page that I gave to Bob, Mr. Wilson that is, and he sent that on to a representative of EREC's high up. Mr. West, Kevin West, the vice president and general counsel. He sent that on on August the 2nd basically presenting the same information that I presented to Mr. Wilson and sending this to Charleston, West Virginia, entitled "Discrepancies in Production Reporting." You can read that. Then, a letter came back on August the 28th from Mr. Wilson...excuse me, from Mr. West stating in essence that they were reporting

everything correctly to the State.

Moving along, Mr. Wilson sent me a letter saying that he had received this assurance from Mr. West and the last sentence says, "We will take no further action in this matter." So, at that point or thereabouts, I thought, okay, this needs to be answered. So, I contacted the local Abingdon office of the Attorney General. Then she in turn, asked me to call Ms. Pigeon or is it Mrs. Pigeon. Anyway, whatever you are. And I had a conversation with her and she said bring it to the Board. That's why I'm here.

Let's go over, I've just selected five wells. I have information on twenty-one wells that the Bakers own. So, if we don't feel sorry for them in a way because they're getting some pretty good royalties off of their land that was totally unexpected when their grandpa bought this land. The first one, labeled A, you will see I have had my secretary type this up nice and neatly for you. We have in the first few months of production on this well, which is VC-535599, in which the Bakers own 1.495% of interest. Not a big interest, but nevertheless should be accounted for correctly. And what was amazing to me and just doesn't fit with the answer we got from Mr. West, you'll see that on the first five or six months there...in fact, for May I have no report made to the State for any production and the Bakers

were paid for 365 mcf. The next month though, we see the pattern, the Bakers for several months were sent checks for more than twice as much as was reported to the State. The net for 2004 is that the Bakers received a payment for 5,624,000 mcf or 75% more than was reported to the state. That would equal to, if the State numbers are correct and the Bakers were overpaid, they were overpaid by \$897 and a few pennies. You'll see though that it changed in December of 2004 and went the other way. The State was reported a larger amount than was reported on the payments to the Bakers. So, for all 2005, they were paid for 18,956,000 and the State was reported 20,214,000 mcf. that would be a shortage to the Bakers of \$152.38. We can go on through each one of the years, but you can read them and see that on the back of that page, I've got it down through October of this year for this well and one way of interpreting it you would see that the Bakers may owe back to ERECs or whoever \$897. That they were underpaid and then later when it changed over about \$454. So, in fairness, once we know the truth on this, we'll even up with them.

The next one is even worst...worse. Item number B, which is well number VC-503219, in which the Bakers own a significant interest of 8.41%. This first year being 2002, and note that I didn't get this until over a year, again I

say, after it had been released by Pine Mountain and we had been trying to get Pine Mountain to release this even earlier than that. So, the system is broken. The land owners don't get their money in due time when the production is made even when it's very clear that it has been their due. In 2002 for this well, the production that was reported to the Bakers was 90% more than was reported to the State. That continued on through September of 2003 and then it went the other way. Strange. So, even with that totaling up, since it went through September with the Bakers receiving a larger amount of production that 62% more was received...nearly 63% more was received by the Bakers than was reported to the state. Now, let me stop here for a moment and say, okay, if the state is getting unreported than taxes are being under paid to the state. That follows correctly, I think. So, something is a little fishy here to say the least. Anyway, the total for this one, if you look over on the back of that page, is that the Bakers maybe owe back to ERECs \$14,592 or the State is owed some tax. On further when it gets... switches back over the other way where the reporting is less to the Bakers, they're owed \$3,322.

The next three are a little bit simpler because from the very beginning the State records show more

production than is reported to the Bakers. On VC-505245, which is in Dickenson County on the (inaudible) Ridge quadrangle I've got that up at the top for your reference on the others too. We can go on over to the total and there is \$3,334 difference in what the Bakers should have been paid if they were paid at the State numbers.

On item D, for well number VC-536402, the percentage that the Bakers have is a little over 3%. Their shortage is \$1752.

Lastly, a very small interest in this well, but just to give you the variety here, a small part of their acreage was included in the unit for VC-535661. They own a big number, \$31, if the State records they used instead of what was reported to the Bakers.

Now, I've been over this with Mr. Wilson and others and tried to figure out, now, how could this be? At first I said, okay, maybe they're taking some gas to the compressor and that I think is allowed under the lease. I'm not real sure about that. I'd have to check the lease and see if that is clear. As maybe some you know that's in dispute by a lot people. If there was a pump, some of these are coalbed methane wells, there should have been a declining amount of use of the pump as the water was pumped off. If they are using some of the gas to run that pump,

why don't these numbers decline. Well, you can look back at those same sheets and you can see that the percentage varies, well, we'll just look at item number C for an example, it's a negative 6.28% for the four months production in 2002. For 2003, it's 6.599%. It's 5.799% for 2005. 5.94% in 2006 and through October of 2007 it jumps back up to 6.80%.

There has got to be an explanation. I think the State has an interest in getting this explanation clarified and made right by all parties. So, I have asked the Board here to please direct the Office of the Attorney to look into this and get the full explanation. The Bakers have never been notified at all about any production that was taken from the well head for any other purposes. If they have transportation of getting the pipeline to the point of sale, yeah, there can be some loss there, but that's not the Bakers concern if they have a pipeline leak. But if they are taking the figures that they sell into the market and reporting that to the Bakers, that should explained to them. I welcome your questions.

BENNY WAMPLER: What have your Lessor...what did your Lessor tell you the reason for any discrepancies? I'm sure you asked Equitable what...to explain it.

CHARLES BARTLETT: I asked Mr. Wilson and asked

him to write Equitable and he did, and you see that letter--  
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BENNY WAMPLER: I understand that. But did  
you...have you talked...yes, have you talked to them?

CHARLES BARTLETT: I have not talked to them  
directly. No, sir.

BENNY WAMPLER: Okay. All right. Questions from  
members of the Board?

MARY QUILLEN: Mr. Chairman, I just have one  
question.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: About these reports to the Bakers,  
who reported that to the Bakers? Do you know?

BENNY WAMPLER: That comes on the checkstub or the  
check is attached to their report listing---.

MARY QUILLEN: And the check comes from---?

CHARLES BARTLETT: Equitable.

MARY QUILLEN: Equitable. So, that information is  
reported on their royalty checks from Equitable?

CHARLES BARTLETT: Yeah, this...this exactly what  
they get. This one I could have copied, but it's several  
pages when they made their release on these four wells on  
August the 7th. And---.

MARY QUILLEN: That answers my question. Thank

you.

CHARLES BARTLETT: Yeah.

BENNY WAMPLER: Other questions or comments?

(No audible response.)

BENNY WAMPLER: I guess, you know, first this is a private lease. I'm not trying to diminish your concern for the discrepancy in numbers, but in some ways from the standpoint of...well, I guess, in every way from the standpoint of the Board injecting itself into a private lease matter, that's something we don't do. From the standpoint of a discrepancy in reporting, perhaps there's another step that could be taken. We've asked the company to certify what was reported. We haven't compared that to the locality...what was reported to the locality. We could do that because, you know, Mr. Wilson's office is the State insofar as the State record goes.

CHARLES BARTLETT: Correct.

BENNY WAMPLER: So, there's not another record there, but there is a locality reporting that we could look into. But as far as trying to reconcile those numbers on a private lease, just from my standpoint, I would...I would think our jurisdiction wouldn't extend that far.

CHARLES BARTLETT: What about when they are reporting more the Bakers than they are to the State where

you're possibly losing some tax moneys that are due?

BENNY WAMPLER: Well, I mean, you're asking for an Attorney General investigation---

CHARLES BARTLETT: Yes, sir.

BENNY WAMPLER: ---and that's something that will just be up to the Attorney General. It's something this Board can't order.

SHARON PIGEON: Well, as I told...when he spoke with me about this, I believe that the Attorney General's office...although it has not been presented to him formally, I believe they would ask this Board to take whatever action that they can take under their authority as a first step. I see Mr. Grantham here who may have something to say, but at the minimum I think the Board has the authority to put this on the docket and receive information on both sides of it, but they are not, obviously, as you've already pointed out, going to interpret a lease. That's beyond the authority of this Board.

CHARLES BARTLETT: Yes, ma'am.

SHARON PIGEON: The Attorney General's office would not do that either. So, that's not an issue here.

BENNY WAMPLER: Yeah, I just wanted to get that part clarified that we wouldn't do that. Mr. Grantham, did you have a comment to make regarding this?

JERRY GRANTHAM: I would like to make, I guess, a couple of comments, if I might, since Pine Mountain was addressed. Just so it's on the record, we did in fact release the royalties on these specific wells, which I believe were five wells, so that the...because of a contractual agreement that Pine Mountain has directly with the Heirs. The other wells that Mr. Bartlett has referred to that we have not released royalty on, there is no contractual agreement on those specific wells and we---.

CHARLES BARTLETT: I didn't mention anything about any other wells.

JERRY GRANTHAM: Well, I think you made the comment that we had not released some royalty to your clients on other wells.

CHARLES BARTLETT: I don't recall. Maybe I did.

JERRY GRANTHAM: Okay. Well, then, I guess I---.

CHARLES BARTLETT: You know they don't know that though.

JERRY GRANTHAM: And as a large royalty owner, if I might, I'd like to make a comment about what I see here because we have a very...we probably have the largest royalty interest in Dickenson County and Equitable in a lot of cases is the Lessee and, therefore, paying us the royalty. If I look at these numbers and I haven't...this is

the first time that I've seen them and I'm not trying to get into the middle of someone else's fight here, but just my comments from a royalty owners' standpoint, the number difference that I see here and here appears to me to be this is a produced number whereas this is probably what we call a sale's number. The difference, if you look on the percentage for most of these, is somewhere in that 5 to 6% range. We call that...the term we use for that, it's probably not a great term, is shrink. The reason, I think, Mr. Bartlett brought up, one is compression, we run a lot of compressors or I should say Equitable does, we do on our projects that burn gas and they burn gas out of the field. Now, I'm not...I'm not trying to address anything about a specific lease here or what rights people have. I'm just saying to me that's what I see is a difference.

These two years where actually they were paid a larger volume than was reported to the State I have no idea. I won't...I won't comment on that. But I can tell you as probably the largest royalty owner in Dickenson County, our shrink numbers are about 6%. I think if you look at that, it's pretty close to that is an average between these two. So, that part of it, at least from my standpoint, it looks like it would make sense. The other numbers, I don't know, but they seem to be very different.

CHARLES BARTLETT: That may be the answer to the smaller amount.

JERRY GRANTHAM: Yeah, yeah.

CHARLES BARTLETT: I don't know. It has never been reported or explained or any numbers sent to the Bakers for that use and it should be. If you take something from somebody, you tell them why.

JERRY GRANTHAM: I agree.

BENNY WAMPLER: Mr. Wilson, do you have any comment?

BOB WILSON: Yeah. Dr. Bartlett and I have had numerous conversations about this, of course, and have looked for ways that we had any jurisdiction over this that we could help solve the problem. There are multiple things here. Number one, because they are...their interest are leased, they are subjected to the terms and conditions of that lease and thus we don't have any authority to...if they were pooled by the Board, then we would have authority to go in and extract these explanations and this sort of thing. But virtue of the fact that they have signed a private agreement with Equitable, that takes us out of that aspect of it. In order to get information relative to his lease, I think he would have to deal with Equitable on that. Now, if you looked at the letter that I exchanged with Equitable as

a result of our...Dr. Bartlett and my...our conversations, this was basically the extent of the Division's authority as I see it. We require production. We require it to be well head production, which again may be different than sales figures. Well head production is supposed to be the amount of gas that comes out of the ground. What happens to it when it gets into the interstate system or between those two points is a different thing. In Virginia, the taxes that are paid on the gas...severance taxes go to the Counties. We require that...our law requires that production that is reported to the Division of Gas and Oil is also reported to the counties. We have always answered the counties' questions when they have called to ask us for our reporting and copies of our production and that sort of thing. We've never thought of it as being our responsibility to see that they were getting how much they were supposed to get. The State itself doesn't get any of the severance taxes, of course. Now, there are other taxes that are involved there, but mostly equipment taxes and that sort of thing. So, we had kind of over the years drawn our limits of authority at collecting the production, ensuring that, to the extent we could, that we were getting true and accurate well head representation of the production and then the counties are free to use our numbers to check theirs. But we've never

thought that we were responsible for verifying that the counties were getting what they wanted.

BENNY WAMPLER: Well, I guess, you know, I'll just offer one response, first, may we have liberty with this information that you've provided us?

CHARLES BARTLETT: All of it is yours. Yes, sir, that copy was made for you to use.

BENNY WAMPLER: Then I think we ought to write Equitable a letter from the Board and ask them to present to us regarding these wells what they...what they reported to the locality and they had certified what they reported to us and explain the difference of what they've reported to the Lessee.

BOB WILSON: They have actually certified that what they reported to us is what they are reporting to the counties.

BENNY WAMPLER: I understand. I don't think we have to get them to do that again. But you can just remind them of that in a letter and that the Board would like to know what...what the difference because it has been presented to the Board at public comment.

CHARLES BARTLETT: I would have to add that there's the potential that there are hundreds and thousand possibly of people there are affected by this. My records

are just what I can get for my clients.

BENNY WAMPLER: I understand. I understand. And there may be a rational explanation for this and you just don't have it.

CHARLES BARTLETT: No.

BENNY WAMPLER: And I don't know what the explanation would be of the no reporting.

CHARLES BARTLETT: I want to be fair and I would like for them to be fair to us.

BENNY WAMPLER: Right. Does that sound reasonable to you what I suggested?

CHARLES BARTLETT: Will that do it?

BENNY WAMPLER: I don't know. I mean, it will give us information. They will respond to us.

CHARLES BARTLETT: Okay.

BENNY WAMPLER: But whether it will satisfy you or us, I can't say until we get the response.

CHARLES BARTLETT: We'll find out when we get the response.

BENNY WAMPLER: But we have this information that we can provide them that was presented to the Board during public comment. Does that make sense to the Board?

CHARLES BARTLETT: I can calculate that for another fifteen or twenty wells.

BENNY WAMPLER: Pardon?

CHARLES BARTLETT: I can calculate also from my records for another fifteen or so wells. So...but go ahead with that as a starter.

BENNY WAMPLER: Well, we'll present what has been presented to us and, you know, if that opens the door then for you to resolve the others, then we'll hopefully do that.

CHARLES BARTLETT: I hope so.

BENNY WAMPLER: Thank you.

CHARLES BARTLETT: Thank you.

BENNY WAMPLER: Any other public comments?

JOHN SHEFFIELD: Just one.

BENNY WAMPLER: State your name, please.

JOHN SHEFFIELD: John Sheffield, land owner, Buchanan County. In April the 18th, 2006 Board hearing, we had a repool of EE-13 and EE-14 and there were some percentage changed in my ownership. At that time, I was afforded elections by the Board. The final order on those two 80 acre units was July of '06. I did get EE-13 a notice of...you know, if I wanted to participate, sign a lease, you know, I got my elections. So, my brother and I both chose...elected to participate and we sent our money and it wasn't a very large one. But that's what we chose to do. So, we sent our money...that was in December of '06.

The year has gone on and I really didn't follow it because I had a lot of other things I was doing and I never remembered getting an election for EE-14. I guess I'm going to ask Mr. Wilson, what's the procedure of that when you're...the final order...you know, you come and you have...you're afforded your elections. Bob does that...I'm sorry to the bother you, but does that...how long of a period of time does that kind of go through as far as your elections and...I misunderstand---

BOB WILSON: If there's---

JOHN SHEFFIELD: I mean, you have thirty days once you get it. I understand that we did that.

BOB WILSON: Yes.

JOHN SHEFFIELD: That's fine. But, I mean, from the time the final order to the time that you get your elections?

BOB WILSON: Oh, your elections are effective as soon as you file them. Now, the procedure---

JOHN SHEFFIELD: I mean, when do they have to notify, is that a year or---?

BOB WILSON: The procedure is that after the elections are made, then this thing that we were talking about earlier of supplemental order has to be---

JOHN SHEFFIELD: Okay.

BOB WILSON: ---has to be filed, which actually shows the status of all of the people who were force pooled and what their elections were. That would be what's actually recorded at the Courthouse that will make your elections official.

JOHN SHEFFIELD: Yes, sir.

BOB WILSON: But your election...but your election is official as of the date it's received by the company. In other words, if they are already producing the well---

JOHN SHEFFIELD: Right. And was...yes, sir.

BOB WILSON: ---chances are you will not get any proceeds until that supplemental is executed.

JOHN SHEFFIELD: Okay. What's the time frame on a supplemental normally?

BOB WILSON: Well, there are not any exact time frames and sometimes they get a little strung out---

JOHN SHEFFIELD: Okay.

BOB WILSON: ---for various reasons because sometimes the companies are pursuing individuals for leases and that sort of thing and are trying to include those parties that is they are able to lease them voluntarily in that supplemental and dismiss them from the pooling order. So, there are various reasons that they get stretched out. Sometimes there are ways down the road. Sometimes we get

them within a couple of months.

JOHN SHEFFIELD: Okay.

BOB WILSON: But, usually, a supplemental you can plan a minimum of six months before it ever gets executed.

JOHN SHEFFIELD: Okay. Well, I don't believe there has been a supplemental. We now, I think, are moving in the right direction. I have had communication, but it did take quite a while. I knew that, you know, it was under Board order to do that. EE-14 I was not afforded elections, but I'm to understand now that I haven't received it yet, but it will be coming. So, I'll just wanted to let you know that Board business and how it has been moving. Okay, and that---.

BOB WILSON: Yeah. The EE-14, as I'm...if I'm aware of it, if I'm remembering the proper one, I believe there was a mistake in the original order that was sent out or something and that that is being remailed to allow you to get your---.

JOHN SHEFFIELD: Well, we...well, that was the one that derived from the '06. I've never received anything on elections---.

BOB WILSON: Yeah.

JOHN SHEFFIELD: ---under EE-14.

BOB WILSON: Yeah. And I think that is being

taken care of. I'm not for sure about that.

JOHN SHEFFIELD: Okay. I just want to make sure on the time frame and how that's supposed to work. Thank you all for your time. I appreciate you.

BENNY WAMPLER: Other comments?

(No audible response.)

BENNY WAMPLER: Hearing none, the hearing is closed. Thank you. Thank you, Board members.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 14th day of February, 2008.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: August 31, 2009.