

IN THE COUNTY OF WASHINGTON

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

JULY 15, 2008

APPEARANCES:

BOARD MEMBERS:

BENNY WAMPLER - CHAIRMAN
MARY QUILLEN - PUBLIC MEMBER
BILL HARRIS - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER
DONNIE RATLIFF - COAL REPRESENTATIVE
BRUCE PRATHER - OIL & GAS REPRESENTATIVE

CHAIRMAN:

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN
DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND
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BENNY WAMPLER: We'll get started. My name is Benny Wampler. I'm acting 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: Mary Quillen. I'm a public member. I'm Director of Graduate Programs for the University of Virginia here at the center.

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

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

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

DONNIE RATLIFF: I'm Donnie Ratliff with Alpha Natural Resources representing the coal.

BRUCE PRATHER: I'm Bruce Prather. I represent the oil and gas industry.

DAVID ASBURY: Good morning. I'm David E. Asbury, acting Director of the Division of Gas and Oil and principal executive to the Staff of the Board.

BENNY WAMPLER: Thank you. The first item on today's agenda is a petition from Katherine Jewell on behalf

of Buck Jewell Resources, LLC appealing the decision of the Director of the Division of Gas and Oil regarding the informal fact finding hearing IFFC-21308. This is docket number VGOB-08-0617-2237. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

KATHERINE JEWELL: I'm lacking one attorney. Can you...do you have other people go? My attorney has not shown.

BENNY WAMPLER: Yeah, they'll be here. We'll go ahead and wait.

KATHERINE JEWELL: Thank you.

BENNY WAMPLER: But you know when they come, you know, they'll have to wait until I get to you again.

KATHERINE JEWELL: Yeah. I understand.

BENNY WAMPLER: Give me a signal. The second item today is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit U-20. This is docket number VGOB-08-0617-2240. This is continued from June.

MARK SWARTZ: Mark Swartz and Les Arrington on behalf of the applicant.

BEN STREET: Good morning, Ben Street. I'm here on behalf of Mr. Street, the trustee.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: Swear Les.

(Leslie K. Arrington is duly sworn.)

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 us, please.

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 the Director of Environmental and Permitting.

Q. Who is the applicant here?

A. CNX Gas Company.

Q. And who is the applicant requesting be appointed the Board's designated operator in the event this application is approved?

A. CNX Gas.

Q. 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. Has CNX Gas Company LLC registered with the DMME specifically with the Division of Gas and Oil?

A. Yes.

Q. Has CNX Gas Company, LLC posted the bond or filed the bond as required by law with regard to reclamation of their activities?

A. Yes, it has.

Q. What kind of unit are we talking about here?

A. This is an Oakwood 80 acre unit.

Q. And how many wells are proposed for this unit?

A. Two wells.

Q. Where are they in relation to the window?

A. Both of these wells are outside of the drilling window. We had previously gotten the location exceptions for these wells.

Q. Okay. What did you do to advise the respondents that are listed in the application of the hearing today?

A. We mailed by certified mail return receipt on May 16, 2008. We published in the Bluefield Daily Telegraph on May 27, 2008.

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

A. Yes, we have.

Q. And in that regard, when the notice was published in the paper what appeared in the paper?

A. The Notice of hearing and location exhibit.

Q. Okay. And the location exhibit is A-1---?

A. Yes, it is.

Q. ---in the packet that the Board has? Do you wish to add any people as respondents today?

A. No.

Q. Do you wish to dismiss either of the respondents that you've listed?

A. No.

Q. What interests have you obtained in this unit and what interests are you seeking to pool?

A. We've acquired 96.55% of the coal, oil and gas owner's claim to coalbed methane and we're seeking to pool 3.45% of the coal, oil and gas owner's claim to coalbed methane.

Q. Have you provided cost estimates with regard to the two wells?

A. Yes, we have. For U-2- it's \$277,776.01. On U-20-A it's \$258,537.85. For a total of \$536,313.86.

Q. What are the permit numbers with regard to these two wells?

A. U-20 is 1744 and U-20A is 1702.

Q. And those are the depths, right?

A. I said depths, I'm sorry. No permits, I'm sorry. No permits.

Q. Is escrow required?

A. No.

Q. Are there any split agreements?

A. No.

Q. Are both of these wells supposed to be frac wells?

A. Yes.

Q. What lease terms have you offered to the people that you've been able to lease from?

A. Our standard coalbed methane lease is a dollar per acre with a five year pay up term with a one-eighth production royalty.

Q. And are you...would you recommend those terms to the Board to be inserted in its order, if any, with

regard to the terms to be applied to folks who are deemed to have been leased?

A. Yes, we would.

Q. Is it your opinion that drilling two frac wells within this Oakwood unit at the locations depicted on the plat is a reasonable way to develop the coalbed methane resource from within and under this unit?

A. Yes, it is.

BEN STREET: Objection, I believe that calls for a legal conclusion.

BENNY WAMPLER: Sustained.

MARK SWARTZ: With all due respect Mr. Chairman, it's an indication by a person in the oil and gas business that it's a reasonable...in his opinion it's a reasonable way to develop the resources, which is just saying this is a reasonable way to do the job.

BENNY WAMPLER: Ask your question in a different way.

Q. Mr. Arrington, is drilling two wells in this unit, as you've depicted them on the plat, in your experience, a reasonable way to produce coalbed methane from an Oakwood unit?

A. Yes, it is.

Q. You indicated that you had been able to

obtain location exceptions and I was wondering if you could tell the Board how it was that that occurred?

A. This is due to existing...two reasons, one it's due to...it's overtop of the old Beatrice mine works and two we got locations that were trying to use existing strip benches.

Q. And did you share maps with regard to that with the Director when you---

A. Yes, sir.

Q. ---when you applied for the exceptions?

A. Yes, we did.

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

BENNY WAMPLER: Mr. Street.

CROSS EXAMINATION

QUESTIONS BY MR. STREET:

Q. Mr. Arrington, with regard to the recommended lease terms that you testified to, those were a dollar per...a bonus per acre and five years paid up front?

A. Yes.

Q. Do you have any knowledge about what the fair market value is or the fair market price for a bonus payment per acre in this particular field?

A. Yes, that's our standard term.

Q. I'm not asking you what your standard term is, I'm asking you what the market is doing these days, if you know.

A. To my knowledge, that's our standard term that we use for coalbed methane.

Q. Do you know what any of your competitors are paying for a bonus for one acre in this field?

A. No, I do not.

Q. You don't know what GeoMet is paying or you don't know what Equitable is paying?

A. No, I do not.

Q. All you know is that this is what you're paying?

A. That's correct.

Q. And is the one dollar per acre what you've been paying for almost twenty years?

A. Yes, sir.

Q. And there's been no adjustment for inflation?

A. No.

Q. And during that time period has the price of coalbed methane gas gone from three dollars to over ten dollars?

A. The price has gone up substantially.

Q. What was it in 1991?

A. I don't know.

Q. When did you start working for CNX?

A. CNX? CNX has only been in business about approximately three or four years.

Q. What is the first time period that you became involved in the coalbed methane gas industry?

A. 1991.

Q. Okay. What year is the first year that you remember knowing what the price of coalbed methane gas was?

A. 1991.

Q. Okay, and what was it then?

A. It was in the neighborhood of a dollar...dollar fifty.

Q. And what is it now?

A. I haven't looked at it recently.

Q. Is it...has it been twelve to fourteen within the last three months?

A. I believe it has...the stock market has.

Q. At any time during the period of time that it went from a dollar to a dollar fifty in '91 until this year when it was twelve to fourteen has CNX paid more than a dollar for a bonus per acre?

A. For coalbed methane?

Q. Yes, sir.

A. To my knowledge, I don't think so and I...again, that's to my knowledge.

Q. Is there anyone else here from CNX today that would be in a better position to testify as to what the fair market value for a bonus payment on an acre to be used to produce coalbed methane is?

A. No, sir.

Q. What is the estimated total production of coalbed methane gas from this particular unit?

A. 125 to 550.

Q. Those are the figures that you've included in your application?

A. Yes, it is.

Q. Those are the figures that you've provided to Mr. N. D. Street and Mr. H. A. Street?

A. They would be, yes.

Q. Are those figures that you have developed in reference to this particular unit or are those just average figures that you use with regard to all the units in this field?

A. I'd say it will be kind of cross the field, but these units could have the potential to be a

small...maybe smaller because they are above mining.

Q. Smaller than 125?

A. It could be. We're still...this area we're testing.

Q. Okay. When will you have the testing complete?

A. As we drill each one of these wells it's a...you may or may not get gas in these wells above the mining like that.

Q. Okay. Are you doing...are you taking measures to test for the quantity of coalbed methane gas beneath this unit separate and apart from the two wells that you're proposing or is that part of your test? You said your testing that?

A. Yeah, as we drill each well. I mean, if these type wells start turning out to be complete and economical then we'll slow down at drilling these wells until we can capture more gas from above the Beatrice mine.

Q. Okay. Is CNX doing anything else separate and apart from drilling these two proposed wells in order to ascertain what volume of coalbed methane gas is produceable from this unit?

A. Not from this unit, no.

Q. Okay. Has CNX done anything to try to

ascertain that?

A. Not to this date.

Q. Where did these figures come from 125 to 550?

A. That's what we ascertained across the field to date, just across the field.

Q. And are those the same figures that CNX uses on every---?

A. Yes, sir.

Q. ---pooling application?

A. Yes, sir.

Q. And those are the figures you've used on every pooling application for several years?

A. Yes.

Q. Are you drilling or producing from any unit directly adjacent to this proposed unit?

A. Yes, sir, we are.

Q. What are those numbers?

A. I don't have that with me.

Q. How many different units surround this particular unit?

A. How many different units surround this one, eight.

Q. Eight. How many of those are you producing?

A. I don't have that with me.

Q. Do you know what your production rate is from any of those units?

A. Again, I don't bring those numbers with me.

Q. Okay. If we had those units, would that help the Board and would it assist Mr. Street in estimating what the anticipated production might be from this particular unit?

A. Well, it certainly would assist him in making his calculation if he would prefer to participate at which point you indicated that prices have gone up substantially and if he were to go to the Gas and Oil office he could collect all the data surrounding this well from the production reports there.

Q. Okay. But isn't it true though that CNX is required to convince the Board that this is a reasonable way to produce the gas and that it would protect the rights of the other interest stake holders and isn't it CNX's obligation to do that and not Mr. Street's?

A. Well, it's our obligation to give the Board the information they need to pool the unit. However, it is not our obligation to do his homework to see if he would prefer to participate in this unit.

Q. Okay. So, you believe that it's Mr.

Street's obligation to figure out how much gas this unit will produce by going to the DMME office and check in surrounding areas for production rates?

A. If he wants to participate in this well it's up to him to do his homework.

Q. And his decision to participate is dependent upon what he thinks (A) the cost of production is going to be and (B) the anticipated amount of gas that will be produced, right?

A. That's correct.

Q. Because he's going to take---

A. From the---

Q. ---he's going to take the volume of gas that's anticipated to be produced, multiply that times the gas price and then subtract from that what the cost is going to be?

A. He could do that, yeah.

Q. In general terms. So, it's important for him to know what the anticipated production is going to be?

A. It would.

Q. If you produce the 125, will this unit render a profit or a loss?

A. I don't have that calculation...those calculations with me today.

Q. And if you're not able to make that calculation, is there any way that Mr. Street can do that?

A. I'm not sure. He could certainly call and we could help him do that.

Q. You said you're going to produce from two wells proposed in this unit?

A. Yes.

Q. Is that going to increase the overall gas production from this unit?

A. We hope.

Q. Do you know by how much?

A. No, I don't.

Q. Do you know whether the anticipated increased production is going to justify the additional costs of the second well?

A. We hope it does.

Q. Do you know one way or the other?

A. We've had success with that in the past.

Q. In this particular area?

A. Yes.

Q. In one of these adjacent units?

A. Without a map for that, yes. Yes, I just happened to look back down there, yes.

Q. Which unit is that?

A. T-20 and T-21. That's all the ones that shows up on the map.

Q. Do each of those units have two wells?

A. Yes.

Q. I know that I asked you this, but if you remember new information I want to make sure I don't miss it, okay. Do you know on 220 how much those two wells have produced?

A. No, I don't. And that's T-20 unit and T-21 unit.

Q. Okay. That's all the questions I have.

BENNY WAMPLER: Any redirect, Mr. Swartz?

MARK SWARTZ: Yes.

REDIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, would you agree that the one-eighth royalty on a dollar of gas is twelve and a half cents?

A. That's correct.

Q. And would you agree that a one-eighth royalty on ten dollar gas would be ten times that amount?

A. Yes.

Q. And is the one-eight royalty the part of

the lease or royalty equation or payment equation that responds to market forces?

A. Yes.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further, Mr. Street?

BEN STREET: I have comments and argument if I could do that now?

BENNY WAMPLER: Do you have anything further, Mr. Swartz?

MARK SWARTZ: Not at this point.

BENNY WAMPLER: Okay. You may go ahead, Mr. Street.

BEN STREET: One of the burdens that CNX has to carry today is to show the Board or to illustrate to the Board how the interests of the property owners affected by this pooling application will be protected. I submit to the Board that that has not happened. There has been no testimony as to what the fair compensation rate would be for someone who does not choose to be a participating producer. I also would suggest to the Board that there should be enough information contained in the application and

presented to the Board today to allow someone such as Mr. Street to make an informed decision about whether in fact to participate or not. And there has not been information provided to allow him to do that. Mr. Arrington can't even do that today. So, I believe that it would be patently unfair to go forward at this time without requiring or allowing CNX to put on more information at a later time. The one dollar bonus is, as Mr. Swartz I think his intimating, probably insignificant in the overall scheme of things and maybe not. We don't know because we don't know what the fair market is. If it's a thousand dollars an acre it's not insignificant. If it's two dollars it may be, but there's no evidence as to that today. But the more important point that it establishes is CNX is coming in today and saying these are the rates that we have been able to force upon people for the last twenty years. It does not reflect an increase or an adjustment for inflation and I think that the Board is able to look at inflation over the last fifteen or twenty years at an average of three percent that realize that the one dollar is actually more like twenty-five cents in terms of 1992 dollars. That is per se evidence that that is an unfair value. It has to be unless it was patently unfair in 1992 to CNX. It has to be unfair today to the property owners. So, that is one indication as

to why there's insufficient evidence and I do believe it would be a due process violation to go forward and allow this error to be permitted as a pool because the property owners affected have no idea how to decide what to do. They simply don't know. They don't know if it's going to be 125 or 550. CNX has made no effort to determine what that's going to be with regard to this unit. It has been suggested that that is now the property owners' obligation to figure out what CNX can produce from its own unit and I hope the Board will reject that contention because that is not what this Board was put in place to do. That's not the statutory mandate for this Board to protect other property interest owners and I would ask that the Board today to either deny the permit outright or continue it to give CNX an opportunity to put on some evidence to address these shortcomings. Thank you.

MARK SWARTZ: As I understand Mr. Street's two arguments, I'll take the second one first because it's easier. He suggests that operators have an obligation to come before this Board and help people that they are pooling make an investment decision. That has never ever been the case. It is not Mr. Arrington's obligation or his companies obligation to come in here and do the math for someone to help them decide whether or not they want to participate in

this unit. The math is pretty simple. If Mr. Street wants to do the math, he can take his percentage which is set forth in the application as 3.45%, he can multiply that times \$536,000 in change and he will then know what his price of admission...what the ticket he is going to be buying. He can then make assumptions with regard to how much money will be produced if the low end of the estimate occurs. You can say I think gas going forward is going to be five dollars in the future and I'm going to multiply that times the 125 and I'm going to get a number and then I'm going to compare what I have to pay to participate in this unit to that low end number and if I don't like the comparison and that disturbs me I may not participate. He can also be an optimist. He can say if this thing works out great I'm going to do the same math for the high end and see if that makes sense. He can also perhaps have the thought, you know, it might not even get to 125. There has never been and there is no requirement under the statute or the regulations placed upon an operator the obligation to help people make risky investment decisions. Mr. Arrington's comments with regard to people who want to make investment decisions have free access to production information on the eight adjoining units to the extent that there are wells in those units at the DGO...the Division of Gas and Oil office.

They can look at those records and they can make assumptions that maybe wells in this unit will do as well or better or worse than those adjoining units. They can make those assumptions. But the operators are not going to come in here and tell people this is what this well is going to do or this is what these two wells are going to do because nobody knows what they are going to do. If we were to start to telling...if the Board were to start telling people or operators were to start telling people this is what's going to happen in this well I guarantee it's never going to happen. So, they may have further problems litigation with regard to what we relied on your estimates. We relied on you telling us we were going to make money on this well, that's not how this works. There's absolutely no obligation on Mr. Arrington's part to go there or to do that. We've supplied sufficient information for Mr. Street and his lawyers to figure out what's the participation costs, what is the low end number and what's the high end number if we assume this or that price. We've given them plenty of information in that regard.

With regard to whether or not the one-eighth royalty that is proposed is a reasonable number, we know that Mr. Street is not suggesting it's not. So, he apparently is focused on five years at a dollar an acre and

he has offered no testimony whatsoever to suggest that is unreasonable. Mr. Arrington's testimony is that they have leased 96% of this unit on those terms. To me, that is evidence of fair market value. He has testified in the past as recently as last month with regard to similar instances of significant leases by this company in this market on those terms. So, I would suggest that there is nothing to indicate that a one-eighth royalty is not a fair market royalty at this point. And there is nothing to indicate that one dollar on a delay rental in a CBM unit is an unreasonable number either, so that's my response with regard to his two arguments.

BENNY WAMPLER: Mr. Street?

BEN STREET: I'll be brief. With regard to the second issue that has been addressed, I would certainly object to any consideration of evidence that has been presented in prior hearings which Mr. Swartz has eluded to. As with regard to today's hearing, there was no evidence as to when the other 97% was leased. If it was leased in 1992, that would make sense because that may have been the fair value in 1992, but it's not today.

With regard to the first point that Mr. Swartz made, I think Mr. Swartz may be forgetting what's going on here. This is not Mr. Street saying I would like to produce

my gas. He didn't say that. He got a letter in the mail that said we're going to take your gas, we're going to take it, we're going to drill for it and we're going to go sell it and you don't have a choice. That's different than someone coming to me and saying, okay, I'm going to take your money out of your bank account and go invest it for you. Well, if they're going to do that and if they have a right to do that I want to have some good information about what they're going to do with my money, where are they going to invest it, what's the rate of return on it, what's the likelihood of success on it. It's not my obligation when they come to me and say we're taking your gas, we're going to produce it and we're going to sell it, it's not my obligation to go out and search out everything about their business, their likelihood of success, their risk factors, their expense rates, their range of production went from 125 to 500 which is like a 90% range of difference. That's unfair. It's not me on equal footing coming to the table and saying I want to invest. I'm an unwilling participant. So, that's a total different situation. If they don't have to put any of that stuff in there as Mr. Swartz is suggesting perhaps they shouldn't. Perhaps they shouldn't put anything in the application except to say we're taking your gas, we'll send you a check. They do put that stuff in

there and there's a reason they do and that's to give the applicant an ability to make an informed decision. But if the figures are all figures that they simply put in there as a form where is...what's the point now? Thank you.

MARK SWARTZ: Mr. Street's comment that we've somehow forgot what's going on here is the complete reverse of what is actually going on here. This law was passed in 1990 to precisely address this issue. This law was passed in 1990 so that somebody who has 3 and a 1/2% of the unit can't tell the people who have 96.5% of that unit I am going to deny you an opportunity to develop your gas. This law was passed in 1990 to prevent the tail from wagging the dog. That's the whole point. 96.55% of the people in this unit want to develop their gas and want to receive money for it. Apparently, the only...and I'm not...Mr. Street is not here, but his lawyer presumably speaks for him, 3.55% of the folks in this unit don't want to. Well this law was passed to facilitate coalbed methane development in this state. This is precisely..this is a perfect example of why the law was passed and it is...you know, we're not forgetting what's happening here. 96.55% of these people want to move forward and 3.5% of the interests in this unit is not going to prevent that. That's the whole reason behind the law. And then the question becomes Mr. Street and his trust have an

opportunity to lease, they have an opportunity under the statute to be carried and they have an opportunity to participate. They don't have to do any of those things. But if they want to participate, there is information available to them to make a business decision. If they want to be carried there is information available to make a business decision. If they want to be leased they've got that option. So, I don't think, you know, we certainly aren't forgetting what's going on here. We're here because this law was passed to facilitate development under precisely these circumstances.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, let me just ask Mr. Arrington a question about the figures and I realize these are estimates and I understand that use as a word. The 125 to 550 when you said that it's based on the field. Are these from engineering studies that have been done in the past?

LESLIE ARRINGTON: Yes.

BILL HARRIS: And also...and you're saying based on the distribution of the gas are you saying some areas may produce 125, some 550 or is this...I mean is this done from a mathematical equation based on what you all had tested or

is---

LESLIE ARRINGTON: It comes from our field wide average.

BILL HARRIS: So, drilling records...well, not records but from your experience in drilling other wells in this field then this is a reasonable range?

LESLIE ARRINGTON: It is a reasonable range and we've had them to go beyond that range and we've had above the 550, we've also had a few that's been below.

BILL HARRIS: And there's nothing consistent about the ones below that you could say if they are in a certain region they're all...I mean, I know again at the (inaudible) at the edge of those that usually the pool thins and of course you're not going to get as much?

LESLIE ARRINGTON: Nothing in particular without more maps to discuss from...nothing in particular that I can remember.

BILL HARRIS: One other question, I think there was a question about the testing from the wells. It's normally the production figures that you get are after you drilled a well there's no testing that you just drilled.

LESLIE ARRINGTON: That's---

BILL HARRIS: I mean, we don't drill like a little core hole and see what the gas is?

LESLIE ARRINGTON: No. No, we don't. And do we drill core holes and do some testings, we have in the past but not in this area.

BILL HARRIS: And so what you're suggesting though is what might be reasonable is to look at those eight units that adjoin this unit, the sides----?

LESLIE ARRINGTON: Absolutely.

BILL HARRIS: ---and the corners, and just look at average production from those and you know the only thing we could do I guess is assume that the production here would be comparable to that?

LESLIE ARRINGTON: That's correct.

BILL HARRIS: Okay. Let me also ask you about the multiple wells per unit because I know we've had evidence in the past that that does seem to...and I'm not trying to put answers in your mouth but that does seem to increase production overall, but it is quicker, is that....let me rephrase that. the total production, I guess, comes in sooner if there's more than one well? I mean, we talk about the pressures and how that releases more---?

LESLIE ARRINGTON: Well, we will recover the gas quicker. Does it..a second well only increases your reserves a smaller amount though. But you will your recovery reserves in...at quicker rate.

BILL HARRIS: Okay. Okay. But, again, the 125 to 550 that...the one thing I guess that does bother me about that is being such a wide range. But, again, that's based on what you've seen---?

LESLIE ARRINGTON: What we've seen.

BILL HARRIS: ---in the field?

LESLIE ARRINGTON: Yes, sir.

BILL HARRIS: Okay, thank you very much.

BENNY WAMPLER: Other questions from members of the Board? Mr. Prather?

BRUCE PRATHER: Mr. Chairman, it would appear to me that if you were required to give the figures that the gentlemen is asking for you would automatically lowball it because that's in your best interest. I mean, his figure should be something that he can substantiate to you and if I were in your position I would lowball it. I mean, that's...that's my opinion.

LESLIE ARRINGTON: Okay.

BENNY WAMPLER: Other questions or comments from the members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---for Mr. Arrington. When you

were talking about the range 125 to 550, this is in that Oakwood unit, right?

LESLIE ARRINGTON: Yes, ma'am.

MARY QUILLEN: In the Oakwood field, I'm sorry.

LESLIE ARRINGTON: Yes, ma'am.

MARY QUILLEN: In the Oakwood field. And in all the units, do you have any just off the top of your head idea of how many wells that you all have currently have drilled in the Oakwood field?

LESLIE ARRINGTON: No. I mean a lot. The answer would just be a lot, yes.

MARY QUILLEN: A lot. Okay. And this 125 to the 550 is the range average...of the range between...across the whole---?

LESLIE ARRINGTON: Yes, it is.

MARY QUILLEN: ---...across the whole field---?

LESLIE ARRINGTON: Yes, it is.

MARY QUILLEN: ---with some outliers?

LESLIE ARRINGTON: There are some outside there too.

MARY QUILLEN: Okay, thank you.

BENNY WAMPLER: Other questions from members of the Board?

BILL HARRIS: Well, Mr. Chairman, let me just

ask---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---one last question about the dollar per acre and we'll return to that and I know that that's what has been paid for some time. Do you anticipate that change at any time?

LESLIE ARRINGTON: In our coalbed methane field, no.

BILL HARRIS: Do you know if other companies---

LESLIE ARRINGTON: No, sir, I do not. I don't know what the other companies are paying.

BILL HARRIS: Okay. Well, because I just...well, because I know we've done this for some time and the dollar per acre has been the standard amount. But I sort of agree when you look at the price of gas increasing you would think that everything else would follow suit. I don't know that that's an accurate business model, but when you look at expenses of course you try to keep those low in terms of business. Do we have any evidence that other folks are paying a different amount? I know in other parts of the country they are, but---

BENNY WAMPLER: We've had testimony if that's what you're talking about. You know, direct knowledge, no, I don't think we would. But we've had testimony of higher

amounts.

BRUCE PRATHER: May I make a comment, please?

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: You know, if you're getting a well drilled on you and this comes up the well obviously is going to cost the operator more than say the up front money. Really the up front money is used when there is no obligation on the operator to drill. So, he just take a lease and pay you so much an acre and maybe drill your well. But you're drilling in the well basically for his interest and so the well really is where the money is going to come from.

LESLIE ARRINGTON: Yes.

BENNY WAMPLER: Other questions or comments?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Anything further?

BEN STREET: I do, one thing. And the Board knows this already, but what's going to happen...and, again, I would like the Board to seriously consider either continuing this or denying it for the reasons that I stated because I think that would be the fair thing to do. It would not prejudice CNX to do that and it would further the interest

of the property holders, which is one of the duties of this Board per statute. But if the Board does not want to do that, keep in mind that what will happen today is CNX will present an order to the Board to sign and that order will say to Mr. Street you have a choice, you can either participate or you can take a dollar an acre. And Virginia Code Section 45.1-361.3 says, "The purposes are...", and it lists seven, number three, "To recognize and protect the rights of persons owning interests in the gas and oil within a pool." The burden is on CNX to prove to you that what they're going to do is going to protect those people. The evidence today that there is a one dollar payment per acre as it has been paid for the last eighteen years in a market that has gone to the stratosphere cannot possibly...no one in this room can possibly say that that is protecting the interest of the gas owner. And regardless of the merits of the Gas and Oil Act, whether it is good to produce all the gas in the country, you have to produce...you have to protect the interest holders and that is not happening. So, at the very least, I would ask this Board to either continue this case until the next term and I will call witnesses at that time, even though it is not my duty, it's not my burden to put on evidence about what is fair and how to protect my client, it's CNX's burden, but I will do that because I am

aware that there are companies...in fact, every company that I am aware of pays more than that. But your job is not just to produce gas as quickly as possible. You have to protect the interest holders as well. Thank you.

MARK SWARTZ: We need to put Mr. Street's focus or obsession with the dollar in context. If the Board were to issue an order that said the bonus is a dollar an acre in this unit CNX would be forced to pay \$3.45, okay. Although Mr. Arrington can't testify to this, I sit here month after month and I hear people from other companies come and testify and some of them say we pay five dollars an acre. I don't recall testimony of more than that, but I'm not here all of the time and all of the hearings. Let's assume that we used that number just to focus a kind of reasonableness but on what I'm talking about here? That would be \$17. We have a \$13 difference when we're talking about whether or not Mr. Street should make a choice to participate in a 536,000 well that on average will produce somewhere between 125 and 550. I mean let's get this in context. And if we're looking at the Board doing a reasonable job to promote oil and gas development, do we really need to focus on \$14 in this context? And, you know, this request for a delay or a continuance over \$14 is ridiculous. That's all I have.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve.

MARY QUILLEN AND BRUCE PRATHER: 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.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. Thank
you. Next is a petition from Equitable Production Company
for pooling coalbed methane unit VC-535592. This is docket
number VGOB-08-0617-2252. We'd ask the parties that wish to
address the Board in this matter to come forward at this
time.

JIM KAISER: Mr. Chairman, Board members, I'm Jim
Kaiser on behalf of Equitable Production Company. We'd
request that this matter be continued for sixty days until
the September docket. We're continuing to locate additional
interest owners within the unit. I've got quite a bit other
housekeeping if you want me to go through that since there's
so many people here.

BENNY WAMPLER: Let's go ahead and do that at this
time. That will be continued for sixty days.

JIM KAISER: If you'll..and I'm just going to use...do you want me to use docket numbers or item numbers?

BENNY WAMPLER: U se the item number and then we'll...I'll call the docket numbers.

JIM KAISER: It would be item sixteen.

BENNY WAMPLER: Okay, that's docket number VGOB-08-0715-2267.

JIM KAISER: Mr. Chairman, we'd ask that that...I don't have my files with me...we'd ask that that matter be continued sixty days until the September docket.

BENNY WAMPLER: That's continued.

JIM KAISER: Item seventeen.

BENNY WAMPLER: That's docket number VGOB-08-0715-2268.

JIM KAISER: We'd ask that that item be withdrawn. Number eighteen.

BENNY WAMPLER: Number eighteen is docket number VGOB-08-0715-2269.

JIM KAISER: We'd ask that item be withdrawn.

BENNY WAMPLER: All right.

JIM KAISER: Number nineteen.

BENNY WAMPLER: Docket number VGOB-08-0715-2270.

JIM KAISER: We'd ask that that item be withdrawn. Twenty.

BENNY WAMPLER: Docket number VGOB-08-0715-2271.

JIM KAISER: We'd ask that item be continued for thirty days until the August docket.

BENNY WAMPLER: That will be continued.

JIM KAISER: Item number twenty-two.

BENNY WAMPLER: Docket number VGOB-08-0715-2273.

JIM KAISER: We'd ask that that item be continued until the August docket. And number twenty-four.

BENNY WAMPLER: All right. It's docket number VGOB-08-0715-2275.

JIM KAISER: We'd ask that that item be continued sixty days until the September docket.

BENNY WAMPLER: All right. Thank you. Okay, next is a petition from Range Resources-Pine Mountain, Inc. for creation of a drilling unit and pooling of conventional gas unit V-504473 and this is docket number VGOB-08-0617-2258. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

(Witnesses are duly sworn.)

BENNY WAMPLER: Would you both state your names for the record, please?

TIM SCOTT: Tim Scott, Phil Horn and Doug Terry for Range Resources-Pine Mountain.

MARIE LABBATO: Marie Labbato.

BENNY WAMPLER: Could you spell the last name,
please?

MARIE LABBATO: L-A-B-B-A-T-O.

BENNY WAMPLER: Thank you. Let the record show no others.
You may proceed. We'll let Mr. Scott go with his witnesses
and then we'll give you the opportunity to ask questions and
we'll try to get clarification on anything you need.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name
and by whom you're employed?

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

Q. And this particular application were
seeking to establish a unit and also to pool the respondents
listed on Exhibit B-3, is that correct?

A. That's correct.

Q. How many acres does this unit contain?

A. 112.69.

Q. And does Range Resources-Pine Mountain have
drilling rights in this unit?

A. Yes, we do.

Q. And I know you've had some ongoing leasing efforts, can you tell the Board if there are any respondents who you wish to dismiss from this application?

A. Yes. We've picked up leases from Carson Rasnake, Carol Rasnake, Jeanette Labon, her husband Richard, Peggy Johnson, her husband, Gene Johnson, Donald Martin and Betty Martin, Jearldene and Alan Idefer and Mildred Dickenson.

Q. So, those people should be dismissed, is that correct?

A. That's correct.

Q. Have you attempted to reach voluntary agreement with other parties listed on Exhibit B-3?

A. Yes, we have.

Q. And what efforts were made?

A. We've...our partner Equitable Production Company encountered this tract during the past and we took the information they had and we updated it and we mailed leases to all the parties that had not been leased by Equitable. And we also had met with them and talked to several of them last week here at this...last month at this hearing as we continued it. And I had a meeting with a group of them last Friday.

Q. Okay. As far as your leasing efforts, those are ongoing, is that correct?

A. Yes. Some of the parties say they have to wait to see what happens today and they may decide to lease.

Q. Okay. What percentage of the unit does Range Resources-Pine Mountain have under lease?

A. 82.7669725%.

Q. And how was notice of this hearing provided to the respondents listed on Exhibit B-3?

A. By certified mail.

Q. And by what other means?

A. By published in the...notice was published in the Bluefield Daily Telegraph on May 22 of '08.

Q. Are there any unknown unit owners in this unit?

A. Yes, there are.

Q. And how have you tried to locate these individuals?

A. We talked to the people that we did find and they provided a lot of our information and we tried to update records of Dickenson County title work, looked on the internet and the white pages.

Q. So, but the...but you did indicate that the heirs themselves have been helpful in providing you with

that information?

A. Yes, they have. Yes.

Q. And that's the reason that we've revised these exhibits and provided them to the Board---?

A. That's correct.

Q. ---and Mr. Asbury, is that right?

A. Yes.

Q. Okay. Have proofs of publication, proofs of mailing been provided to the Board?

A. Yes.

Q. Okay. And is Range Resources-Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. Is there a bond on file with the department?

A. Yes, there is.

Q. And if you were to reach a voluntary agreement with the parties listed on Exhibit B-3 what would those terms be?

A. Five dollars per acre for a five year lease that provides for a one-eighth royalty but in this case everyone was offered a hundred dollar minimum sign in bonus.

Q. Is that because of the percentages of ownership in the unit?

A. Yes, because the interest is so scattered...so split up.

Q. Okay. Would you consider this to be fair market value of a lease in this area?

A. Yes, I would.

Q. And what percentage of the oil and gas estate is Range Resources-Pine Mountain attempting to pool or are seeking to pool?

A. 17.72330275%.

Q. And you did indicate earlier we have unknown parties, is that right?

A. Yes.

Q. So an escrow requirement is in place here?

A. That's correct.

Q. Have you submitted an Exhibit E with your application?

A. Yes, we have.

Q. And we've revised that, is that right?

A. That's correct.

Q. What tracts are subjected to escrow?

A. Five and six.

Q. And what's the percentage subject to escrow?

A. 14.12042775%.

Q. And are you requesting the Board to pool the unleased interest listed on Exhibit B3?

A. Yes, we are.

Q. And you are also requesting that Range Resources-Pine Mountain be listed or designated as operator for this unit?

A. Yes.

Q. What would be the address where any elections would be made?

A. It would be sent to my attention, Phil Horn, Range Resources-Pine Mountain, Inc., P.O. Box 2136, Abingdon, Virginia 24212.

Q. And this is the address for all communications, is that right?

A. Yes.

PHIL HORN: Okay. That's all the questions I have for Mr. Horn.

BENNY WAMPLER: Before I go to the Board, ma'am, you joined us, tell us your name please and we'll get you sworn in.

CHARLENE RASNAKE: Charlene Rasnake.

BENNY WAMPLER: Okay. Go ahead and swear the witness.

(Charlene Rasnake is duly sworn.)

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

(No audible response.)

BENNY WAMPLER: Do you ladies have a question of this witness?

MARIE LABBATO: I did not receive any notice about this transaction until Sunday the 15th before I knew anything concerning all of this.

BENNY WAMPLER: 15th of?

MARIE LABBATO: Of June.

BENNY WAMPLER: Okay.

MARIE LABBATO: And we had the Board meeting which was June 17th. And at that time I had spoke with Mr. Horn and asked if he could please give us some more time and we only had until today. We would just like the family to have the opportunity to understand more of what is taking place since this is the last part of our land that was left to us by our ancestors, grandfather and father who worked so hard to leave us something of value. And with all due respect, Mr. Chairman and the Board members, we would like to ask for time to seek an attorney to represent us. And it also is our understanding through the meeting that we had with Mr. Horn, there was another transaction that took place regarding our land, you know, that we were never notified

of. And we would just like to have the opportunity with this tran...before we sign anything with this to find out exactly what is going on because we don't know. We have no idea.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, let me just ask---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---you said another transaction? Could you be a little more explicit?

MARIE LABBATO: When we met with Mr. Horn he stated, and correct me if I'm not right, in 1998 or 2002, is that correct, or 2000, there was another well drilled on our land that we had no knowledge of. That's why I would like to ask for time for an attorney to represent us to give us a fair chance to protect our rights this time so we will know, you know, what we are...what we need to do before we sign or agree to anything.

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---one additional question. Are you saying that you might want to participate in the well and that's the reason you want an attorney to advise you?

MARIE LABBATO: We are not really sure, you know,

what route to take since we have no idea of any works of this...what is going to happen here. We are totally in the dark.

TIM SCOTT: Mr. Chairman, I'd like to clarify something if I could, please.

BENNY WAMPLER: Mr. Scott.

PHIL HORN

DIRECT EXAMINATION RESUMES

Q. Mr. Horn, was the earlier well drilled by Range Resources-Pine Mountain?

A. No, it was drilled by Equitable.

Q. So, we simply in determining who would be listed on party...on Exhibit B-3, Range Resources-Pine Mountain conducted a due diligence review, is that right?

A. That's correct.

Q. So, at that point you...what type of information did you receive?

A. Equitable drilled some wells in the past and listed several of these people as unknown.

Q. So with modern technology---?

A. Right. That's right. You can get on internet now and get on the white pages and people are easy to find now.

Q. Is that one of the methods you used in

order to determine who these individuals were?

A. Yes, that's one of them.

Q. Okay.

A. It's easier to locate people now. Like I said they were very helpful in assisting us and we provided Equitable this updated information so that they could update their records. We've already mailed the exhibits to them so they can update their records accordingly.

TIM SCOTT: And, Mr. Chairman, as to another continuance, you know, we continued last month for the very purpose of allowing there to be meetings between Mr. Horn and the Rasnake heirs as well as to have full understanding of what this application entailed. And I believe that would have been ample time for anyone to obtain the services of an attorney to represent them here. And I would request that the Board not continue this another time because all of the parties are now before the Board and we've conducted our due diligence. We know who the parties are and they are properly listed on Exhibit B-3.

BILL HARRIS: May I ask another---.

MARY QUILLEN: Mr. Chairman---.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Actually you didn't get yours finished last.

MARY QUILLEN: I have one question for Mr. Horn, and you may not know the answer to this, but on the Exhibit B it shows there are 17.72 rounded percentage of unleased. Are all of the unleased parties the heirs of this estate?

PHIL HORN: No, there's some...there's two tracts involved. In 1897, Charles W. Grizzle sold a piece of property that was sold and then severed and reserved the oil and gas and his heirs are totally unknown. No one has ever been able to find any of those. The remaining of them are these M. K. Rasnake heirs and in 1912 their great granddaddy M. K. Rasnake conveyed the coal and he sold the surface and reserved oil and gas. So, I think tract...all of Tract 6, which is 8.25%, Charles W. Grizzle heirs are unknown...totally unknown and then the balance would be approximately half of the 15.17% of Tract 5, which would be these Rasnake heirs.

MARY QUILLEN: Okay. So, their...that...the unleased is---?

PHIL HORN: About half and half.

MARY QUILLEN: Okay.

PHIL HORN: Or 8%...6%.

MARY QUILLEN: And 82% of the gas and oil owners have been leased or just slightly over 82%, correct?

PHIL HORN: Yes, ma'am.

MARY QUILLEN: Okay.

BILL HARRIS: Mr. Chairman, let me just ask about this other well.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I know that's not what's in front of us but that does sort of disturb me. Would there not be an escrow account for money produced from a well if Equitable drilled a well some time ago and listed the owners as unknown?

PHIL HORN: Are you asking me?

BILL HARRIS: I mean I'm just asking a general question.

PHIL HORN: Are you asking me?

BILL HARRIS: No, I'm sorry. I'm just saying this is just for general information because that does sort of disturb me that that was happening.

TIM SCOTT: The unknown heirs or the unknown parties would certainly be subjected to an escrow.

BILL HARRIS: So, there should be money in escrow on that.

BRUCE PRATHER: Unless it was drilled before 1991. If it's an old well, there may not be an escrow account.

BILL HARRIS: Because the law wasn't in place to allow for that at that time.

BRUCE PRATHER: Yeah.

BILL HARRIS: Do you know when the well was drilled?

MARIE LABBATO: No, I do not. You know this would be another reason, you know, that we would need an attorney to represent us.

BILL HARRIS: Well...well, I can understand that, but---

MARIE LABBATO: And another comment, may I?

BILL HARRIS: Yes.

MARIE LABBATO: At the time someone brought up that everyone was present, everyone was not present here. BI

MARIE LABBATO: My sister wasn't present.

BILL HARRIS: I'm not sure I understand.

MARIE LABBATO: Someone made a comment.

TIM SCOTT: I said that all the parties are listed on Exhibit B-3. That was the statement that I made.

MARIE LABBATO: And that all the parties were present here.

PHIL HORN: No, I did not say that.

BENNY WAMPLER: No, listed. Listed.

MARY QUILLEN: Listed on it.

MARIE LABBATO: No, I'm sorry. My sister here, her name wasn't on there. I called Mr. Horn and I believe

there was maybe two more that wasn't listed there. And also, I would like to say I don't understand, you know, why we wasn't informed for I have stayed in close communications with a cousin of mine for years since 1976. So, I would have been easily found. So, I don't understand, you know, why we were not notified because if I would have been notified, I would have notified my brothers and my sisters as well.

BILL HARRIS: Mr. Chairman, let me just---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I don't want to confuse two things here because I'm afraid we might be doing this. The well that's been drilled by Equitable is not really part of what's in front of us at the moment.

MARIE LABBATO: Yes, I understand that.

BILL HARRIS: I would suggest maybe talking with the Department of Gas and Oil to determine when the well was drilled and if there is money in an escrow account that was set aside for people who---

MARIE LABBATO: Yes, thank you.

BILL HARRIS: ---at that time were not identified or were not known. Now, the law was passed, what, in 1990 or so?

BENNY WAMPLER: In 1990.

BILL HARRIS: So, if it was drilled prior to that time there, you know, it's kind of like all bets are off because at the time there was no regulation in terms of putting money aside for people who were not identified. There were... I won't say different laws in place because I am not aware of that, but the current law that we're under if people...if they cannot locate folks their money is put in the bank from the sale of the gas and held until those people are identified. So, it is possible. I mean, I don't want to build your hopes, but it just depends on when it was drilled.

MARIE LABBATO: Right.

BILL HARRIS: But that's an issue that you would have to take up with Equitable. And I think Mr. Asbury may be able to help about where that is and what...when that was drilled and whether or not money is there. The other issue about this particular case, are you saying that you all were not notified or---?

MARIE LABBATO: That is true. I had no knowledge of the meeting prior, which was June 17th, last month, until word of mouth Sunday the 15th that I was to be here for a Board meeting, which was June 17th. I had no idea.

BILL HARRIS: So, now when you found out two days before the meeting, is what you are saying?

MARIE LABBATO: Right. And there my other...my sister here, she wasn't notified. And I'm not really sure, you know, if there was other ones. Do you know?

CHARLENE RASNAKE: Bea.

MARIE LABBATO: Our sister Beatrice was not notified. And that's why I would like for the Board to...I pray that they just give us some time since this is the last of our ancestors' land that we own.

BILL HARRIS: I understand that. I'm...one of the things that the Board does, again in cases of people who had not been identified, and of course I'm sure after Board meetings and after probably orders have been drawn up there are people who are discovered. But again that money...if you all had a percentage of property and at that time the company did not know who you were, then again that money is put if it is approved and the well is drilled and the gas is produced that money is put aside in an escrow account for you.

MARIE LABBATO: May I ask another question, please?

BENNY WAMPLER: Ma'am, we're just going to go to the issue of whether or not we're going to continue this. MA

BENNY WAMPLER: The fact that you're here today as the Board has held and you were here last month, you have

had notice. So, the notice is not an issue, Mr. Harris. The issue is whether or not we continue the request for them to get an attorney. And there's an objection to that continuance. But there's no point in us going forward and hearing the other witness because if they get an attorney they'll want to cross examine both these folks. So, let's make a decision up or down on continuation at this point.

BRUCE PRATHER: I have a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: You said that the surface and the coal was severed in 1902?

PHIL HORN: 1912.

BRUCE PRATHER: Yeah. So, anyway these people only own the royalty?

PHIL HORN: Oil and gas.

BRUCE PRATHER: Oil and gas.

PHIL HORN: They all own the minerals less the coal.

BRUCE PRATHER: So, even if there was damage to the surface they wouldn't get it anyway. So, all they've got is the oil and gas, no surface, nothing else. Okay.

BENNY WAMPLER: What's your pleasure?

I mean we have a request for a continuance, is that for thirty days, is that what you're asking until next month?

MARIE LABBATO: Yes, that would be fine. That would be fine.

KATIE DYE: Motion to continue.

BENNY WAMPLER: There's a motion to continue. Is there a second?

BILL HARRIS: I'll second.

BENNY WAMPLER: And a 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.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BRUCE PRATHER: I'll abstain.

BENNY WAMPLER: Two abstentions, Mr. Ratliff and Mr. Prather. This case is continued until next month. Thank you.

MARIE LABBATO: Thank you.

CHARLENE RASNAKE: Thank you so much.

BENNY WAMPLER: We're going to take a ten minute break.

TIM SCOTT: Before you break, we have number forty-one on the docket and we have determined that we have

another tract within that unit and we need to notify those parties who are owners within that unit. I'd ask for a continuance until August, please.

BENNY WAMPLER: That is docket number VGOB-08-0...folks, we need order in here because I'm still working here a little bit. Docket number VGOB-08-0715-2290 is continued. Is that thirty days?

TIM SCOTT: Yes, sir.

BENNY WAMPLER: Until August. Thank you.

TIM SCOTT: Thank you, Mr. Chairman.

BENNY WAMPLER: A ten minute break.

(Break.)

BENNY WAMPLER: For the Board's information I'm going back to docket item number one, which is docket number VGOB-08-0617-2237. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

STEVE MINOR: I'm Steve Minor here for Buck Jewell Resources.

CATHERINE JEWELL: Catherine Jewell.

MARK SWARTZ: Mark Swartz, Les Arrington and Paul Morris.

BENNY WAMPLER: Okay, we need to get the people that are going to testify to raise their right hand and be

sworn.

(Witnesses are duly sworn.)

BENNY WAMPLER: All right. You may proceed.

STEVE MINOR: I'd like to call Ms. Jewell.

CATHERINE JEWELL

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

DIRECT EXAMINATION

QUESTIONS BY MR. MINOR:

Q. State your name.

A. I'm Catherine Jewell and assistant operating manager for Buck Jewell Resources.

Q. Buck Jewell Resources is the owner of surface...is the surface owner of a property that's affected by this CNX well application for wells H-53 and H-53A?

A. That's correct.

Q. Buck Jewell has objected to those applications?

A. On three occasions, yes.

Q. And Buck Jewell has taken an appeal regarding those permit applications and that's what we're here for today?

A. That's correct.

Q. And part of your objection was that the location of the coalbed methane wells would unreasonably infringe on Buck Jewell's use of the surface?

A. Yes. It's a 25 acre surface and two wells have been proposed and both on the tract. The tract is about 28% of the 80 acre pooling unit.

Q. Just so we're oriented, the 20 or so acres owned by Buck Jewell Resources is in the sort of south half of the drilling unit and mostly in the west---?

A. That's correct.

Q. ---r rather in the east, I guess?

A. In the east, yeah.

Q. And would both wells be located on the Buck Jewell surface property?

A. Yes, both wells, pipelines and pole line and roads.

Q. Could you explain further for the Board how the proposed locations would unreasonably infringe upon Buck Jewell's use of the surface?

A. According to the maps, the operations would take about 18 acres of the 25 acre tract and the pipeline...there's a road that has been proposed connecting H-53 and H-53A and pole lines. All this is about 8 acres that it will run. Of course, the loss of timber of 8 acres.

And the way the trac..the pole lines are proposed is to shoot straight up through the northeast corner of the tract. Now with the pipelines, you have issues of, you know, if it's not buried or if it's not buried deep enough access or crossing from timber trucks and from mining trucks. In addition, as far as you have coal trucks that might not be able to cross. It is my understanding that portions of this property is Pocahontas Mining Company, who owns the tract Jewell Smokeless owns three seams of coal and they're considering...they're planning on taking mining the Tiller seam. So, I think that will probably...might make it a little bit difficult. But in addition, there's a strip mining that they intend to do. This has got some very good surface seams and they plan to strip mine and it just seems like these wells will be here thirty years, okay. Thirty years they will occupy those 8 acres. And, you know, I could go back, you know, talk about the actual severance deed and you know they didn't get the timber and, you know, no pipelines are mentioned and this sort of stuff but I'm sure you all don't want to hear that. This is a very excessive use of the surface, 28%. The whole thing is burdened...this property is 28% of the 80 acre unit and it's burdened with all, you know, of the operations of the unit.

Q. Let me go back and ask you about a couple

of the particulars, you said there will be a road connecting H-53 and H-53A, is that shown on the permit applications?

A. Yeah. I think at Exhibit 1. It's shown in many of the exhibits. Exhibit 1-A of H-53 or in one of my three objections will show something that looks like this. I don't know if they colored it. Okay. And this is the road to H-53 to H-53A. This is a string of gas wells coming down here and another string of gas wells coming through here.

MARY QUILLEN: Where is the road again?

CATHERINE JEWELL: It connects these two wells.

Q. And the road between the two pipelines will affect your surface property as well?

A. Yeah. That's...you know, that's quite a bit of acreage that is taken there and of course the more road you have the more difficult it is to cross. It's not just, you know, timber...getting the timber out. This is a timber tract. But also in planning transportation from coal trucks.

Q. And the owners of the coal rights of the property are identified in the permit application, you said Pocahontas and Jewell Smokeless?

A. Jewell Smokeless has a lease for three seams and right now it's just the three seams.

Q. And there was an informal fact-finding conference?

A. That's correct.

Q. And at that conference you were presented by CNX the color map of the property showing the coal mining plans of Pocahontas and Jewell Smokeless?

A. That's what I believe that map is.

Q. And your understanding is the blue areas show where Jewell Smokeless wants to mine and the brown areas show where Pocahontas wants to mine?

A. I think there was some confusion, but yeah, that was my understanding where possible mining is. The white areas are the areas where Jewell Smokeless said the wells could go in. As you can see they extend outside of that 25 acre unit and into Pocahontas' Mining's land.

Q. So, where are there alternative sites available within the drilling unit?

A. To me it looks like the turns are to the north. You've got two, you know, two of these white areas that will not be mined that the gas wells can go in.

STEVE MINOR: I'd like to make this an exhibit unless Mr. Swartz has a cleaner, better version of it that he would prefer to use.

CATHERINE JEWELL: They all have it.

STEVE MINOR: It's already part of the record maybe from the informal fact-finding.

MARK SWARTZ: We've got basically the same.

BENNY WAMPLER: We don't have the colored.

SHARON PIGEON: We don't have it in color.

MARK SWARTZ: Okay, well let me...you can pass this one around and I'll...I've only got one copy, but I'll file it with you all. Well, I guess we...actually Les and I have a copy so that can be your copy.

BENNY WAMPLER: That will be Catherine Jewell Exhibit A.

Q. So, again, so we know what we're looking at, in the H-53 drilling unit the boundary to the Buck Jewell property aren't shown too clearly or at least on the version that I have. But that's in the south and the east and you're saying that there's white areas to the north?

A. Yeah, to the north.

Q. That the coal companies have said could be---

A. That are, you know, will be condemn...you know will be left...will not be mined and that's where the wells can go there.

Q. So, the white areas are the alternative sites available in the drilling unit where wells could be

located and not be on...affecting your surface property at all?

A. That's correct.

MARY QUILLEN: Are you saying this white area here and here because there's already wells in these two, it shows.

(Catherine Jewell shows Mary Quillen on the map.)

BENNY WAMPLER: Ms. Quillen, if you will mark that area that she's talking about. No, let her mark it to show her that so we'll be able to get a little bit of the record of that.

MARY QUILLEN: Turn it around so I can see please and where you want me to mark.

BILL HARRIS: The diagonal lines?

STEVE MINOR: These diagonal white lines through here and through here, which I'm showing through here and through here.

MARY QUILLEN: Three?

STEVE MINOR: Yeah, there are three parallel to each other.

MARY QUILLEN: Okay.

STEVE MINOR: Above the brown pool brown area and still in the window for drilling unit H-53. So, the white areas above to the north of where the well sites are

proposed.

MARY QUILLEN: And you wanted this marked exhibit---?

SHARON PIGEON: Double A.

MARY QUILLEN: Double A, okay. It would have been really helpful for everybody to have had a copy of that.

Q. Ms. Jewell, would the granting of your objections violate any agreement between Buck Jewell Resources and CNX?

A. I'm sorry, come again? I'm not---.

Q. Does Buck Jewell have any agreement with CNX that would be violated by granting your objections to your proposed well locations?

A. We don't have an agreement with CNX...a surface use agreement with CNX.

Q. That's all the questions that I have....oh, with regard to the connections between H-53 and H53-A, the road and the pipeline, what alternatives could there be to that?

A. Well, I'm not...there's two strings of wells, one that shoots up on...this is in your exhibits, I thought they would be colored, but maybe not, two strings, okay. And the connection between these two strings of wells, it goes right through the property, okay H-53. I had

requested that I-53 or one of the smaller ones down there that was on Pocahontas property be used as the connection instead of running it through the H-53, H-53A. And I requested that be considered as an alternative. The other thing is I'd requested that the tran...if we had to have the wells on the property that the power lines be run with the roads. That would reduce a lot of the surface use, with the roads and the pipelines, run the power lines together. And, of course, I requested that the pipelines be buried to an adequate depth which would allow for timber and trucks to cross and coal trucks to cross.

Q. One last thing Ms. Jewell, were there errors in the permit applications?

A. Yeah, there were errors I noted in previous things. I think with coalbed methane, H-53 application, a wrong map was used for Exhibit 1-A, that was noted. The other thing is that the property boundaries are wrong and you see in your file a deed plotting map of the property that CNX did and one that I did and the property closes, it's just four simple points. It's 99.9% closing and they've plotted it wrong and the extrapolation they did from the five points they put on it has made the map wrong so the map doesn't show that two wells are on within the unit. The map was not corrected and they were not asked to correct the

map. So, I think their map shows 22 acres and actually when it's properly plotted you have two wells in the unit.

Q. This map that's the wrong map is the one that's Exhibit 1-A to permit application H-53A where the caption says H-53A but the subject of the map itself shows that its well location H-54 that's depicted on the map?

A. Right. That came in with three...you know these applications were sent out three times and each time, the first one we did not get served on and that was corrected. But each time I noted that there well plat location for the pipeline location was wrong.

STEVE MINOR: So, I think that's all the questions for Ms. Jewell.

BENNY WAMPLER: Mr. Swartz.

CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Ms. Jewell, you understand that there are two kinds of mining going on with relation to your tract?

A. Yes.

Q. One would be surface mining?

A. Yes.

Q. And one would be underground mining?

A. Correct.

Q. Currently, is it true that there are no houses or buildings on this tract?

A. No, at the present time it's forest.

Q. I'm sorry?

A. No, there are not.

Q. Is it true that there's no farming going on?

A. Just timber farming.

Q. Okay. Is it true that there are trails for roads of ancient origin on this tract?

A. Well, archeologically I don't know but this ran from Jewell Coal Camp and there were people that lived up there. So, there were trails that ran to that and that ran up to the top of the ridge.

Q. If you went out there now and looked at the terrain would you be able to identify places where roads have been built and used?

A. Sure.

Q. Do you know where the well locations sit in relation to flat spots or roads?

A. Yes.

Q. And are they in fact on flat spots and/or roads that existed?

A. I think one well location is several

hundred from the southwest corner, that one is where...is up from a cemetery.

Q. Okay.

A. So you had a road to that cemetery there and the exact location of the well site from that cemetery up I really don't know.

Q. Okay. Is the well that's in the middle of the tract, roughly in the middle of the tract, on an existing road and an existing clearing?

A. I believe it is.

Q. Is it true that CNX in response to your complaints about the location of the various lines agreed to put the power, water and roads in the same location as opposed to different locations?

A. Yes, you did agree and it was not reflected in the decision. So, it was just basically word.

Q. Okay, but you understand that there was an agreement to do that?

A. Yes.

Q. And that at least addresses part of your concerns?

A. That's part of it, yes.

Q. It uses less of the surface?

A. That's one of the omissions.

Q. Is it your understanding that the permit applications were modified and ultimately they satisfied the Director so that he set the matter for a hearing?

A. I'm just...reword that if you can.

Q. You indicated that the permit applications were filed several times and there were changes and there were errors and so forth and my question for you is, because it's reflected in the decision, is it your understanding the director waited to set your objection for a hearing until he felt that the applications had been corrected and modified appropriately?

A. I have no idea what his...why or what his opinion was.

Q. Okay.

A. I can't speak to that. But, yes, originally we weren't served, we corrected that. You all sent us the same application without any corrections on that and apparently he did not lift the stay on the property and then you made corrections in the notification part that did not respond to any of my objections and he set the hearing.

MARK SWARTZ: Okay. Okay. That's all I have.

BENNY WAMPLER: Do you have any cross and then I'll give the Board an opportunity in just a second?

STEVE MINOR: Could I ask Mr. Arrington a couple of questions?

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. MINOR:

Q. Mr. Arrington, you've seen the map that's Exhibit AA?

A. Yes.

Q. And would you agree---

MARK SWARTZ: Could he have it back?

LESLIE K. ARRINGTON: We've got one.

MARK SWARTZ: Okay.

LESLIE K. ARRINGTON: We've got one.

Q. You testified about that map at the informal fact-finding conference?

A. Yes, I did.

Q. And is it your understanding that the blue areas are areas that are intended to be mined underground by Jewell Smokeless?

A. Yes, it is.

Q. And the brown areas are intended to be

surface mined by Pocahontas?

A. No, sir. That orange or brown colored area is the area that Pocahontas mining gave to us that we would be allowed to put our wells into.

Q. What is Pocahontas' design with respect to the surface and any other areas of this map other than the orange or brown areas?

A. They had a proposed contour strip, mountaintop strip up in that area and they gave us a map to work from to locate our wells according to, one, their proposed mountaintop contour strip areas and then, two, we had to adjust according to the Jewell Smokeless mining plan there.

Q. So, you're saying that they are planning to strip mine everything except for the areas that are shown on the---?

A. They gave us and indicated there would be some contour strip mountaintop strip up in that area and told us that we had to locate our wells. As you can see on your map, the green dots are located within the orange or brown colored areas.

Q. I don't know. I see about ten green dots and they are all over the place.

A. I understand. But those are further away

from that proposed contour mountaintop strip area.

Q. Well, looking at the contours, the areas where that's covered by the brown, that's the highest elevation areas.

A. I understand exactly your comment. I made the same comment to them. That was their map and I located the wells according to their map.

Q. So, you're saying for their mountaintop mining they plan to go everywhere except on top of the mountain?

A. I cannot. That is their map. They gave it to me. I adjusted my wells to their map and they have approved it. If you want information about their thought pattern on their strip you'll have to talk to them. I had the same questions.

Q. Is it your testimony then that these are the only two locations that can be found for these wells within the drilling unit?

A. Yes, sir, they are. The other areas within the white area, the buffer zones that's in that development area, if you'll look at the contour shown on that map, that's extremely steep territory and inaccessible.

Q. But the two wells could be located anywhere within the brown area, is that your testimony?

A. Within the brown and the white area, the overlapping areas that Jewell Smokeless will agree to. And Jewell Smokeless has agreed to those two locations.

Q. And what did...you understand that there is a connection as part of your permit application proposed between H-53 and H-53A?

A. Yes, sir, there is. And we did agree to put the road, pipe and power line in the same right-of-way, which would consist of approximately a 150 foot right-of-way.

Q. Could those wells operate without that connection?

A. Not...no.

Q. Not according to your plans---

A. No.

Q. ---or not---

A. No, they cannot.

Q. ---none at all?

A. They can not.

Q. I mean, you couldn't put that connection in the Is or with the Gs above or below?

A. Those pipelines and power lines must be connected and that is the best way to connect them. If you start running your pipelines down through the valleys,

you're creating a separate access road that you'd have to access your drip locations and your pipe lines and it's really not a good way or good idea to put your pipe lines in.

Q. But there are wells north, south, east and west of this location?

A. Absolutely, there are. There are wells all around that.

Q. And if they're not there now they will be there whenever you get to it?

A. Correct.

Q. And so these two wells could be connected with other wells in any direction?

A. I want...they could be connected in other directions, you know. You asked me that type question without the whole area map in front of me it's hard to quantify which direction you would go if you could not use this route.

Q. Thank you, Mr. Arrington.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---let me ask a question of Mr.

Arrington. Mr. Arrington, there was one, I think part of the complaint if I heard it earlier was about the burial depth of the pipe line to allow for trucks to pass over or whatever. What is normally the depth? Or maybe I should ask what is the depth for this...proposed depth for this connection?

LESLIE K. ARRINGTON: I'm not real sure but it should be plus 36 inches.

BILL HARRIS: 36 inches? Is that typical for most?

LESLIE K. ARRINGTON: That is. It should be very typical, yes.

BILL HARRIS: Is it ever...well, I'm not an engineer so I don't know. I mean, is this, what, covered in gravel? I know there's signage there about buried pipeline.

LESLIE K. ARRINGTON: It will be...the pipelines are marked.

BILL HARRIS: Now, in terms of traffic, because you know whenever I've seen these they've always been parallel to the road, and, of course, I haven't seen every drilling operation, but are there weight restrictions then for a truck to drive over that if there were logging truck, for instance?

LESLIE K. ARRINGTON: As long as misutility is

properly contacted and we have it inspected prior to---?

BILL HARRIS: If who is?

LESLIE K. ARRINGTON: Misutility to make sure if they are going to do any escalating.

BILL HARRIS: Are you...are you just using that---?
?

LESLIE K. ARRINGTON: No, sir.

BENNY WAMPLER: No.

LESLIE K. ARRINGTON: No, sir, it is actually an agency.

BENNY WAMPLER: No, this is...if you do any kind of yard work even you should contact misutility to make sure you're not digging into---.

BILL HARRIS: Well, I've seen that on a hat, but I just thought they were...I thought that was figure...okay, I'm sorry.

BENNY WAMPLER: That's okay.

BILL HARRIS: I was not aware of that, but okay.
Sorry.

LESLIE K. ARRINGTON: So, if everything is done properly there should not be a problem.

BILL HARRIS: So, you're saying logging trucks even?

LESLIE K. ARRINGTON: Logging trucks even.

BILL HARRIS: Loaded?

LESLIE K. ARRINGTON: There should not be a problem.

BRUCE PRATHER: Normally, these things are buried below the frost level so that, you know, if you have water in your line---

BILL HARRIS: Right.

BRUCE PRATHER: ---you don't want to freeze them up, so you lay these lines below the frost level.

BILL HARRIS: So, 36 inches...I mean, I'm not asking for your expert opinion or whatever but 36 inches is appropriate?

BRUCE PRATHER: That's more or less, yeah.

BENNY WAMPLER: Other questions or comments?

BRUCE PRATHER: I have a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Are these two wells exceptions to the mining permit of Jewell Smokeless? In other words, when they mine, are these wells already included in the permit?

LESLIE K. ARRINGTON: They will have to get a permit to mine around these wells, yes.

BRUCE PRATHER: Okay. That's what I'm talking about.

LESLIE K. ARRINGTON: Yes, sir, they will have to

get a permit for that.

BRUCE PRATHER: Okay. So, basically what it amounts to is the wells are set in place because of the mining activity?

LESLIE K. ARRINGTON: They're set according to their mining plan and we do a separate agreement with Jewell Smokeless on those well seams.

BRUCE PRATHER: Because otherwise you'll have to wait until this bonded area is released to even do anything.

LESLIE K. ARRINGTON: You'd have to have a plan with the mining company.

BRUCE PRATHER: Yeah, exactly.

MARY QUILLEN: Now, that answers the question---

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---that they were working with Jewell Smokeless. That answered the question.

BENNY WAMPLER: Okay. Other questions from members of the Board?

DONNIE RATLIFF: And, Mr. Chairman, if I may---

BENNY WAMPLER: Mr. Ratliff.

DONNIE RATLIFF: ---we do have a letter from Jewell saying that they have no problem with these site locations. It's in this packet.

STEVE MINOR: Let me ask about that when it comes

my turn.

BENNY WAMPLER: Let me see if there is any other Board questions right now at this point and then I'll give it back to you. Other questions?

(No audible response.)

BENNY WAMPLER: Okay, ask your questions.

LESLIE K. ARRINGTON

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. MINOR:

Q. The letter from Jewell Smokeless that was presented at the informal fact-finding conference did that say anything about these particular well sites or do you know?

A. That they agreed...they will allow us to put that well in at that location according to their mine plan.

Q. Where does it say that in the letter?

A. Look at coordinate values. That's the...that should be coordinate values of the wells on the application.

Q. So, all this letter says is this is what you're applying for and we have no objection---

A. That's correct.

Q. ---provided that you comply with all of the

conditions one through thirteen that we have set forth which pretty much cover a pretty broad range of limitations?

A. _____ It does. That's exactly what we've done.

Q. And is this letter part of the record?

A. _____ Yes.

BENNY WAMPLER: Yes, it is.

STEVE MINOR: Okay. That's all.

BENNY WAMPLER: Mr. Swartz?

CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, have you been sworn?

A. Yes.

Q. And we know who you are. Okay. With regard to your opportunities...can I borrow that AA back for a moment? Is the unit shown very faintly on your map?

A. Yes.

Q. And it is...what color of line is the unit boundary?

A. In general, the unit boundary is a green line with a drilling window being a black line.

Q. Okay. And we can just make those out?

A. Yes, you can.

Q. Those are also on AA. I mean, they are

hard to see, but they are there?

A. Okay.

Q. Is H-53A inside or outside of the drilling window?

A. They are both inside the drilling window.

Q. Okay. And is that a constraint---

A. Yes.

Q. ---you know, unless you have good reason to part from it?

A. Correct.

Q. And what are the locations within the drilling window that the surface mining company and the underground mining company have provided you with?

A. It's essentially the two locations that's on the map.

Q. Okay. For you to be...in terms of colors, for you to have a location that would work for both of the mining companies you have to be both in the white and in the orange?

A. Correct, we do.

Q. Okay. And if we look at the balance of the drilling window or the balance of the unit, there is no orange in the rest of the drilling window or the rest of the unit other than this piece of orange in the southern part of

the unit?

A. That will topographically work for a well site. That is correct.

Q. Okay. Okay. Do you have copies of that?

A. Yes.

MARK SWARTZ: Les, I'm going to talk to Paul more about this map, but what would your preference be as to identifying this---?

SHARON PIGEON: BB.

Q. Okay. Is this a map that you recognize, Les?

A. Yes.

Q. Does it show the Buck Jewell Resources tract?

A. Yes, it does.

Q. And it's not quite a parallelogram but it's close to a parallelogram?

A. Yes.

Q. Okay. And my question for you really is, does this drawing or this map BB depict what you have...what you propose to do with the road, the water line and the power?

A. Yes, it does.

Q. And does it show them all occupying

essentially the same general area?

A. Yes, it does.

Q. Rather than cutting across the tract at different points?

A. That's correct.

Q. So, you come up to 53-A with all your infrastructure?

A. Yes.

Q. And then you go southwest and pretty much off of the property, correct?

A. Yes.

Q. And then you continue down to a junction and then come back up to catch the H-53 well?

A. That's correct.

Q. And is that what you've represented to the Director you plan to do and is this...this is indeed your plan as of today as well?

A. Yes, it is.

Q. Okay. Has someone from your company or on your behalf actually been out to this site?

A. Yes.

Q. Who would that be?

A. Paul Morrison.

Q. Okay, so we'll talk to him about that.

Have you had discussions with Ms. Jewell about settling surface damage claims?

A. Our land agents had contacted her...the group and made an offer.

Q. And do you remain willing to cont...is that offer still on the table?

A. Yes, it would be.

MARK SWARTZ: That's all I have of Mr. Arrington.

BENNY WAMPLER: Any questions on that series of questions from Mr. Swartz?

REDIRECT EXAMINATION

QUESTIONS BY MR. MINOR:

Q. Regarding this Exhibit BB, Mr. Arrington, has CNX ever signed a contract or made a commitment in writing to the location of all these lines together other than the representations that have been made orally here today and at the informal fact-finding conference?

A. There was an original agreement given to the group, I'm not sure whom, whether it was Catherine or someone else. There was an original offer made.

Q. So, when you say that CNX has agreed to do this, they haven't executed a written contract that binds them to do this?

A. No.

Q. You said that's what you plan to do?

A. Yes, sir.

Q. And you could change your mind tomorrow?

A. We could, but---.

RE CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Well, if the Board ordered you to stand behind that representation you couldn't change your mind?

A. That's exactly...exactly.

Q. And if the Director ordered you, you know, represented you say you were going to do that and ordered you to do it you couldn't change your mind?

A. That's right.

BENNY WAMPLER: I started to clarify that for you, but you did quite well.

MARK SWARTZ: At least you'd better not.

STEVE MINOR: No...no more.

BENNY WAMPLER: You do understand, Ms. Jewell, if this is acceptable to you that it would bind them...if the Board approved this today, it would bind them to do just this?

(No audible response.)

BENNY WAMPLER: Okay. Call your next witness.

PAUL MORRISON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us.

A. Paul Morrison.

Q. And who do you work for?

A. CNX Gas, LLC.

Q. What do you do for them?

A. I'm a drill foreman.

Q. Okay. In the process...or in the course of your duties, do you go out and look at properties that wells are proposed?

A. Yes, sir.

Q. Can you tell us whether or not you went out and looked at the property depicted on BB...Exhibit BB?

A. Yes, sir.

Q. Did you go out and drive part of it and walk part of it?

A. I walked through each site and I've walked all of the road.

Q. And when you were out there walking the site did you take some pictures?

A. Yes, sir.

Q. And you brought them with you?

A. The batch that you have there in front of you.

MARK SWARTZ: I've got two sets of these. So, we're going to have to...we'll get this so you can see it as well so I can share. I'm guessing that this is going to be CC.

SHARON PIGEON: You are so clever.

Q. Paul, is Exhibit CC a collection of photographs that you took of some of the land that's in the tract depicted on Exhibit BB?

A. Yes, sir.

Q. Okay. And to kind of orient us, did you include a map in the middle of CC with lines to each of the photos and arrows so we could kind of tell where we where?

A. Right.

Q. First of all, how far is...are these wells sites roughly from a currently traveled road?

A. We have a well that's 1.4 miles that we have drilled that's to the northeast of the tract.

Q. And are there any kind of paths or trails

or existing roads on this tract?

A. There is what appeared to be an old logging road and that's what I traveled from the existing well H-56A to their property line, which was 1.4 miles.

Q. Okay. Did you come in from the north or the south?

A. Well the road, you know, traveled from H-56A and the road does come from the southeast to the northeast.

Q. Okay. And the road that you've depicted, which has the collection of the roadway, the water lines and the power lines---?

A. Right.

Q. ---that...have you tried to locate that road on top of the old trail?

A. It does. The proposed access to H-53A and H-53 follows the existing old logging road if that's what it was. Everywhere that we...you know, they were showing on the map.

Q. So, if we take, for example, the picture which is in the upper right hand corner of CC and follow the arrow, it looks like the arrow goes to the road just before you get to H-53A, correct, there on the map?

A. That is correct.

Q. And the picture actually, does it show a tract?

A. It's just a four wheeler trail. It's growed up. At one time it was a logging trail I'd say, but now it's just used...a four wheeler could use it.

Q. And if we continue on, does the next picture in the center of the top of the map...the first picture we've talked about is this picture to the road before you get to the well, this one, correct---?

A. Right.

Q. ---which shows the road?

A. Right. It shows basically just a four wheeler---

Q. And the picture in the middle of the exhibit, there's an arrow pointing to the H-53A well site, correct?

A. Yes, sir.

Q. And would you tell the Board whether or not...well what this picture shows in terms of terrain?

A. Basically, it was a clearing. It could have been a log landing at some point in time, but that's what we used to incorporate that site.

Q. Okay. And it also sort of showed that the four wheeler trail---

A. Right.

Q. ---or the trail?

A. It passes right by it.

Q. And the next photograph, as we continue along the road, would be this photograph here, right?

A. Right.

Q. Correct?

A. Right.

Q. And what does that show, if anything, with regard to an existing path or trail?

A. The existing ATV trail.

Q. And then as we follow it around, we see more trail and we see, I think you've also tried to take a photo of the cemetery?

A. Right.

Q. And there's a line in the foreground. What's the purpose of that?

A. We put that around any cemetery or anything we find that...to keep, you know, any future construction out of there.

Q. To keep the workers out of there?

A. Right.

Q. Okay. And that picture with the cemetery location with the line in front of it is this photograph---?

A. That's correct.

Q. ---on Exhibit CC?

A. That's correct.

Q. Did you prepare exhibit BB, which I think everybody does have a copy of?

A. Yes, sir.

Q. And you understood that Ms. Jewell was contending that CNX was taking an enormous amount of...a disturbing amount of her acreage, correct?

A. Right.

Q. I think today she testified that was her view was you were disturbing 18 out of 25 acres?

A. That's correct.

CATHERINE JEWELL: I didn't say that.

Q. Okay. Well, that's what I understood. Have you calculated the acreage that you believe will be disturbed by what's prop...the work that's proposed on BB?

A. Yes, sir.

Q. And have you done it for each activity?

A. Right.

Q. And then have you totaled that?

A. Right.

Q. And as we sit here today, what is your best estimate as to the acreage on the Buck Jewell Resources

tract that would be disturbed by the activities depicted on Exhibit BB?

A. Approximately, 4 acres.

Q. And is it...could you confirm that there are no houses on this tract?

A. There is no structures.

Q. There is no farming that you were able to see?

A. No.

Q. And there is no active logging either?

A. No, sir.

Q. Could you tell that it has been logged in the past?

A. It has been a lot of years.

Q. Okay. So, it's hard to tell?

A. Right.

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

BENNY WAMPLER: Before we get into questions from the Board, could you tell me why we're...why we have this presented this before us today, the purpose of it?

MARK SWARTZ: Well, to show, one, that there is no activity permanently going on. Two, that they have tried to stay within the confines of pre-existing disturbance

following existing roadways and the fact that they've located the cemetery and tried to tie that off.

BENNY WAMPLER: Do you have any questions of the witness?

STEVE MINOR: I have a couple of questions.

CROSS EXAMINATION

QUESTIONS BY Mr. MINOR:

Q. Mr. Morrison, is it?

A. Yes, sir.

Q. You indicated that you accessed the property from the north?

A. From the east...northeast.

MARK SWARTZ: Southeast?

A. Well, we entered their property. We started out..the well that we started from is 1.4 miles from this property, which this road comes this way and then it comes back to the northeast off the map from where you see.

Q. So, you came in along the road that shown starting from the eastern part of Exhibit BB---?

A. That's correct.

Q. ---when you were coming to the property?

A. That's correct.

Q. And that state road is Route 637 that's

referenced in the permit applications?

A. Route 637 stops probably, and this is just an estimate, probably a mile and a half north from H-56A which is the well that I stated, you know...there's a good road now to H-56A, which we've prepared at which point it's 1.4 miles from an ATV trail to the property. It's not accessible by a vehicle, just an ATV.

Q. And the permit applications for H-53 and H-53A indicate a statement of the acres to be disturbed by the activity in the permit applications, correct?

A. Yes, sir.

Q. And that value for H-53A is 9.14 acres and for H-53 is 8.34 acres, correct?

A. Yes, sir.

Q. So, that adds up to 17---?

A. Yes, sir.

Q. -----plus acres of activity that is acknowledged in the permit applications?

A. That's correct. But that's the total from the previous permit. It's not just...that doesn't reflect the acreage on this Jewell property.

Q. But it does reflect acreage in the drilling unit, correct?

A. No, sir. I think it's...the acreage for

the permit would be from the last permit that we have bonded.

Q. And where does that start, on this map or some place else?

A. It would be off the map.

Q. Is that the H-56A?

A. I'd have to check. I'd have to check to see where, you know, what that permit actually start...where that permit road actually started from. But it would include additional road footage back toward, you know, another permitted area. We have those permits broken down going to like I-53A and other wells and you know where that actual permit starts off would take another map to show where that acreage was calculated from.

Q. Where does this road go to or connect to? The indications on Exhibit BB as it trails off to the East, where does it go next?

A. It would go to...I think it's shown on this map. Here is H-53A. The next road intersection would be going to I-54A. And then it would go back and intersect going to H-54A. And then all the way back to H...see, there's a lot of intersections and each of these permits would start out at the last disturbance. So, like H-56A is all the way...well, there's the notation. That well is

here. So, all these...all that road is broken into different segments as its permitted, that's the difference from the acreage that's shown on the permit and the acreage there that's just shown disturbed on the Buck Jewell property.

Q. And how do you know the boundaries shown in Exhibit BB for the Buck Jewell property are correct?

A. Our land department mapped that and placed it on there.

Q. So, somebody told you?

A. Yes, sir.

Q. And you're saying that the area that's disturbed of the Buck Jewell property is just 4 acres and that includes the two well sites and the part of the road and pipeline that's within that boundary?

A. That's correct?

Q. And is that something that you measured yourself or how did you determine 4 acres as opposed to 5 or 3 or 8 or 10?

A. Acreages that I calculated are based on 150 foot wide road for 800 some feet where it enters onto the property and exits the property here and then I used about 150 feet for this location which were not even showing, I just figured that our cut slope would be on your all's

property some there and then half of the site for H-53 was calculated. And our basic site is---

MARK SWARTZ: Do you need your other map?

A. Yes, sir. Basically, the site was calculated at 100 x 250 feet. The total site on H-53A was calculated that way. Half of H-53 based on the property line that's shown on the map was calculated.

Q. What was the distance, the length of the road and pipeline that you showed that you've used in calculating 4 acres?

A. Well, it was 862 feet.

Q. And that includes this loop along the southern---

A. That's that total length of road there, was 862 feet x 150, that's just a simple calculation, and then 100 x 250 for the site location.

Q. That...did you hear the testimony from Mr. Arrington about written offers were being made to Buck Jewell related to this property?

A. Yes, sir.

Q. Were you aware that the written offer says that they would be compensated for 2500 feet of pipeline?

A. I think that might have been prior to our change in some of the routes from where the power line and

pipeline was originally shown.

Q. Where is the power line on this Exhibit BB?

A. All pipe, power and access will stay with the access road.

LESLIE K. ARRINGTON: It's actually show on that exhibit.

A. It's stated on the exhibit.

LESLIE K. ARRINGTON: It's the green line.

A. There's no title, but the green line is the power and then the red is the pipeline and the dashed line is the water line.

BENNY WAMPLER: Are you referring to Exhibit BB?

PAUL MORRISON: Yes, sir.

STEVE MINOR: Thank you, Mr. Morrison.

PAUL MORRISON: Yes, sir.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, let me ask a quick question of Mr. Morrison about timber that's cut when you put the road in. This is mainly for my information, and it does pertain to the particular case that's here, what usually happens with that? Because I know if you're talking about 150 feet you have to cut some timber. Is that just laid to the side or is that collected or sold? What becomes

of that?

PAUL MORRISON: It depends on the agreement with the land owner.

BILL HARRIS: Surface owners. That actually can be...I'm sorry, let me let you finish.

PAUL MORRISON: Well, usually they start somewhere eight inches and bigger, they'll stack in an area that's accessible for the land owner to retrieve.

BILL HARRIS: So, it can be then sold by the land owner---?

PAUL MORRISON: Yes, sir.

BILL HARRIS: ---under contract with a logger or someone to come in---?

PAUL MORRISON: Yes, sir.

BILL HARRIS: So, then that...is that usually...I mean, is that normally done or is that agreed to beforehand with the land owner?

PAUL MORRISON: That's usually agreed to with the land owner.

BILL HARRIS: So, that's a possibility in this case and that would be the case of this---?

PAUL MORRISON: I'm sure that would be the procedure that they would follow.

BILL HARRIS: So, that wouldn't be wasted timber

in terms of that.

PAUL MORRISON: Yes.

BILL HARRIS: Thank you, Chairman. Thank, sir.

BENNY WAMPLER: Other questions of members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further, Mr. Swartz?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Do you have anything further?

STEVE MINOR: No, sir.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to affirm the Director's decision with the incorporation of Exhibit BB as a stipulation of the plaintiff's.

BENNY WAMPLER: So, in other words, they would have to with your motion they would build the road, pipeline and all access would be via this as presented here?

DONNIE RATLIFF: As presented here.

BENNY WAMPLER: That's the motion.

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.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have approval. We're going to go ahead and call the next three, I guess, like we did before. Docket number VGOB-08-0617-2259, docket number VGOB-08-0617-2260 and docket number VGOB-08-0617-2261, all continued last month until today. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TOM MULLINS: Tom Mullins with the Street Law Firm on behalf of GeoMet Operating and Jeff Taylor will be here momentarily, he's an employee with GeoMet.

SCOTT SEXTON: Scott Sexton on behalf of GeoMet Operating.

GEORGE MASON: George Mason on behalf of LBR Holdings, LLC and I'm here in support of the appeals of GeoMet Operating Company and then opposition to CNX Gas Corporation.

MARK SWARTZ: Mark Swartz on behalf of Island Creek Coal Company.

JONATHAN BLANK: Jonathan Blank here on behalf of Island Creek Coal Company.

BENNY WAMPLER: Do we need to wait or---?

TOM MULLINS: We can go forward.

SCOTT SEXTON: Chairman Wampler, I was going to suggest one thing procedurally, this is...it's actually out of order, but number seven is the IFFC 21108, it's your docket number VGOB-08-0617-2261. It's my understanding... it's listed on the docket as continued from June and it may have been a misunderstanding, but the director...it may have been your intent to continue from June, but there was only issue in that docket number, which was the coal operator status of Island Creek which was resolved on, you know, on the vote of the Board. So, there was nothing left in that particular docket number to be heard today. So, I've contacted David Asbury and asked him to clarify it and he said he felt like it was intended to be continued. So, we had some confusion as to what exactly was to be heard on that.

BENNY WAMPLER: Well we're on the same wavelength to go to that at this point. But we agreed last month to combine all three of these, right? I mean, that was my understanding that everyone agreed that we'd combine all three of these cases for the purpose of the hearing because the facts of the cases were essentially the same. We got to five o'clock. We had a Board ruling at five o'clock and I

said everything is continued until next time. So, that's why he listed it as continued. Whether or not there is a remaining issue was unresolved at that time because of the fact that we continued them on. There is a key issue in that case today and that is a request for review and reconsideration of that decision. And that's in our packet at item seven or 2261.

SCOTT SEXTON: Well, as to that Chairman Wampler, GeoMet would simply point out to the Board that those motions, which we have certainly given the Board our view of those in writing. But those were filed on June 25, 2008 and today is July 15, 2008 and under the Board's regulations it's pretty clear that it cannot hear things that were not received at least thirty calendar days prior to the regularly scheduled meeting of the Board. So, that was one of the issues of confusion that I had was when I looked at the docket it wasn't clear to me whether the Director had docketed the motions filed by Mr. Swartz on behalf of his client or whether it was simply continued from June. That was what actually prompted my inquiry. So, we would oppose any hearing of the motion to continue to stay or the motion to reconsider. In addition to that, we certainly have filed all the reasons why we don't think this Board should reconsider it's case decisions and why we don't think they

have the authority for to do so and why as a policy matter you would open up the flood gate. Every dissatisfied person in here today if they know that they can do that we'd start filing that and if the result changed next month well then those people would file it. So, you basically could be playing checkers. If you reconsider it this time what you say you wouldn't reconsider next time and Mr. Ratliff wasn't here to hear Mr. Wilson last time. So, the fact that Mr. Wilson is not available this time might change the result. So, you could constantly be playing this to where you'd say well maybe Ms. Dye or Ms. Quillen won't be there next time and they don't really like me. I mean, but, you know, Mr. Prather and Mr. Ratliff they...he likes me, you know, and so it's completely bad policy. It's written into the rules under regulations, there's no authority for it. It's you move on to Circuit Court. So, we stated all of that, but I don't think you even have to get to it because it's not filed 30 days ahead of time. So, whatever lingering issues you wanted to consider, if any, from last time perhaps could be heard. I think that the Board voted and resolved it. But otherwise the motions are completely untimely that have been filed by Mr. Swartz.

GEORGE MASON: May I add to that also, Mr. Chairman. On behalf of---

BENNY WAMPLER: Let me just clarify just one thing though.

GEORGE MASON: Yes, sir.

BENNY WAMPLER: I would have to ask the Director of the Division of Gas and Oil to clarify the Order and why things are on here because I didn't direct him, neither do I do that. As Chairman of the Board, even though I supervise the Division Director, regarding Board matters I never have discussions with them. I never know what an Informal Fact Finding hearing decision is until everybody on the Board knows. I just make sure there's a complete separation of that because I think that would be unfair for me to direct both ends of that process. So, I wanted to clarify that and we'll ask Mr. Asbury to clarify things...what he put on and why and then I'll come to you Mr. Mason.

GEORGE MASON: Thank you.

DAVID ASBURY: All three docket items were continued just based on the fact that they had been combined. Mr. Chairman, at the end of last session, continued the docket items. That was the basis for placing them on the docket. The information that Motions to Reconsider that from June the 25th through today were not included with the Board packet. That was delivered to the Board members prior to this meeting.

BENNY WAMPLER: Okay, Mr. Mason.

GEORGE MASON: I just wanted to ensure that the Board knew and the record reflected this, that LBR Holdings adopts the objections voiced by GeoMet as to this item. I would also would like to adopt as its own as if it had filed it itself the GeoMet memorandum in opposition to Island Creek's motions for rehearing and to stay, adopt it as its own into the record and the Board to know that. Thank you.

BENNY WAMPLER: I guess the issue is whether or not even having that...Mr. Sexton put that before us is whether or not that petition for appeal is even ripe before the Board today regardless of whether or not the Board has the authority or what have you. You're challenging the time frame whether the Board has had the time elapse as required to consider that.

SCOTT SEXTON: That's correct, Chairman Wampler. And on top of that, my memory is never perfect from one day to the next much less from one month to the next, so preference that. But our recollection is that we separated these out and as I recall we had an issue with Jewell Smokeless that we were trying to work out so we went with the consent to stimulate one first and then by the time we finished we had worked out the Jewell Smokeless, which took half of the docket away on these other two docket items even

though both of them involve the same 2500 foot rule. So, I just wanted to make that---

BENNY WAMPLER: We were following the Director's decision. That's the way he did his---

SCOTT SEXTON: Correct.

BENNY WAMPLER: ---and we were staying with that pattern, right or wrong.

SCOTT SEXTON: And he did...he did do three different IFFCs. He stopped each one and we started again reannouncing that at the fact finding conferences. And so you're absolutely correct, we do not believe that the motions were timely and as a procedural matter they...assuming that this body decides...well, I'm hoping that it wont adopt this procedure of a motion to reconsider for many reasons. But even if it were to then it would be appropriate for the moving the applicant in such a case to violate a petition for a fill and as we do in Court all the time ask for alternative relief and the alternative, a motion to stay, in the alternative a motion that this Board offer additional explanation for why or what procedures it wants and then those things can all be filed at once so they can heard at once, but in this instance there was only one thing filed and that was a petition for appeal asking for reversal and remand. None of this other relief was

requested in the original petition and so that's just the procedure that should be followed so it would be docketed it up, but it's not in this case.

BENNY WAMPLER: Mr. Swartz.

MARK SWARTZ: I understand what Mr. Asbury has said is my petition for reconsideration and motion for a stay are not on this month's docket. That's what I understand. And having heard that, my assumption is that will be on next month's docket at which time this Board will potentially make a decision with regard to that. So, I'm not going to respond to Mr. Sexton's arguments that those...both of those petitions should be denied because they're not on today's docket. I mean, when I looked at this I wasn't sure and now I'm absolutely sure what's on the docket and what's not. So, I'm not going to address the merits with the petition to reconsider or the merits of a motion to stay until next month when they're heard.

I will, however, say that in relation to what's on the docket for today that it is absolutely clear under the Virginia Administrative Process Act that Boards can hear things however they want. They can hear cases multiple times. I mean, it does not escape the realm of possibility in the course of hearing the two related appeals you could change your mind with regard to what you did last month, but

that's your call. I'm asking you to do it next month but I'm not foreclosing an opportunity as we get going today for the Board to rehear matters it thought it heard last month so that would be my comment with regard to what I've heard from the Director and my opponents.

SCOTT SEXTON: And, Chairman Wampler, the only thing that we would add is that we did practically immediately after you left the last month's hearing submit a draft order to Ms. Pigeon, which was to be circulated to, I guess, you and Mr. Asbury for your signature for your consideration. And that has been revised once and it is in it's in your Court. We have attached it again to our filings that we made last week. And we would just simply point out that 45.1-361.9 provides the remedies for an aggrieved party who simply doesn't like the result that was achieved at the Board hearing. It offers an immediate right of appeal and it offers the opportunity for that aggrieved party to go to that Court to seek interlocutory relief. The Administrative Process Act offers the same thing only there's a specific statute within the Gas Act that covers the exact same process. So, we request that an Order be entered. It doesn't have to be our order. We were trying to assist in the process. It's sent in Word format. It can be altered, changed, sentences deleted, just as it could

have been the day after we sent it. We do believe that justice delayed is justice denied in a sense because there's a well permit that has been pending for a long, long time. And this was not an academic question about whether Island Creek is an operator and I was stating the fact it has no permits, no mines, no employees and no plans, but simply a request for a well permit. It was held up for the reason that Director Wilson at that time believed a consent to stimulate was required from Island Creek, not because Island Creek objected. Now that issue was heard in an informal fact finding conference months ago. It has now been heard by this Board which declined to overturn his decision on appeal and so, therefore, an Order should be entered so that we can get forward with our permits. Some of these lease obligations require minimum drilling commitments which are very real commitments that have to be met. And, so, we are very conscious of our obligations contractually to meet those and so if CNX...if Island Creek in this case is successful in just delaying it again and then there's nothing to stop them from filing another motion to consider the next month and then another motion to stay or whatever they want to do, instead of doing what the statute anticipates, which is get an order entered. They can then go to the Court if they want interlocutory relief. They

give preliminary injunction hearings all the time on any minute's notice basically if you have an emergency, go do what's anticipated by the Code and move forward. We simply ask that an order be entered reflecting this Board's decision which was made almost exactly a month ago today.

BENNY WAMPLER: I'm going to call on Ms. Pigeon just from the Board's perspective to clarify a few things about, I guess, just from beginning the Board's authority regarding its capability of reconsidering its own decisions.

SHARON PIGEON: Virginia follows the majority rule in all states. I'll just read it to you from (inaudible) Second Administrative Law Section 378. "Administrative agencies generally have inherent power to reopen or to modify and rehear prior decisions. So long as an Agency retains jurisdiction over a controversy it may revise its order." This Board retains jurisdiction until a petition for appeal has been filed. As Mr. Swartz said there is a Virginia case specifically allowing a...at least a second informal fact finding. That's the Supernight case that has been out there since 1999. And just last week the Attorney General's office, I have consulted with them on this as well, they have restated this position on more than one occasion and they just restated it in regards to School Board decisions in a July 10 decision. They have basically

said that administrative agencies do have the inherent power to reconsider or review their decisions until a petition for appeal causes them to lose jurisdiction. When there is a change of circumstances, a mistake in law, a potential fraud, in those cases the agency has to reconsider if it has not lost jurisdiction. In other cases where there are other arguments, it's certainly a discretionary call on the part of the agency which I'm not sure...there are some different versions of what happened in those. So, I think an argument can be made for each of those circumstances. I'm not going to take a position on which one is applicable today. But I don't think there's any question that the Board has the authority to reconsider. As far as the argument by Mr. Sexton that this is going to be an abused tactic, that tactic already exists in the Virginia Supreme Court rules at 1:1 "Any Court, every proceeding has the right to reconsider a decision within 21 days." That is not abused now in Courts of law. So, I would not anticipate it being abused here. Certainly, if a particular applicant chooses to go that route and abuse the authority of the Board, all they have to do is say we're not going to reconsider it again if it's a discretionary call. So, I think we're directly on point on your authority here.

BENNY WAMPLER: So, let's continue on with cases

that were continued here again leaving five, six and seven as far as today's agenda as called items. We'll hear argument on that.

SHARON PIGEON: Are you going to hear the Motion today? You all didn't address it at the time.

BENNY WAMPLER: We haven't addressed the issue of a motion...of Mr. Swartz's motion. It is not before the Board officially. I will go ahead and address that without argument and say that it's not something that we're not going to take up today as far as his motion.

SHARON PIGEON: Well, then procedurally I have a question because the reason you moved that to the head of the line last time was because you thought it could be dispositive of the whole thing.

BENNY WAMPLER: It could be.

SHARON PIGEON: So, are you going to reverse that position this time? It's your prerogative on your docket.

BENNY WAMPLER: Well, Mr. Asbury says it's not before the Board.

DAVID ASBURY: They were not proceeding until June 25th---

SHARON PIGEON: It's a continued item. So, I don't think that that's accurate. I think it can be before the Board. It was continued. The transcript is here if

anybody wants to look at it. These three docket items were continued and it was on the docket. They got notice because everybody received a mail notice that is a party in interest of this. So, I don't see any reason for it not to be on the docket today. But, you know, I'm not telling you how to run your meeting.

BENNY WAMPLER: Well, I'm running it, you're just saying legally that we can legally consider this.

SHARON PIGEON: It was a continued item. We have continued items all the time that have information coming in that's new. You know, we get information, as we have this morning, that has changed, exhibits and so on so they got notice on this. The thirty days for the docket items, that pertains to new items obviously and that's because of the requirement for publication. That doesn't apply to this case because there's no need for that. This is a reconsideration of a docket item from last time that was continued. So—

BENNY WAMPLER: Okay. Well, then, I would certainly...I guess, back to...you know, I thought maybe we had a legal issue here. Since we've had clarification and we don't have a legal issue from our legal representative then we will consider this first because it is dispositive of the entire matter.

SCOTT SEXTON: Chairman Wampler, with all due respect it is not dispositive because there is two separate issues here, there's the 2500 foot rule and then there's---

BENNY WAMPLER: I understand but as far as---

SCOTT SEXTON: ---consent to stimulate and they're completely separate findings. But the...as to this issue then we strongly take issue with the Senior Assistant Attorney General's recommendation that this Board go forward on a petition motion or any other request for Board action that was received less than thirty days. That's exactly what the regulation says. It is obviously not a petition for appeal that has been filed. But that notwithstanding, we would request a continuance since Chairman Wilson testified here last time is not available this time. I tried to contact him and I believe him to be out of town. So, he was not going to be able to appear today and there are certain members of the Board who were not able to hear his testimony and he may have to respond to other issues. Certainly, Mr. Swartz has raised lots of new issues, all of which were not raised below with the IFFC. So, that transcript offers no advice or guidance because he's saying that the hypothetical question should be answered by this Board, which I would suggest it should do by regulation and not by advisory opinion. But...and that in this case, it

should stick with the facts in this case and dealing with the facts of this issue. But in any event, since Director Wilson is not available, we are requesting a continuance on that item.

GEORGE MASON: LBR Holdings joins in that request.

BENNY WAMPLER: Granted. They're continued until next time.

BRUCE PRATHER: All three?

BENNY WAMPLER: All three. Thank you. We're going to take a break until 1:00 o'clock.

(Break.)

BENNY WAMPLER: Okay, we're back to order. The next item on the agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit D-20. This is docket number VGOB-08-0715-2262. 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, if I could, I would like to incorporate Mr. Arrington's testimony from earlier today with regard to the applicant, the operator, his employment at CNX and the standard lease terms.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And this is a pooling application?

A. Yes, it is.

Q. What kind of unit?

A. It's an Oakwood 80.

Q. How many wells?

A. One.

Q. And is this well that you've proposed here in or outside the drilling window?

A. Outside the window.

Q. And has a permit been issued for that location?

A. Yes, 8416.

Q. Okay. You've listed Carol C. Welch and Mark Welch as respondents, correct?

A. Yes.

Q. What did you do to notify them and others that we would be having a hearing today?

A. This was noticed by certified mail return receipt June 13, 2008 and published June 25, 2008.

Q. Have you filed with the Director certificates with regard to mailing and your proof of publication?

A. Yes, we have.

Q. And with regard to proof of publication and if it was published in the paper what appeared in the paper?

A. The notice of hearing and location exhibit A-1.

Q. DO you wish to add any respondents today?

A. No.

Q. Do you wish to dismiss either of the two respondents?

A. No.

Q. Tell the Board what interests you've been able to acquire in this unit and what it is you're seeking to pool?

A. We've acquired 99.98% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.02% of the coal, oil and gas owners claim to coalbed

methane.

Q. And have you provided the Welch's and others an estimate with regard to the well costs?

A. Yes, we have. It's \$372,875.84 to a depth of 2392.

Q. And you've already given us the permit number?

A. Yes.

Q. And I take it since there's no Exhibit E that there are no conflicts here?

A. No.

Q. So the royalty can be paid directly to the owners?

A. Yes.

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

A. Yes, it is.

Q. Is it your opinion that if you combine the leasing efforts that you've been successful in with a pooling order that the correlative rights of all interests and...all owners and claimants will be protected?

A. Yes, sir, they will 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?

DONNIE RATLIFF: 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.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have approval. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AA-56. This is docket number VGOB-08-0715-2263. 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. Oh, I'm sorry, and Anita Duty who probably needs to be sworn. Eventually you're going to be sworn.

(Anita Duty is duly sworn.)

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: Mr. Chairman, I'd ask that you allow us to incorporate Les' testimony from this morning with regard to the applicant and operator, his employment at CNX and the standard lease terms.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, this is unit AA-56, correct?

A. It is.

Q. It's a pooling application?

A. Yes.

Q. What field is this in?

A. It's an Oakwood 80.

Q. Okay. How many wells are proposed?

A. Two.

Q. And are they both in the window?

A. Yes.

Q. And are they both proposed to be frac wells?

A. Yes.

Q. While we're on that topic, have you provided cost estimates and permit information?

A. Yes. Well AA-56's cost is \$292,282.14. AA-56A is \$236,859.21 for a total of \$529,141.35. Permit..the depth of AA-56 is 2,014 and AA-56A is 2,000 feet. The permit number of AA-56 is 8847. And AA-56A is 9525.

Q. Okay. And that 9525 permit was apparently obtained after you filed, I'm guessing because it wasn't in the application?

A. Okay.

Q. Would you tell the Board or share with the Board what interests you've been able to obtain in this unit and what it is you are seeking to pool?

A. We've acquired 99.0252% of the coal owner's claim to coalbed methane and 98.7134% of the oil and gas owner's claim to coalbed methane. Seeking to pool 0.9748% of the coal owner's claim to coalbed methane and 1.2866% of the oil and gas owner's claim to coalbed methane.

Q. Have you listed all the respondents that need to be pooled in the notice of hearing in Exhibit B-3?

A. Yes, we have.

Q. Do you want to add any today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. What did you do to notify these people and others that there would be a hearing today?

A. We mailed by certified mail, return receipt on June 13, 2008 and published in the Bluefield Daily Telegraph on June 25, 2008.

Q. Have you filed your certificates with regard to mailing and your proof of publication with the Director?

A. We have.

Q. When you published what appeared in the newspaper?

A. Notice of hearing and the location Exhibit A-1.

Q. Okay. Looks like you have some conflicts here in Tracts 4-A and 4-B, is that correct?

A. Yes.

Q. And you filed an Exhibit E with regard to that?

A. Yes, we have.

Q. And there are no split agreements as far as you know?

A. No.

Q. Okay. And it looks like if what I got is represented what the Board, Exhibit E was inadvertently included twice?

A. Yes.

Q. So, it doesn't mean anything sinister, right?

A. No.

Q. It was just a mistake?

A. Right.

Q. Is it your opinion that drilling the two wells in the window of this Oakwood unit the two frac wells, is a reasonable way to develop the coalbed methane from within and under the unit?

A. Yes, it is.

Q. And is it your further opinion that if the folks that are listed as respondents are subject to a pooling order and you combine that order with your leasing efforts the correlative rights of all owners to the coalbed methane will be protected?

A. Yes, they will be.

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

BENNY WAMPLER: My document at 4B and I think 4A shows that you've got Penn Virginia Oil and Gas and White Wolf Energy, Incorporated splitting?

LESLIE K. ARRINGTON: Yes, we actually have a revised Exhibit for that, revised Exhibit E. And if you'll note on page 1 of 7 there was a note after Tract 4A that said according to the agreement between the parties named in two above they will split the CBM royalties 50/50. We've taken that note out of there now. So, that's---

SHARON PIGEON: Do you have a revised exhibit?

LESLIE K. ARRINGTON: I have it here, sorry. Anita had to remind me to do that.

ANITA DUTY: I just brought one for David. I didn't think everybody---

LESLIE K. ARRINGTON: Do you got it? Do you have it?

(No audible response.)

LESLIE K. ARRINGTON: It wasn't really changing any names.

BENNY WAMPLER: So, which tracts is it? Which tracts are impacted?

ANITA DUTY: That note should be taken off completely.

BENNY WAMPLER: Okay.

ANITA DUTY: There was no splitting. No, nothing.

BENNY WAMPLER: Okay.

SHARON PIGEON: So, those same tracts, however,

are still in need of escrow?

ANITA DUTY: Yes.

LESLIE K. ARRINGTON: Yes.

MARY QUILLEN: 4A and 4B?

MARK SWARTZ: Correct

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: Have you finished?

MARK SWARTZ: Yes.

BENNY WAMPLER: I couldn't remember if I interrupted you or if you had finished.

MARK SWARTZ: That's okay.

BENNY WAMPLER: All right. 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: 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.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. Next is a petition from CNX Gas Company, LLC for pooling coalbed methane unit FF-13. This is docket number VGOB-08-0715-2264. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

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.

A. Leslie K. Arrington.

Q. And who do you work for?

A. CNX Gas Company, LLC.

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr. Arrington's prior testimony from this morning regarding the applicant and operator, his employment and the standard lease terms.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

Q. Mr. Arrington, is this a request for pooling?

A. Yes.

Q. And what kind of a unit?

A. It's an Oakwood makeup unit. It's at the bottom of the field. It has 89.4 acres in it.

Q. Okay. And how many wells are proposed?

A. Two.

Q. And are they located in the window?

A. Yes.

Q. And are they both frac wells?

A. Yes.

Q. On the first page of the notice of hearing you've listed Clayton Hale, et ux, Kevin Meadows, et ux, correct?

A. Yes.

Q. Are these the folks that need to be pooled?

A. Yes, it is.

Q. And do you want to add anybody today?

A. No.

Q. Do you want to dismiss anybody?

A. No.

Q. What did you do to let the respondents know that there would be a hearing today?

A. We published in the Bluefield Daily Telegraph on June 26, 2008 and mailed by certified mail return receipt on June 13, 2008.

(A cell phone rings.)

Q. Did you provide copies of the certificates with regard to mailing and the proof of publication to the Director?

A. Yes, we did.

Q. Okay. And when it was published in the paper what was in the paper?

A. The notice of hearing and the location Exhibit A-1.

Q. Okay. And I think you didn't want to add or subtract anybody today?

A. No.

Q. Okay. What interests have you been able to acquire in this unit and what interests are you seeking to pool?

A. We've acquired 100% of the coal owner's claim to coalbed methane and we've acquired 99.8434% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 0.1566% of the oil and gas owner's claim to coalbed methane.

Q. And so there are some escrow requirements

here?

A. Yes, tract 1A and 1B.

Q. And you've filed and Exhibit E in that regard?

A. Yes.

Q. Okay. There are no split agreements that we are aware of?

A. No.

Q. Have you provided the respondents with information concerning the well costs, permits, if any, and depths?

A. Yes, we have. The well FF-13, its cost is \$264,698.89 and FF-13A is \$270,914.89 for a total of \$535,613.78. The depth of FF-13 is 2470 and 13A is 2500. FF-13's permit is 5,114 and 13A is 9533.

Q. Is it your opinion that if you combine a pooling order pooling the respondents with the leasing efforts that you've been successful in with the correlative rights of all owners and claimants will be protected?

A. Yes, they will.

Q. Is it your opinion that drilling two frac wells in the drilling window of this 89.4 acre Oakwood unit is a reasonable way to develop the coalbed methane from within and under that unit?

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: 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.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have approval. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit WWW-20, docket number VGOB-08-0715-2265. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

(Off record discussion.)

MARK SWARTZ: Mr. Chairman, I'd like to

incorporate if I might Les Arrington's testimony this morning with regard to the applicant, the operator, his employment at CNX and the standard lease terms.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

- Q. Les, you need to state your name again.
- A. Leslie K. Arrington.
- Q. And who do you work for?
- A. CNX Gas Company, LLC.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

- Q. Let's deal with the revised exhibits first.
Anita, we've got some revised exhibits today?
- A. Yes.
- Q. What have we got in that regard?
- A. We have leased four additional people.

Q. Okay, so we've got an exhibit B-3, which lists the additional people you've leased and in the last column it gives their reason for dismissal, right?

A. B-2.

Q. Okay, B-2?

A. Yes.

Q. And so your request to the Board would be to delete those respondents listed on Exhibit B-2 because they've been leased?

A. Yes.

Q. Do you want to add anybody today?

A. No.

Q. Have you made corresponding changes in Exhibit B-3 to account for those people disappearing as respondents?

A. Yes.

Q. Okay, are those the only changes to B-3?

A. Yes.

Q. And then when you have leased additional people and dismissed them as respondents that's going to change in that percentage, isn't it?

A. Yes.

Q. What is the percentages that you've been able to acquire in this unit and what is it as of today that

you're seeking to pool?

A. We have leased 91.8708% of the coal, oil and gas owner's claim. And we are seeking to pool 8.1292%.

BENNY WAMPLER: Let me just say that's what we had before. That's what I have anyway.

DAVID ASBURY: On the coal we did have. On the gas we have 91.85.

BENNY WAMPLER: But on the---

ANITA DUTY: That's the correct number now. Maybe the first one wasn't right, but that number is right now.

BENNY WAMPLER: Okay. Go ahead.

LESLIE K. ARRINGTON

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. Les, what did you do to notify the respondents in WW-20 that there would be a hearing today?

A. This was mailed certified mail return receipt June 13, 2008 and published Bluefield Daily Telegraph on June 26, 2008.

Q. When you published, what appeared in the newspaper?

A. The notice of hearing of hearing and location Exhibit A-1.

Q. And have you filed certificates with regard to mailing and proof of publication with the director?

A. Yes, we have.

Q. Have you provided information with regard to well costs, well depth and permits, if any?

A. Yes, we have. For well WWW-20, it's \$243,895.81, and for 20A it's \$244,467.25. WWW-20 its depth is 2,089 and 20-A is 2,067. WWW-20's permit number is 9485 and 20A is 9486.

Q. And the total of the well cost if you totaled both wells is what?

A. \$488,363.06.

Q. Are there conflicts that require escrow?

A. Tract 5.

Q. Are there split agreements as far as you know?

A. No.

Q. Is it your opinion that drilling these two frac wells in this unit is a reasonable way to develop the coalbed methane?

A. Yes, it is.

Q. Is it your opinion that if you combine the leasing that you've been successful in with a pooling order pooling the respondents in this unit that the correlative

rights of all owners and claimants will be protected?

A. Yes, they will be.

Q. And this is an Oakwood 80?

A. Yes, it is.

Q. Both of the wells are in the window?

A. Yes, they are.

Q. And they are both intended to be frac wells?

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?

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.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have

approval.

MARK SWARTZ: Thank you.

BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 1, unit J-38. This is docket number VGOB-01-0515-0890-01. 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.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. The first unit would be J-38, is that correct?

A. Yes.

Q. Okay, what's your name?

A. Anita Duty.

Q. What do you do for CNX, among other things, that pertains to why we're here today?

A. I make sure that the payments that we send in get accounted for with the escrow agent.

Q. Did you do some research to answer questions with regard to accounting issues concerning J-38?

A. Yes.

Q. And what did you do?

A. I compared our records as to what we had sent the escrow with, Wachovia's ledger to make sure that all of the deposits were there.

Q. Okay. And when you made the comparison were you able to account for all the money that you sent?

A. Yes.

Q. And have you prepared a spreadsheet with regard to that?

A. Yes.

Q. Okay. And what is the date of the accounting?

A. April 30, 2008.

Q. And in terms of that accounting would you expect that the numbers would change...the dollar figures would change as we go forward?

A. Yes.

Q. And in terms of any order that the Board might enter with regard to disbursements out of this unit, would it be your recommendation to the Board that they use the percentages stated in the exhibit as opposed to the dollar figures?

A. Yes.

Q. Because that percentage would then account for additional deposits in an appropriate way?

A. Yes.

Q. Which tracts are we talking about?

A. Tract 1.

Q. Okay. And have you indicated with regard to Tract 1 the names of the folks who should receive money?

A. Yes.

Q. And have you indicated the percentage that they should receive from the total escrow for this tract?

A. Yes.

Q. And would you identify those people and their percentages?

A. Edith Street should get 15.77553%, Fred Combs, Testamentary Trust 5.25851%, Martha Combs 5.25851% and Carol and John Ervin 5.25851%.

Q. And are you requesting that the Board make a disbursement to the people you've just identified applying the percentages that you've read to the balance in the escrow account at the time that the disbursement is made?

A. Yes.

Q. Now, you are also asking that the Board allow the operator pay these four people going forward so that additional monies don't find their way into escrow and

to allow you to pay them directly?

A. Yes.

Q. In accordance with their split agreement?

A. There's not a split agreement.

Q. This is not a split, okay. So, we don't have to worry about that. This is just clearing out an escrow account.

A. There was a conflict with the P3 seam with Island Creek and now we have deeded that interest to them. So, they're---

Q. So, this was a sale actually---

A. Yes.

Q. ---that resolved that conflict?

A. Okay.

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.

BENNY WAMPLER: Is there 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.

KATIE DYE: Abstain.

BENNY WAMPLER: You have approval with one abstention, Ms. Dye. Next is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 7, unit J-39, docket number VGOB-01-0515-0891-01. 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: Let the record show there are no others. You may proceed.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. State your name for us?

A. Anita Duty.

Q. What do you do for CNX that pertains to why we're here on J-39 today?

A. To make sure that the escrow accounts reconciled.

Q. And did you do that work?

A. Yes.

Q. And what documents did you access and what were your findings?

A. I compared the deposits that we had sent to escrow with Wachovia's ledger to make sure that all of the deposits were accounted for.

Q. Okay. And when you made the comparison what was your conclusion?

A. Everything was in balance.

Q. And did you do this as of the date...a specific date?

A. April 30, 2008.

Q. And what tract does this pertain to?

A. Tract 7.

A. Yes.

Q. And who are the people affected in Tract ?

A. It's going to be Edith Street, Fred Combs, Testamentary Trust, Martha Combs and Carol and John Ervin.

Q. Okay, so the same people that we talked about last time?

A. Yes.

Q. And is the explanation as to why there's a disbursement here the same?

A. Yes.

Q. With regard to when...if the Board approves this disbursement, is it your recommendation to the Board that they use a percentage rather than a dollar amount or direct the Bank to use a percentage rather than a dollar amount at the time of disbursement is made?

A. Yes.

Q. Okay. And with regard to each of the people what percentage should the bank use?

A. Edith Street should be 0.07696%, Fred Combs Testamentary Trust 0.02565%, Martha Combs 0.02565% and Carol and John Ervin 0.02565%.

Q. And are you also asking that the Board in addition to addressing the escrow agent to make those disbursements applying those percentages to the balance at the time of disbursement are you also asking the Board to allow the operator to pay these four folks directly rather than continuing to pay into 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?

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.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have approval. Next is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization of direct payment of royalties on Tract 2, unit K-37, docket number VGOB-02-1119-1093-01. 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.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. State your name for us, please?

A. Anita Duty.

Q. I'm going to remind you that you're still
under oath.

A. Okay.

Q. Who do you work for?

A. CNX Gas Company.

Q. And what do you do for them relative to the reason why we're here in K-37 today?

A. To make sure that the escrow account stays in balance.

Q. What records did you consider in that regard with regard to this unit and this tract?

A. I compared the payments that we had sent to escrow to make sure that Wachovia's ledger sheet balanced with ours.

Q. Okay. With your payments?

A. With our payments, yes.

Q. And when you made the comparison, what did you conclude?

A. Everything was in balance.

Q. What tract does this application concern?

A. Tract 2.

Q. And you've used Tract 2 in the application, but in the exhibit that you've passed out to the Board, the spreadsheet, it was Tract 1?

A. Uh-huh.

Q. And it should be changed or scratched out

and called Tract 2, correct?

A. Yes.

Q. Okay. Is this Tract 2 the only one that's in escrow with regard to this unit?

A. Yes.

Q. So, are you ask...are you suggesting to the Board that it would be a good idea if their order would authorize the escrow agent to close the account after disbursements are made because the disbursements should zero the account?

A. Yes.

Q. Is the reason for the disbursement the same reason that you've explained with regard to the two units that we've just talked about in terms of disbursements?

A. Yes.

Q. The transfer of interest?

A. Yes.

Q. Okay. With regard to the disbursements that you're requesting, would you name the people who are going to receive the disbursements and the percentages that they should receive?

A. Edith Street should get 50%, Fred Combs Testamentary Trust 16.6667%, Martha Combs 16.6667% and Carol and John Ervin 16.6667%.

Q. And would your recommendation to the Board be that it direct the escrow agent to use those percentages and apply them to the total balance on hand at the time the disbursement is made?

A. Yes.

Q. And are you also requesting authority from the Board to stop paying into the escrow amount with regard to these four people?

A. Yes.

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

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.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have approval. I don't have you next.

MARK SWARTZ: Oh, we worked out a deal with Mr. Kaiser.

BENNY WAMPLER: You've got to work it out with me.

(Laughs.)

BENNY WAMPLER: Are you going to forty?

MARK SWARTZ: Okay, we would love to go to forty
if we could.

BENNY WAMPLER: Next is a petition from CNX Gas
Company, LLC for pooling combined conventional horizontal
gas unit Nora AB78CV, docket number VGOB-08-0715-2288. We'd
ask the [parties that wish to address the Board in this
matter to come forward at this time.

MARK SWARTZ: Mark Swartz, Les Arrington and Doug
Odem.

(Doug Odem is duly sworn.)

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 for us.

A. Leslie K. Arrington.

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

lease terms.

BENNY WAMPLER: That will be incorporated.

Q. Before we move off that Les, are the lease terms that you offer different for conventional when compared to in some respects when compared to CBM?

A. Yes, they are. On a conventional well it's a five dollar per acre.

Q. The delay rental?

A. Yes, it is.

Q. Is it a five year term?

A. Yes.

Q. And what's the royalty?

A. One-eighth.

Q. Okay. So, your testimony this morning with regard to a dollar will apply only to CBM?

A. Yes, it does.

Q. And in terms of the Board affording lease option on deemed to have been leased it should be the five dollars because this is a conventional well?

A. Okay. Yes.

Q. Okay. What did you do to notify people with an interest in this unit that there was going to be a unit created or at least possibly a unit created today and pooled?

A. We mailed by certified mail return receipt on June 13, 2008 and published in the Bluefield Daily Telegraph on June 27, 2008.

Q. Okay. And when you published what appeared in the newspaper?

A. The notice of hearing and the location
Exhibit A-1.

Q. Which shows the outline of the proposed unit?

A. Yes, it does.

Q. Have you filed with the director certificates of mailing in that regard and proof of publication?

A. Yes, we are.

ANITA DUTY: We did.

A. We did.

Q. Okay. Do you feel like you need to add any respondents today or people to give notice or did you already do that?

A. You'll need to ask, Anita.

MARK SWARTZ: Anita, do we need to add anybody to the notice or did we notify everybody we needed to notice?

ANITA DUTY: Everyone was noticed.

MARK SWARTZ: Okay. Fair enough.

Q. Les, what is the shape of this proposed unit?

A. First of all, let me explain kind of where this is at and it kind of gives us a small problem. This unit, this horizontal unit, to drill deep formations is right on the line between the Nora field and the Oakwood field. So, to keep numbering systems together and everybody knowing where we're at we chose to use the existing units, the Oakwood units, out there to act as our production unit and as the location. And this well is located right at the junction of the Oakwood field and the Nora field. This is the Nora field here on this side and this is the Oakwood field. And our well was in AB-78, E-4 and E-3. Now, the location exhibit that we have, you'll notice it in your packet, now that's what's highlighted with the horizontal leg shown in it. That comes out to be a 208.63 acre unit and what we are proposing to do is to combine that area as our production unit.

Q. And you've described that in the application and you said that the proposed conventional unit is a combination of Nora unit AB-78?

A. Yes.

Q. And then P..Oakwood P (-4) and Oakwood P (-3)?

A. Yes we have.

Q. And you've stated the acreage. Have you also given, as required, a state plane coordinate description in your application?

A. Yes, we have.

Q. Okay. And as far as...I'm not going to ask you to read that into the record, but is the state plane coordinate description in the application accurate to your knowledge?

A. Yes, it is.

Q. And what are the formations that are sought to be produced here?

A. We'll let Mr. Odem speak to that.

Q. But it is stated in the---?

A. Yes, it is stated in the application.

Q. Okay. Who did the cost estimate?

A. I did.

Q. Okay. And what is the cost information that you've provided with the application?

A. \$1,429,388.64. And the total of that is \$6,253.

Q. And is it your opinion that if you combine a pooling order and an order creating this drilling unit in the configuration that we've discussed, if you combine that

with the leasing efforts that you've been successful and the correlative rights of all owners and claimants will be protected?

A. Yes, it will.

Q. Okay.

A. Just one second. We did have some revised exhibits.

Q. Okay.

A. And we had to revise the Exhibit for P (-4). We have just a small error in Tract 2A and 2B.

Q. Anita, is going to pass those out?

A. Yes.

Q. And when you say the exhibit you are talking about the plat?

A. Yes.

Q. And the difficulty was with regard to what tract?

A. Tract 2A and 2B.

Q. Okay.

A. And it was previously shown as Tract 2.

Q. Okay. So you split the same acreage into two pieces?

A. Yes.

Q. Okay. And---

BENNY WAMPLER: I know I'm interrupting you, but your---

MARK SWARTZ: That's okay.

BENNY WAMPLER: ---application shows that you've got a permit number but your---

LESLIE K. ARRINGTON: Okay.

BENNY WAMPLER: You all might want to touch on that.

LESLIE K. ARRINGTON: Okay. Yes, I can. Your question first, AB-78 conventional drilling has...we originally drilled that well and we found the formations and now we're going to take this well back up and take this well horizontally and whichever one is the most successful that's what we're going to use.

BENNY WAMPLER: So, you have a ventilate...you have a conventional well approved already?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: And you want to work...you're asking us to let you use that same well then to approve this component today?

LESLIE K. ARRINGTON: Yes, sir.

BENNY WAMPLER: Okay. Proceed.

CHRISTOPHER DOUG ODEM

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Could you state your name for us?

A. Christopher D. Odem.

Q. And what do you go by?

A. I go by Doug.

Q. Okay. Who do you work for?

A. CNX Gas Company, LLC.

Q. And how long have you worked for them?

A. Since December of 2006.

Q. And before that what did you do?

A. Geologist for Marshall Miller & Associates.

Q. And are they an engineering firm in West Virginia?

A. That is correct. And Virginia.

Q. And Virginia. How long did you work for Marshall Miller?

A. Two years.

Q. Are you a graduate?

A. Yes, sir.

Q. What school?

A. Radford University.

Q. What was your degree?

A. Geology.

Q. And when you were working for Marshall Miller what was...was there some area of interest or some area that you---?

A. Just simply field work.

Q. And since you've been with CNX is there an area that you specialized in or focused on?

A. Yes, CBM in Virginia and conventional in Virginia.

Q. And that's been since December of '06 I think you said?

A. Correct.

Q. Have you prepared some exhibits and done some analysis and work with regard to this well?

A. Yes, sir.

Q. Do you have a copy with you?

A. I just presented a small slide show here and PowerPoint.

Q. Okay. And who...and this is what we've.... Les, would you pass this out. Is this something that you've prepared?

A. Yes.

Q. And I would just ask, I'd probably have

some questions at the end, but I would ask you to discuss your PowerPoint with the Board and sort of walk through it with them.

A. The first slide you see here is the newspaper plat that you probably have seen in the application just outlining the Oakwood and the Nora units that we want to pool together into one horizontal unit.

BENNY WAMPLER: Mr. Swartz, we need to give these exhibits numbers as we go through it if you want this to be an exhibit or the whole package as an exhibit.

MARK SWARTZ: Could we maybe do the packet, would that work?

BENNY WAMPLER: That's fine. But it would be a lot (inaudible) packet exhibit and then page one, two.

MARK SWARTZ: Could we call it AA and then the pages---?

BENNY WAMPLER: AA is fine and then it would be page one, two etc.

A. Okay, page three just shows a general philosophy for horizontal drilling. The prospect of pay formation that we are going to target is the Lower Huron and Devonian shell. The philosophy for drilling is to effectively drain the reservoir with fewer bore holes. Also, it gives you a great...it greatly increases the chance

of crossing vertical fractures in the pay formation and you see the cartoon there. The vertical wellbore if there's existing vertical fractures there we may not even cross those. With the horizontal drilling you have many chances of crossing the secondary of permeability. Going to page four, this is a typical exploration horizontal design. As you see we have...these are actual numbers from the AB78CV vertical well, the TD at 6335. Vertically we want to plug back and kick off horizontally leaving a seven inch at about 5461 plus or minus 75 feet with a horizontal leg of about 2500 feet which will have a total horizontal package of 3000 foot leg. The next page, page five I believe it is, just, you know, a typical horizontal unit proposal in the future if we was to do one completely encased in the Nora field you can see that we want to combine four 60 acre grids there. If it was in the Roaring Fork or Oakwood field, we would propose to do 80 acre...four 80 acre units combining for one 320-acre unit. The next slide is the CNX horizontal proposal unit for this particular...in this particular case. You can see the Nora unit of 48.63 acres and the two Oakwood P (-3) and P (-4) 80 acres and the pink outline would be the horizontal unit.

BENNY WAMPLER: Page six.

A. Yes, sir. The caption I have there it still

utilizes existing vertical field units. The reason it's set up this way is just because the way it happens to cross the two different fields. Our last slide, number seven, just the benefits of doing a horizontal well you have a smaller footprint on the surface. Like I stated earlier, maximum depletion of the reservoir and drain areas that are otherwise untapped due to topography and it's better for deep mining, you do not have to drill as many vertical wells through mineable seams.

Q. Well, going back to page three of your exhibit, it appears to me that vertical...one of the disadvantages, I guess, from this exhibit if I understand this correctly of a vertical well, it would be that...it literally could miss any...it could miss all horizontal natural fracture...or vertical natural fractures in a reservoir?

A. That's correct.

Q. Okay. And, obviously, you've got a 2500 foot opportunity---

A. Right.

Q. ---when you're going horizontal to intersect those?

A. Correct.

Q. Have you...is there some experience that

you've had that causes you to see benefits associated with tapping into those fractures?

A. Yes. Well, I think there's some evidence from other operators in other parts of the country that have been getting large production volumes from doing this general method, yes.

Q. Okay. And is the explanation that's suggested the intersection of those fractures?

A. That's correct.

Q. What is the close...do you know, and if you don't I'll force Les to deal with this question, but roughly how far is the leg from the unit boundaries?

A. What's proposed from the unit boundaries?

Q. Yes.

A. I don't know that being that this is not drawn to scale, I can't answer that right off the top of my head.

Q. Let me look and see if we've got a plat that might help us. If we look at the plat for the 48.63 acre tract it looks like the offset from the north boundary if this is...okay, well I think I'll just ask Les then rather than struggle with you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, what would be the...to give the Board an idea, what's the offset of the leg to the unit boundaries that you're proposing?

A. Beyond 20 feet.

Q. And in the Nora?

A. Yeah, in the Nora units.

Q. Okay. And when we get into the first Oakwood unit to give them a sense of how far that north boundary is? How far is it off the north boundary?

A. Approximately 460.

MARK SWARTZ: Okay. I think that's all I have Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Do you own all the acreage adjacent to the unit that you have here? Do you control all of it? Are there any outside wells drilled adjacent to your unit?

LESLIE K. ARRINGTON: Not to my knowledge. I mean we have to show them on our plat and there's none shown.

BRUCE PRATHER: Okay, good. The other thing I'd

like to ask you is I assume this well originally is a Berea well, is that correct?

CHRISTOPHER DOUG ODEM: Yes and no. We wanted to go down deeper to get a control point on the Lower Huron before we do anything.

BRUCE PRATHER: And you're going to do it before you do anything?

CHRISTOPHER DOUG ODEM: Correct.

BRUCE PRATHER: Okay, that answers my question.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Yes, I have a question about wells also. Now the AB78CV, that's already drilled, is that correct?

CHRISTOPHER DOUG ODEM: Yes.

BILL HARRIS: So, you all are going to drill that further? I mean vertically before---?

CHRISTOPHER DOUG ODEM: What we want to do, if you go to slide three or four, we wanted to get an idea exactly where the top of our target seam...target formation, yes, sir, and the Lower Huron shale. We wanted to know where that was exactly before we wanted to go back up and kick off a horizontal. That---.

BILL HARRIS: And knowing where that is we'll know...you'll know how far because of the curvature of how

far up to go.

CHRISTOPHER DOUG ODEM: Right. Correct.

BILL HARRIS: Now, just a procedural question, this is cement open hole back to I guess there's a quote there and then CSG point. I'm not sure what---

CHRISTOPHER DOUG ODEM: That may be to seven inch casing point is what I'm thinking. But if you see the top the highlighted number there 5461---

BILL HARRIS: Yes, there's a seven inch to the left of that?

CHRISTOPHER DOUG ODEM: That's right. That's approximately 500 feet...575 feet above the top of that Lower Huron point.

BILL HARRIS: Okay.

CHRISTOPHER DOUG ODEM: So, we would want to exit our seven inch about 5461 and around 60 to 75 feet begin building our curve so there would be cement from the bottom of that vertical section up to 5461 plus or minus 60 to 75 feet.

BILL HARRIS: Okay. Now, do you cement fur...this is just procedural because I don't know. Once you determine whether...because Mr. Prather, I guess, asked about...well, I guess, it's a question related to that Lower Huron shale, so once you locate that now do you seam it back up or do you

just come back up and drill? I just wondered procedurally which way do you---?

CHRISTOPHER DOUG ODEM: I'm not a drilling engineer, so I can't really answer that.

BILL HARRIS: Oh, okay.

CHRISTOPHER DOUG ODEM: But to address it, I do believe we will cement that vertical section up to approximately the kickoff point, is that kind of what you're asking?

BILL HARRIS: Yeah, I'm just wondering how would you know where to make the turn. I mean, and I guess it's a technical question so that's what I said I don't know---.

CHRISTOPHER DOUG ODEM: To make the turn you have to...I think you can go 12.5 degrees per hundred feet.

BILL HARRIS: Yeah. But in terms of making the turn...if this thing, you know, they talk about drilling vertical wells and then turning, well if you have to drill below that then I can see where you can turn it a bit. But I guess, like I said mine is just a procedural question.

BRUCE PRATHER: You set a whipstock---.

BILL HARRIS: A whip?

BRUCE PRATHER: You do it outside the casing.

BILL HARRIS: What is it called?

CHRISTOPHER DOUG ODEM: Whipstock.

BRUCE PRATHER: Whipstock.

BILL HARRIS: Okay.

CHRISTOPHER DOUG ODEM: It's like wedge.

BILL HARRIS: Okay. So, that would allow you to wedge.

BRUCE PRATHER: Yeah, it would allow you...what it is it's a deal like this and then it has got a slight one like this about 10, 15 or 20 feet---

BILL HARRIS: So, that will redirect?

BRUCE PRATHER: ---and what it does it redirects the bit for the outside of that casing and then drills a hole through it.

BILL HARRIS: Yeah, okay. I was just curious about that. I do have another question though. I noticed that...of course, this is proposed, this doesn't go through the center of the units, it's kind of north of the center. Is there a particular reason why that might be the case? Do you know what I'm saying? It's like all of your---

CHRISTOPHER DOUG ODEM: Are you saying that just from the map view of the leg the way it...why is it oriented southeast instead of not due east?

BILL HARRIS: No, well now I understand the southeast because the units are offset a little but---

CHRISTOPHER DOUG ODEM: The way the leg is

oriented really has nothing to do with the units. It's more geology.

BILL HARRIS: Okay. So, and even the...okay, so the drill site is already established. So, you have to start...that just looks a little...it looks like you would go through the center. I mean---

CHRISTOPHER DOUG ODEM: Yeah, the reason it's not in the center is because the vertical has been drilled already and we want to utilize the same bore hole and pads. So, we don't---

BILL HARRIS: Okay, so that just happens to be north of center. So, you just have to start there and then---

CHRISTOPHER DOUG ODEM: Correct.

BILL HARRIS: One last question, Mr. Chairman. The vertical has already been drilled. Does the IFE duplicate that drilling amount?

LESLIE K. ARRINGTON: No, that...a portion of that was included in and then this new AFE is for the horizontal. If we leave it horizontally that's the cost for it. If it were to go back to vertical, then the costs in the original is what it would be.

BILL HARRIS: I missed something there. Wait a minute.

BRUCE PRATHER: See, it's my understanding that what he's doing is he's got pipe through all the potential zones up the hole---

BILL HARRIS: Yes.

BRUCE PRATHER: ---and so he has already set his pipe in there. He has got everything behind pipe that would be a potential pay zone and then he's going to go down and set a whipstock and knock a hole in it and then do his horizontal hole.

BILL HARRIS: Well, I'm asking about the AFE, does that include the money for the vertical that's already drilled?

LESLIE K. ARRINGTON: Yes, sir, it will include a major portion of that. Yes, sir.

BILL HARRIS: Has that not already been---?

LESLIE K. ARRINGTON: It's in the original. Now, remember this well, we drilled it as a conventional well to begin with. Now, we don't produce the conventional. We produce it horizontally then it will be this portion of the costs. If you go back and look at the AFE for A-70A, that AFE was substantially smaller. And that portion would be all that that group in that circle would be participating on.

BILL HARRIS: But this has been drilled or has

not?

LESLIE K. ARRINGTON: Yes, sir, it has. The hor...the vertical portion has been drilled, yes.

BILL HARRIS: I guess, I'm a little confused. When that was drilled did...was it not paid for at that time? Was it not-

LESLIE K. ARRINGTON: Well, it is but it had to be drilled and that section of pipe there has been nothing else done to it so all that cost would either go into the horizontal well or we'll back up to the original cost on A-62.

BILL HARRIS: So, it's not producing---?

LESLIE K. ARRINGTON: No, sir.

BILL HARRIS: ---at this time?

LESLIE K. ARRINGTON: No, sir.

MARK SWARTZ: And we're not going to produce it because you can't allocate, right?

LESLIE K. ARRINGTON: Once we drill the horizontal, then it will be allocated if that's how it produces. If not, then it will be plugged back and then we'll do a vertical well out of it.

BRUCE PRATHER: I have a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Do you have any idea where the top

of the cement is on the outside of your four and a half?

LESLIE K. ARRINGTON: No, sir, I don't.

BRUCE PRATHER: Okay.

CHRISTOPHER DOUG ODEM: If it is it's tacked in...tacked in at the bottom to allow us to come back out in open hole.

BRUCE PRATHER: Well, I just thought if you had zones up the whole conventional you'd run your seam back up over those.

CHRISTOPHER DOUG ODEM: We may have done that, I'm not sure about that.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Did you get your question answered?

BILL HARRIS: I'm still not sure if I understand about the payment of that. Was the first well...I mean, was that before the Board to be approved as something that was pooled or---?

LESLIE K. ARRINGTON: Yes, with the well cost for a conventional well---.

BILL HARRIS: And that was some time ago?

LESLIE K. ARRINGTON: Yes. And we drilled this well in anticipation in...seeing what we have. Seeing if the formations were there and to understand if we wanted to

try to take it horizontally. We seen the formations and we decided now we want to take it horizontally. If we had not have seen enough formations then...enough formation that Doug wanted to take it horizontally---

BILL HARRIS: To justify the horizontal?

LESLIE K. ARRINGTON: ---right, we would have made it a vertical well. And now---

BILL HARRIS: A vertical. I guess I'm just confused about who gets paid. So, that well is not producing. So, it has been drilled and then---

BENNY WAMPLER: This is back to the...if I can help you a little bit.

BILL HARRIS: Yeah.

BENNY WAMPLER: This is back to the whole issue of, can you get this bite of the apple free of charge or do you pay for what's already in the ground as part of that bite of the apple?

BILL HARRIS: I think last month we talked about that, yeah.

BENNY WAMPLER: Yeah. So, in other words if they were doing this and distributing without charging for that then whoever was buying into this, if someone did, would get that other portion free that they had spent. I mean, that was the discussion whether that's...I don't know if that

helps you or not but that's part of what he's getting at.

MARK SWARTZ: I think guessing at what you might really be asking but we're not understanding, this casing goes essentially to the bottom of this hole. So, you can't produce from---

BILL HARRIS: As present, okay.

MARK SWARTZ: Right. You cannot produce from this vertical well from the formations that you have passed on the way down. And to the extent that the initial well cost estimate included frac for a vertical well we haven't spent that money, we haven't done that. We're not in communication with these pay zones. So, basically the money we spent to get to the bottom of the hole and find the Huron so we could back up and figure out how to hit it, we would have had to spend that money if this had been our complete plan from the beginning and what Les is trying to indicate, I think, and then you need to step in and say no you got it wrong okay, if that is the case, I think what he's trying to say is if the horizontal well doesn't work out we will come back to this vertical well and then we will then, you know, we'll do a completion as a vertical well and we'll have, you know, fracs and so forth and we'll...that...I don't know if this helps you or not.

BILL HARRIS: Well, I didn't know how long ago

this was drilled and I didn't know if it was producing because I did ask a question about that. And I just wondered what happens to that money if it's already---

LESLIE K. ARRINGTON: No.

MARK SWARTZ: It's not producing.

BILL HARRIS: ---producing. Has not been allocated as such to pay for their production. I think I understand what my question was and what the answer is. Thank you.

BENNY WAMPLER: Other questions?

MARY QUILLEN: Mr. Chairman, I have just one little clarification on that.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: This first well was drilled not with the intent of producing primarily. It was drilled to find the...I guess the how far you were going to have to go down to hit the Huron shale---

CHRISTOPHER DOUG ODEM: Yes.

MARY QUILLEN: ---is that correct?

CHRISTOPHER DOUG ODEM: Yes.

MARY QUILLEN: And so once you have hit that then you know and it goes like 300...about 300 feet below that shale, is that correct?

CHRISTOPHER DOUG ODEM: That's correct.

MARY QUILLEN: So, what you...initially it was an exploration to find that horizon that you wanted and you initially have always intended it to eventually be a horizontal well?

LESLIE K. ARRINGTON: If the formations had been there and I found the formations.

MARY QUILLEN: Right. That was it. But if the formations had not been there then you would have backed up and continued with a vertical well?

CHRISTOPHER DOUG ODEM: Vertical, correct.

LESLIE K. ARRINGTON: Yes, exactly.

MARY QUILLEN: Gotcha.

BRUCE PRATHER: I have to clarify that a little bit.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: At the bottom of that seven inch what these people did, they ran a set of logs down there and that determined how thick it was, whether there was a dash there or anything else. So, I'm sure that's the basis that they made their decision to do the horizontal. That's how you do it. You use the log and you use that data.

BILL HARRIS: Mr. Chairman, may I ask a follow ups.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Well, if I was in that unit that was drilled and I was pooled and I decided I wanted to participate...well not pool but anyway if I agreed I'm going to participate in that and then all of a sudden it's going to be a horizontal, am I obligated to participate in that as well? What happens to...and I mean, in terms of people making an election? So, if I think I might have to put up \$10,000 I may now have to put up \$80,000 or whatever, I'm just giving you numbers not anything in particular but---.

LESLIE K. ARRINGTON: Well, we may end up at that point either asking for more or giving back some. Because you're only going to produce from one of the wells either the horizontal or we'll back up and complete it as a vertical.

BILL HARRIS: Okay, is this something new that we've...I don't know that we've had a situation like that before. I don't know.

BRUCE PRATHER: This has been done. Setting whipstocks is fairly simple.

MARK SWARTZ: Well, it has happened before when the horizontal doesn't work out. We've had some instances somewhere recently where we've done a horizontal well and it has just been a disaster and we've winded up backing up to a vertical. So, I mean the reverse of this has happened and

that could happen here, you know, or it could work out. I mean---

LESLIE K. ARRINGTON: In all likelihood we...it should turn out to work as the horizontal well, we hope.

BILL HARRIS: I'm going to be quiet. Thank you.

BENNY WAMPLER: Well, I mean your questions are relevant because they---

BILL HARRIS: Oh yeah, oh no no.

BENNY WAMPLER: ---because someone is going to participate.

BILL HARRIS: Yeah, because you see that to me is...you know, if this has been drilled, but it isn't producing but it has been drilled and if I decided at that point oh here's a vertical well in this unit and I'm---

LESLIE K. ARRINGTON: Let me respond to something.

BILL HARRIS: Yeah.

LESLIE K. ARRINGTON: Anita and I both see the elections as they come in and certainly by the time the order is written on these two items, Doug will have completed this well and we're going to know which way we're going so you know they're going to either participate in one or the other.

BILL HARRIS: So, this wasn't drilled long enough ago to...for folks to have already made an election.

LESLIE K. ARRINGTON: No, we don't have an order on it yet.

BILL HARRIS: Oh, okay, okay, okay.

LESLIE K. ARRINGTON: So, you know, this is certainly...we'll know here one way or the other as soon as this is...by the Board if we get approval Doug is going to proceed in getting this done.

BILL HARRIS: Yeah, I understand. Okay, thank you.

BENNY WAMPLER: Do you have anything further, Mr. Swartz?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Any further 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: 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. Thank you.

KATIE DYE: Abstain.

DONNIE RATLIFF: I'll abstain.

BENNY WAMPLER: Two abstentions, Ms. Dye and Mr. Ratliff.

MARK SWARTZ: Thanks, Mr. Chairman.

BENNY WAMPLER: Mr. Kaiser, you're representing Chesapeake Appalachia also. These two ladies have patiently waited all morning long and part of the...half of the afternoon, would you mind if we go to their petition?

JIM KAISER: Not at all.

BENNY WAMPLER: Is it thirty-nine, ma'am?

AUDIENCE: Yes, sir.

BENNY WAMPLER: I'm going to call thirty-nine next/ A petition from Chesapeake Appalachia, LLC for repooling of conventional gas unit 826382, docket number VGOB-07-0918-2024-01. We'd ask the parties that wish to participate in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and Board members, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia.

BENNY WAMPLER: And you all are welcome to come

down if you'd like to ask questions, which we need to...if you say anything we need you down here where they can record it, okay.

AUDIENCE: Yeah, I understand but I really don't know enough about it to ask any questions. So, I'm just listening.

BENNY WAMPLER: We'll try to do that for you. We need to get these gentlemen sworn in.

(Witnesses are duly sworn.)

DENNIS BAKER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Dennis Baker, I'm employed by Chesapeake Appalachia, LLC as senior landman.

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

A. Yes.

Q. Are you familiar with the application that Chesapeake filed seeking to establish a drilling unit and

pool any unleased interest in that unit which was dated June 13, 2008?

A. Yes.

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

A. Yes, we do.

Q. Prior to filing the application were efforts made to contact each of 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 Chesapeake within this unit?

A. At sign of application, as well as currently, we have 98.802023% leased. Unleased interest at the time of application is 1.197977%.

Q. Are all unleased parties set out at Exhibit B-3 to the application?

A. Yes.

Q. Now, we do have some unknown interest owners within the unit, correct?

A. Yes.

Q. And were efforts made to attempt to identify and locate these unknown parties including primary sources such as deed records, probate records, assessors

records, treasurer's records and secondary sources such as telephone directories, city directories, family, friends and the internet?

A. Yes.

Q. So, in your professional opinion due diligence was exercised to locate each of the respondents named in Exhibit B?

A. Yes.

Q. Are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. Yes.

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

A. Yes.

Q. 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. Five dollar per acre consideration, five year term and one-eighth royalty. _____

_____ Q. In your opinion, do the terms you've just

testified to represent fair and reasonable compensation to be paid for drilling rights in this unit?

A. Yes.

Q. Now, as to those parties listed at B-3 remain unleased, do you agree that they be allowed the following statutory options with regard to their interests: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 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 shall 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, 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 the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes, we do.

Q. Do you recommend that the order provide that elections by respondents be in writing and sent to the

applicant at Chesapeake Appalachia, LLC, 900 Pennsylvania Avenue, Charleston, West Virginia 25362, Attention: Mike Roster.

A. Yes.

Q. Should this be the address for all communications with the applicant concerning any force pooling order?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay their proportionate share of the actual well costs?

A. Yes.

Q. Should the applicant be allowed a 120 days following the recordation date of the Board order and

thereafter annually on that date until production is achieved, to pay or tender cash bonus or delay rental becoming due under the 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 actual well costs, then that respondent's election to participate should be treated as having been withdrawn and void and that respondent be deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs any cash sum being owed to that respondent from the operator be paid within 60 days from the time in which the respondent should have paid their well costs?

A. Yes.

Q. The Board does need to establish an escrow account and it would be for any proceeds attributable to Tract 4 in the unit, is that correct?

A. Tract 4, that's correct.

Q. Okay. Who should be named operator under the force pooling order?

A. Chesapeake Appalachia, LLC.

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: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, state your name, who you're employed by and in what capacity.

A. My name is Stan Shaw. I'm employed by Chesapeake Appalachia, LLC as a reservoir engineer.

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

A. Yes.

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

A. 6,165 feet.

Q. Estimated reserves over the life of the unit?

A. 350 million cubic feet.

Q. Now, are you familiar with the well costs?

A. Yes.

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

A. Yes.

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

A. It does.

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

A. The dry hole costs are \$328,768 and dry hole costs...that was the dry hole costs. The completed well cost are \$651,520.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does the 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, prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr.

Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Baker, you had some discussion with the ladies that are present here today. Can you enlighten us on any particular issue?

DENNIS BAKER: Basically, what we're going to do is we've got someone who's going to contact those ladies this afternoon between six and seven and kind of go through all of the provisions of the lease and discuss leasing with them. I went through the pooling and what takes place. They were pooled on another well that's adjoining this one. So, I believe that we have things in order and we're going to proceed with trying to get them leased this evening.

BENNY WAMPLER: And you'll meet with them today?

DENNIS BAKER: Yes.

BENNY WAMPLER: Okay. 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, Mr. Chairman.

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.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You
have approval. Thank you.

JIM KAISER: You should be back to fifteen.

BENNY WAMPLER: That's where we're headed. Does
anyone need a break? This is a petition from Equitable
Production Company for the establishment of a provisional
drilling unit consisting of 320-acres. This is for well
served by VH-539989, docket number VGOB-08-0715-2266. 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, Rita
Barrett and Taylor Vactor for Equitable Production Company.
It might be advantageous to everybody also, we have just one
more provisional drilling unit that we're going to
establish, it is item number---

BENNY WAMPLER: Twenty-one.

JIM KAISER: ---twenty-one if you want to go ahead and call that one and we can probably pretty much do this together.

BENNY WAMPLER: Item number twenty-one on the Board's agenda is docket number VGOB-08-0715-2272. We'll call that number.

DAVID ASBURY: May we have the gentleman's name again, please?

JIM KAISER: Taylor Vactor.

RAYMOND VACTOR: It's actually Raymond Taylor Vactor, V-A-C-T-0-R.

BENNY WAMPLER: Just as a reminder to the Board, sixteen through twenty are either withdrawn or continued until next month as you're cleaning up your dockets. The record will show no others. You may proceed.

JIM KAISER: Okay, we'll start with Ms. Barrett.

(Witnesses are duly sworn.)

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, let's start with the unit for VH-539989, would it be---

RITA BARRETT: Could I make one comment on Mr. Prather. This is in the Roaring Fork area mutual interest.

BRUCE PRATHER: I figured it was.

RITA BARRETT: I'm sorry, Jim.

BENNY WAMPLER: That's all right.

Q. Would it be your testimony that everybody entitled to notice on the 36119 is received notice by certified mail return receipt requested?

A. Yes.

Q. And would it be your testimony that any of the...looking at Exhibit A, which is our well survey, would it be your opinion that any existing wells would be owned and/or operated by Equitable Production Company?

A. That's correct.

JIM KAISER: That's all I have 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.

RAYMOND TAYLOR VACTOR

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Vactor, Raymond Taylor Vactor?

A. Yes.

Q. You've not testified before the Board previously, could you just briefly give them a history of your educational background and then a summary of your job responsibilities with Equitable Production Company?

A. Okay. Raymond Taylor Vactor. I'm a geologist at Equitable Resources. I have a Bachelor's degree in geology from the University of Pittsburgh and I'm a development geologist that plans out wells for us to drill.

BENNY WAMPLER: Prior work experience?

A. Just with Equitable Resources.

BENNY WAMPLER: Since?

A. Since January and I had done an internship the previous summer for three months.

JIM KAISER: Okay. Now, let me go back to Ms. Barrett for a minute. Let's now move since we combined these let's move to VH-539922.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Would it again be your testimony that all parties entitled to notice under 236119 have been notified certified mail return receipt requested?

A. Yes.

Q. And, again, in this particular 320-acre square would it be your testimony that any existing wells be they conventional or CBM would be owned and operated by Equitable Production Company?

A. I don't think there are any, but...oh, yes there is. Yes.

Q. There's one over there at 3:00...9:00 o'clock.

A. Yes.

JIM KAISER: Okay. That's all I have of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

JIM KAISER: Although, we will be...this particular unit we will be pooling later today on item twenty-seven, which I guess after seeing the CNX application that they just presented and this is something that would go

towards trying to expedite the process, I mean they formed their unit and pooled the unit in the same application. So, I guess going forward other applicants can do that also?

BENNY WAMPLER: There's nothing to prevent it really. It's more efficient probably.

JIM KAISER: Right. Okay. We're going to go back to Mr. Vactor and we're going to ask him to go through his PowerPoint presentation. Each page will be, we'll make them Exhibit AA, BB, CC or do you want to go AA and then one, two three---?

BENNY WAMPLER: Just AA page one, two, three. Yeah, let's just keep it simple.

JIM KAISER: Just keep it simple. So, if you'll go through your presentation and the reasons that we want to

BENNY WAMPLER: Well, he's already got it so go with that.

JIM KAISER: Yeah, I told him to do that last time.

BENNY WAMPLER: We're good with that.

RAYMOND TAYLOR VACTOR

DIRECT EXAMINATION RESUMES

QUESTIONS BY JIM KAISER:

A. So we'll start off with AA, this is the

proposal for the unit. It's going to be 320-acre square unit, 3733 X 3733 with a mile diagonal. There will be a 300 foot interior window with 600 foot standoff from adjacent grid horizontal wellbores. We should be able to drill the surface location outside the unit so long as production comes from within the unit. There will be a minimum of 600 foot distance between the horizontal wellbore and any vertical well producing from that horizon. And multiple wells in our laterals should be allowed for maximum drainage and in some cases two or more wells may be drilled from the same pad due to terrain restrictions. On the BB, this just shows little diagram of the dimensions of the unit itself which was explained previously. On the CC, the benefits of the horizontal drilling. We have few issues with coal mining, less surface disturbance, you more effectively extract the resource. The laterals can reach into areas otherwise inaccessible by vertical bore holes. You have higher depletion rates, shorter lives to wells and it will encourage development of the resource.

Q. Just one minute there, Taylor, the way of explanation, the higher depletion rates shorter lives to wells that would be important obviously to the mining companies and with the shorter lives those wells can be plugged and then mined through. So, that would be important

to them and of course the fewer...the fact that maybe you drill one horizontal versus four or five verticals is also important to the coal company, correct?

A. That is correct. Okay, on to DD-1, this is the unit itself, there's a map shot to the left and on the right is a image of the plat itself showing the unit as well.

Q. And we have that same exhibit also for the second unit that we're forming here today?

A. Yes.

Q. And that's been passed out?

A. I can pass that out right now.

BENNY WAMPLER: The only changes is DD page 1?

TAYLOR VACTOR: Yeah. And this is DD-2.

BRUCE PRATHER: The location of the well is outside of the unit.

TAYLOR VACTOR: I'm sorry?

BRUCE PRATHER: The location of the well is outside of your unit starting.

TAYLOR VACTOR: I'm not following you.

BRUCE PRATHER: The location...the surface location for the well is outside your unit and you're going to go back and come across.

TAYLOR VACTOR: We're just establishing the unit

right now. We're not saying where we're going to have the top four at the moment but it will follow the---

BRUCE PRATHER: Okay, what I was wondering about was this---

TAYLOR VACTOR: No, that's just an existing location that we have. That's not drilled. That's not going to be for this horizontal.

BRUCE PRATHER: Okay. Okay.

JIM KAISER: Yeah, there shouldn't be any top hole location on any of these plats.

TAYLOR RAYMOND VECTOR: Yeah, those aren't for the horizontals.

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: I have a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Are there any other people have wells adjacent to this thing when they're not half a mile or so? Are there correlative rights at issue?

RITA BARRETT: I don't think so.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

DAVID ASBURY: Mr. Chairman, the plat that we have shows the well location outside the unit here. I want to make sure that we're clear. Are you asking for the Board to approve that location?

TAYLOR VACTOR: Not at this time. We're just asking for the unit to be approved.

JIM KAISER: Yeah, that probably shouldn't have been on there.

DAVID ASBURY: Yeah.

BENNY WAMPLER: Thank you. Motion and a 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. Thanks for that clarification.

JIM KAISER: Mr. Chairman?

BENNY WAMPLER: Yes.

JIM KAISER: If I could, Mr. Vactor, they're trying to catch a plane back to Charleston and the only other one that he's going to be involved in is number twenty-eight. If there's any way we could go to that one that would be helpful to them.

BENNY WAMPLER: You just remember this. This is a petition from Equitable Production Company for modification of the Nora coalbed gas field rules to allow for drilling of additional well in units BU-45 and BS-54 and BU-43, docket number VGOB-89-0126-0009-31. 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, it will be Ms. Barrett and Mr. Vactor for Equitable Production Company.

BENNY WAMPLER: Let the record show no others. You may proceed.

JIM KAISER: We'll start with Ms. Barrett.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY JIM KAISER:

Q. We are...by this application we are seeking the Board's permission to drill one additional well, an

increased density well, in three different units, correct?

A. That's correct.

Q. So, let's take these units one at a time. Let's start with BU-43. It is going to be force pooled on item twenty-three later today?

A. That's correct.

Q. That's correct. And the additional well...the increased density well is inside the interior window, is that correct?

A. That's correct.

Q. And there's no correlative rights issues and you have a plat for Mr. Asbury?

A. I do.

Q. All right. Moving to the second unit, BQ-45, everything is under lease to Equitable in that unit?

A. That's correct.

Q. And the increased density or one additional well is actually going to be outside the interior window?

A. That's correct.

Q. But you have a plat that you'll present to Mr. Asbury and would it be your testimony that there will be no correlative rights issues because it's also Standard Banner?

A. That's correct.

BENNY WAMPLER: Which means what?

A. We have Standard Banner Coal under lease on that 5,000 acres.

BENNY WAMPLER: Thank you.

Q. And then BS-54, explain any land or correlative rights issues on this one.

A. BS-54 on the increased density well is outside the unit. It's primarily on Lambert land. However, when we put the 750 foot radius around that well it does bump into Lorraine Martin somewhat. But we have her leased also. So, we don't consider that a correlative rights issue.

JIM KAISER: Nothing further of Ms. Barrett at this time and you have a plat for Mr. Asbury on that unit.

RITA BARRETT: I do.

BENNY WAMPLER: Questions from members of the Board of Ms. Barrett?

(No audible response.)

BENNY WAMPLER: Call your next witness.

RAYMOND TAYLOR VACTOR

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Vactor, we just talked about your experience and education. If you would now, using the

handout that you prepared and the Board has in their possession, go through why once again we're seeking the additional well in these units and what our evidence to date shows about why this is a viable exercise.

A. Okay. On the front page, Exhibit A, this is a map just depicting the grids that we are seeking for the increased density. On the second page, BB, it shows these grids with respect to the grids that we have gotten approved in the past. On CC, this is showing us the number of wells...increased density wells that we have drilled to date and its giving our production throughout. As you can see, we have drilled 64 increased density wells. Our total accumulative production is 1,312 mmcf and the current rate is 3.5 mmcf per day. On DD, this just shows it sort of graphically. The green line there is the original wells and the red line is the incremental production from the increased density wells up and above that. So, as you can see from these numbers and the graph we are increasing production and we would like to proceed and continue to drill increased density wells.

Q. So, it would be your testimony that to date that the incremental production that we are seeing in the...with the additional well more than offsets the additional capital expenditure?

A. Yes.

Q. And in addition not only is this good obviously for the operator, but the royalty owners are receiving a more royalty faster and the local counties are receiving a greater severance tax faster?

A. That is correct.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman. I do have one other question of Ms. Barrett.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, would it be your testimony that everyone entitled to notice under 36119 in all three units did receive notice by return...certified mail return receipt requested?

A. Yes.

Q. Thank you.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

MARY QUILLEN: Second.

BENNY WAMPLER: And a 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.

RITA BARRETT: Thank you.

RAYMOND TAYLOR VACTOR: Thank you.

BENNY WAMPLER: We're probably at twenty-three. Twenty-three is...twenty-two was continued. Twenty-three is a petition from Equitable Production Company for pooling of the unit supporting well VCI-538761. This is docket number VGOB-08-0715-2274. 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 and Don Hall on behalf of Equitable Production Company. I hope you all don't...nobody minds if I take my jacket off.

(Witness is duly sworn.)

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

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Donald Hall. I'm employed by Equitable Production Company as district landman.

Q. And we are force pooling...this is an increased density well and a unit that was just approved for an additional well?

A. Yes.

Q. And the first well has already been drilled in this unit was also force pooled?

A. That's correct.

Q. Okay. Are you familiar with the application filed seeking to pool any unleased interests---?

A. Yes.

Q. ---in the unit?

A. Yes.

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

A. We do.

Q. Prior to the filing of this application, did you make an effort to contact each of respondents owning an interest and obtain a voluntary lease agreement?

A. Yes.

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

A. We have 94.075% of the gas estate leased.

Q. And what about the coal estate?

A. 100%.

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

A. They are.

Q. So, the only remains unleased is 5.925% of the gas estate?

A. That's correct.

Q. This particular unit does contain some unknowns?

A. Yes.

Q. Again, were reasonable diligent efforts

made and sources checked to identify and locate these unknown heirs?

A. Yes.

Q. In your professional opinion was due diligence exercised to locate everybody having an interest within the unit?

A. Yes.

Q. And all the addresses set out in Exhibit B to the application the last known addresses for respondents?

A. They are.

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

A. Yes.

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

A. Yes.

Q. Would 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, are the terms you've just testified to represent fair market value of and fair and reasonable compensation to be paid for drilling rights

within this unit?

A. They do.

JIM KAISER: If the Board agrees...Mr. Chairman and Mr. Hall is in agreement, I would like to incorporate the election option testimony taken previously in item thirty-nine, docket number 2024-01.

BENNY WAMPLER: Do you agree to those terms?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, we do need an escrow account?

A. We do.

Q. And that will be for proceeds attributable to tract?

A. 1, 2, 5, 6, 7, 11, 14 and 15.

Q. 1, 2, 5, 6, 7, 11, 12, 14 and 15----?

A. 11.

Q. 11.

A. Not 12. 11, 14, 15 and 19. 1, 2, 5, 6, 7, 11, 14, 15 and 19.

Q. That is depicted on our Exhibit E?

A. Exactly.

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

A. Equitable Production Company.

Q. What is the total depth of the proposed well here?

A. 2520 feet.

Q. And the estimated reserves for the unit will be 525 million cubic feet, correct?

A. It's 250 million cubic for this particular well or for the unit. Again, that's probably correct.

Q. Okay. So, we're going to attribute 250 of the 525 to this---?

A. That's correct.

Q. ---to this additional density...increased density well, correct?

A. Yes.

Q. Okay. And are you familiar for the well costs for this well?

A. Yes.

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

A. It has.

Q. In your opinion, does it represent a fair estimate of the well cost?

A. It does.

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

A. The dry hole cost is \$177,823 and the completed well cost is \$429,317.

Q. And do these cost anticipate a multiple completion?

A. They do.

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

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

A. Yes.

JIM KAISER: No further questions 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.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

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. I'm going to
call this one and Ms. Quillen is going to chair for me while
I take a break. Next is a petition from Equitable
Production Company for pooling drilling unit supporting well
VH-536020, docket number VGOB-08-0715-2276. 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, Board members, Jim
Kaiser and Don Hall again on behalf of Equitable Production
Company.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include
the land involved here and in the surrounding area?

A. They do.

Q. And are you familiar with the application

that we filed seeking to pool any unleased interest in this unit?

A. Yes.

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

A. We do.

Q. And prior to filing the application, were efforts made to contact each of respondents owning an interest in the unit and efforts made to work out a voluntary lease agreement with each?

A. Yes.

Q. What's the interest Equitable has under lease at this time?

A. We have 91.86% leased.

Q. Are all unleased parties set out at B-3?

A. Yes.

Q. So, 8.14% of the gas estate remains unleased?

A. Yes.

Q. Again, there are unknowns in this unit?

A. Yes.

Q. And, again, you made all necessary reasonable efforts to attempt to identify and locate these unknowns?

A. Yes.

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

A. Yes.

Q. And, again, are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

Q. Advise the Board as to what those are.

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

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, I would ask that the testimony that was taken earlier in item thirty-nine on the docket 2024-01 regarding the statutory election options afforded any unleased parties be incorporated for purposes of this hearing.

MARY QUILLEN: It will be incorporated.

Q. Mr. Hall, we do need an escrow account?

A. Yes.

Q. It will be for proceeds attributable to

tracts and consistent with Exhibit E to the application?

A. That's correct.

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

A. Equitable Production Company.

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

A. It's 9,487 feet including the lateral.

Q. Okay. So, that will include your vertical down, build your curve and then the lateral all the way up?

A. That's correct.

Q. Okay. And the estimated reserves for this unit?

A. 980 million cubic feet.

Q. And are you familiar with the well costs?

A. Yes.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

Q. And in your opinion does it represent a reasonable estimate of the well costs?

A. Yes.

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

A. The dry hole cost is \$1,027,639. The completed well cost is \$1,775,627.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness.

SHARON PIGEON: Jim, we seem to be missing a page from your application. We go from page two to page four. I mean, paragraph two to paragraph four on the application.

JIM KAISER: Yeah, I'd say it stuck together on the copier. I will get that to you. No, wait a minute, I've got one here. It's the application and not the notice?

SHARON PIGEON: Correct.

JIM KAISER: Do you want me to just hand you this one and send you one? Nothing of this witness at this time, Mr. and Ms. Chairman.

BENNY WAMPLER: Go ahead and continue, Ms.

Quillen.

MARY QUILLEN: Any questions from the Board?

BILL HARRIS: Yes, Ms. Chairman. Just a quick question. Could you tell us about the other two wells that are shown in that unit, if I can read them 536021 and 505253 down on the lower right? That one doesn't look like it's drilled.

DON HALL: The one in the 6021 is a drilled well.

BILL HARRIS: Vertical?

DON HALL: Vertical.

JIM KAISER: Vertical, conventional.

DON HALL: Vertical, conventional. And then 5253 is not yet drilled, but it will at some level.

BILL HARRIS: So, you're horizontal line is splitting the difference so to speak?

DON HALL: Yes.

BILL HARRIS: I mean, it won't be exact, but it will have the required offsets?

DON HALL: Right, yes, sir.

BILL HARRIS: I have no further question.

MARY QUILLEN: Any other questions from the Board?

(No audible response.)

MARY QUILLEN: Is there a motion?

KATIE DYE: Motion to approve.

BILL HARRIS: Second.

MARY QUILLEN: All in favor say yes...respond as saying yes.

(All members signify by saying yes.)

MARY QUILLEN: Opposed?

(No audible response.)

MARY QUILLEN: Okay, motion is approved.

JIM KAISER: Thank you.

BENNY WAMPLER: Next is a petition from Equitable Production Company for pooling the drilling units for well numbers VH-536025 and VH-539935. This is docket number VGOB-08-0715-2277. We'd ask those that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable. We need to withdraw VH-536025B from this application.

DON HALL: We initially applied for that well as a horizontal...as a conventional...as a vertical well and it's been continued.

JIM KAISER: This is one we continued back in April.

DON HALL: Right.

JIM KAISER: So, we're just going to...okay, let me give you a docket number. What we need to do is

originally this well was V...or one of these wells was V-536025. We applied in April of this year to form that conventional unit and pool any unleased interests. We continued it. It is docket number 08-0415-2199. At this time, we wish to withdraw that application and proceed with the pooling of the horizontal unit.

BRUCE PRATHER: It was a conventional well originally?

JIM KAISER: Yeah, it never got drilled.

BRUCE PRATHER: Okay.

JIM KAISER: Sorry, Diane. But I'm sure we probably don't have an order. Well we wouldn't have an order because we continued it.

BRUCE PRATHER: I didn't think we had a hearing did we?

JIM KAISER: No, we never even...we continued it but never brought it back up.

SHARON PIGEON: This was noticed for April and then continued and everything.

BENNY WAMPLER: And today it's still...it is today though VH-536025?

JIM KAISER: Yes.

BENNY WAMPLER: And VH-539935---?

JIM KAISER: Yes.

BENNY WAMPLER: ---that you're going forward with?

JIM KAISER: Yes.

BENNY WAMPLER: Okay, thank you. The record show
will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY JIM KAISER:

Q. Mr. Hall, you just passed out a new set of exhibits. Just before you get into your standard testimony, do you want to go ahead and explain why we have this new packet of exhibits?

A. I picked up some additional leases since the application.

Q. That will be reflected on B-2?

A. B-2. In addition...well we also located what you're thinking in B-2 is...well, actually we haven't picked up any additional leases, we picked up additional addresses, people shown as unknown in the initial application.

Q. Okay, so we located our continuing due diligence and located some unknowns?

A. That's correct.

Q. Okay.

A. And that would be shown on B-2. And all of the exhibits reflect that.

Q. Okay, so there is no change to the---?

A. Percentages.

Q. ---percentages leased and unleased?

A. No.

Q. Okay. Are you familiar with the application we filed seeking to pool these unleased interests?

A. Yes.

Q. And Equitable owns drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of this application, you made an effort to contact each of the respondents owning an interest and work...and an attempt to work out a voluntary lease agreement?

A. Yes.

Q. What's the interest under lease to Equitable in the gas estate at this time?

A. We have 80.02% leased.

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

A. Yes.

Q. And so that means 19.98% of the unit remains unreleased?

A. That's correct.

Q. Okay. Did we locate all the unknowns or are there still some out there?

A. I think we've located them all. I don't think there's anybody on Exhibit E.

Q. So, we were able to eliminate Exhibit E?

A. Yes. We have no Exhibit E.

Q. Okay. So, everyone has been identified?

A. Yes, sir.

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

A. Yes, they are.

Q. Are you requesting this Board to force pool all unreleased interests listed at revised Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights here?

A. Yes.

Q. What would those be?

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 just

testified to represent fair market value of and fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, we'd ask that the statutory election option testimony taken first in item thirty-nine, 2024-01 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. So, Mr. Hall, because you located all those unknowns 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 any force pooling order?

A. Equitable Production Company.

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

A. This is two wells.

Q. Two wells.

A. 536025 is...the depth including lateral is 9377 feet and the 539935 is 9487 feet.

Q. Estimated reserves for the unit?

A. 980 million cubic feet.

Q. Are you familiar with the well costs?

A. Yes.

Q. Has an AFE been reviewed, signed...well, I guess two AFE has been reviewed, signed and submitted to the Board?

A. That's correct.

Q. And in your opinion do these AFE's represent a reasonable estimate of well costs?

A. They do.

Q. Could you state the dry hole cost first for 536025?

A. The dry hole cost for 6025 is \$1,018,751 and the completed well cost for that well was \$1,751,801.

Q. And how about 539935?

A. The dry hole costs for that well is \$1,023,120 and the completed well cost was \$1,808,451.

Q. Do these costs anticipate a multiple completion?

A. They do.

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, prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further at this time 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 with the revised set of exhibits.

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.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. Next

is a petition from Equitable Production Company for pooling drilling unit supporting well VH-539922. This is docket number VGOB-08-0715-2278. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser and Don Hall.

BENNY WAMPLER: The record will show no others.

You may proceed.

JIM KAISER: We do have some new exhibits for this hearing also.

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY JIM KAISER:

Q. Mr. Hall, are you familiar with the application we filed seeking to pool any unleased interests in this unit? First, go ahead and talk about your revised exhibits.

A. The exhibits that I've given you reflects some additional tracts that we've leased since the application and the other exhibit that I gave you is a supplemental to the plat that had some corrections on it

regarding some names and so forth. Those are the two things that I passed out.

Q. So, B-2 reflects all the additional leases you picked up since the time of the filing of the application?

A. Yes.

Q. Okay.

BENNY WAMPLER: And the well supplement reflects just some corrections on the map as well as identifying what you leased.

SHARON PIGEON: Just for clarification, you have handed us a sheet that says no Exhibit E but there never was an Exhibit E, is that correct?

DON HALL: Correct.

JIM KAISER: Correct.

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

A. We do.

Q. And prior to the filing of the application and after filing the applications, did you continue to make efforts to contact respondents in attempt to obtain voluntary lease agreements?

A. Yes.

Q. Okay. And what is the interest under lease

to Equitable at this time?

A. We currently have 71.85% leased.

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

A. Yes.

Q. So, the interest that remains unleased is 28.15%?

A. That's correct.

Q. And we just testify that there is no Exhibit E, so there are no unknowns?

A. That's correct.

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

A. They are.

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

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in this unit?

A. I am.

Q. 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 that you've testified to represent fair market value of and fair and reasonable compensation?

A. Yes.

Q. To be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, we'd again ask that the statutory election option testimony first taken in item thirty-nine be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you agree to those terms?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

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

A. Equitable Production Company.

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

A. It's 8612 including lateral.

Q. Estimated reserves for the unit?

A. 980 million cubic feet.

Q. Are you familiar with the well cost?

A. Yes.

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

A. It has.

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

A. Yes.

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

A. The dry hole cost for this well is \$785,642 and the completed well cost is \$1,547,225.

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, prevention of waste and 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: Mr. Chairman, we'd ask that the application be approved as submitted with the revised set of exhibits.

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.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: Abstain.

BENNY WAMPLER: Two abstentions, Mr. Prather and Mr. Ratliff. You have approval. We'll go to twenty-nine. A petition from Equitable Production Company for disbursement of funds from escrow and authorization for direct payment of royalties on a portion of a 98 acre tract. This is docket number VGOB-06-0919-1718-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser and Don Hall for

Equitable.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, we're here today for a disbursement of some escrowed money with the Owens and...Sara Geneve Owens, Gary Roger and Agnes Jeraldine Hurley and Range Resources-Pine Mountain, is that correct?

A. That's correct.

Q. And they have signed agreements for a 75/25 split?

A. Yes.

Q. And did you compare your..Equitable's internal records with Wachovia?

A. Yes.

Q. And did they match?

A. Yes.

Q. And as of what date do they match?

A. As of June the 8th.

Q. And what tract are we talking about in the unit?

A. Tract 2.

Q. And do you recommend that the Board

disburse using the percentage that we've provided them?

A. Yes, sir.

Q. And does the exhibit to the application correctly point out the correct percentage attributable to each party?

A. Yes.

Q. And would you also ask that the Board order that all royalty payments going forward be made in these percentages directly to the royalty owners?

A. Yes.

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

BENNY WAMPLER: Would you just have him go through the owners and the percentage please just for the record?

JIM KAISER: Sure.

DON HALL: Tract 2, 75% portion of the Geneva Owens that's attributable to Geneva Owens is...the total escrow interest is .00985%. And the...well that's the percentage for both. It will be split 75/25 which the owner net interest for...the owner net interest is I guess what you're needing.

BENNY WAMPLER: Yes.

DON HALL: For Sara Owens is .00738750% and for Range is .00246250%.

BENNY WAMPLER: And you have listed Gary Roger and Agnes Geraldine Hurley?

DON HALL: The remain....they...Geneva Owens conveyed the property to them and retained the life estate and she is to receive the monies until such time as she's deceased and unable to receive them.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Yeah, I just wanted to clarify that would be by deed because by law the remainderment would get them.

BENNY WAMPLER: That tract is still open. We're not closing the account. It's just a disbursement of this portion.

DON HALL: I believe that's all there is.

JIM KAISER: Yeah, I think it is.

BENNY WAMPLER: I thought it said a portion---.

DON HALL: There's not a revised Exhibit E attached. So, I'm assuming that's---.

JIM KAISER: I think that's all Tract 2.

BENNY WAMPLER: Okay.

DON HALL: That's all of it.

JIM KAISER: It is all of it.

BENNY WAMPLER: It closes the account according to the testimony, correct?

JIM KAISER: Correct.

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. You have approval. We're going to take five minutes.

(Break.)

BENNY WAMPLER: We're going to divert a little bit and ask you to scoot that microphone over. We have one person that's requested to make public comment, which we typically do at the end, but she needs to leave. So, I'm going to go ahead and give her an opportunity to do that.

JUANITA SNEEUWJAT: You're my hero today.

BENNY WAMPLER: Clarification of today.

(Laughs.)

JUANITA SNEEUWJAT: Well, I tried to do my

appointment this morning, but they weren't open so I rushed on over here. If I were paid for my time I guess you couldn't afford me, right?

SHARON PIGEON: We know we couldn't.

JUANITA SNEEUWJAT: If you'll turn to page twelve. My name is Juanita Sneeuwjat and I swear to tell the truth and the whole truth. My name is Juanita Sneeuwjat, president on the Committee for Constitutional and Environmental Justice, Inc. I'm also vice president of Dickenson County Citizens Committee and I'm an advocate for Southwestern Virginia and, in particular, Dickenson County where I live. On behalf of Southwest Virginians, I wish to thank Mr. Wampler for his...this is the second time that I've thanked you, for his sensitivity in inviting the public to make their comments before the lunch break in this case. Thank you so much. Many folks take off work to come to this meeting and many are inconvenienced to come here. Mr. Wampler's actions reveal caring and integrity. I wish this Board to de-escalate the granting of permits for the purpose of well drilling, gas well drilling, holding tanks and laying of pipelines. As most of you know, the Marcellus base containing massive amounts of gas reserves are in the Appalachians that has been discovered. We realize the gusto of the gas companies to rush to develop the gas and get it

to market. Because of the zeal and excitement many factors tend to be overlooked such as the ecosystems, the mountaintop removal, the damage to roadways, damage to water ways and demoralization to humanity. And anyone who wants to question that read further in this article where I've marked it. To learn more read pages twelve, thirteen, fourteen, fifteen and sixteen of the "Appalachian Voices". I ask you to put some breaks on for the damage for all of the above can be evaluated. Once it's done it cannot be put back and made whole again. In that article, you will see at the top of the page that the Marcellus reservoir runs from New York City, down towards Tennessee and falls very heavily within the Appalachian ranges. If you will read some....let me just follow along here with you. Okay, under this map is a little segment that I've marked for you, Appalachians huge new natural gas reserves stretch from New York to Tennessee. Older gas operations in the southwestern Virginia have serious environmental problems. The pipelines shown above are owned by a company requesting an unprecedented blanket permit to take endangered species on a corridor a mile wide of each pipeline. Now, I've marked a paragraph, this was taken...the reporter that came over to do the story, I took her around Dickenson County and interviewed a lot of people in Dickenson County and other parts of Southwestern Virginia

and this exemplifies some attitudes and these were reported in this paper, not necessarily verbatim but pretty much so. Although land owners like the the Marneys, and they live over they call it Tiny Hollow, gets more royalties for the CBM payments for rights-of-way for the pipelines and roads, she said, "We've literally been messed upon. I feel like we've just been sold out." That's the general attitude relative prevailing area. And so I'll take you, to save time, over to where I've marked "A new rush for Appalachia's Super Giant Marcellus gas field" Pretty much all of that article support and scramble to reach natural gas etc., etc. "This has come out of the night like a freight train," said Pennsylvania State University geoscientist Terry Engelder. "The Appalachian gas reserve may exceed 500 trillion cubic feet although only 10 to 35 percent may turn out to be recoverable. All told, 500 trillion cubic feet of gas reserves represent perhaps one quarter of the energy equivalent with Appalachia's remaining 66 billion tons of coal reserve." And I won't bore you with all of that. But, obviously, we've seen an increase since 2007. I've been coming here for one year and now the room is filled up and I suppose that everybody wants to be on this gravy train. I suppose that counts for one of the...you can read the rest of it. If you will turn over to the next page, I didn't

mark it but there's an article that says, "Endangered Species Bypass Considered for Gas Lines." And then I've marked another...they took our little pictures here. They referred to me as a little bantam chicken of a woman, whatever that means. Gail and Rick Marney and Juanita Sneeuwjat are dismayed by environmental insults to their own land by gas companies. Below, liquid tanks that often overflow and, below right, above ground gas pipelines discarded in a creek. Environmental enforcement in the coalbed methane gas is lax at best, residents say." A whole bunch of people met with us for this meeting. And I've underlined a little quote here, one of the ladies I think she's still in negotiation with the gas companies, so no last names were used here. "They're tearing up the mountains here. The companies don't care." And that is the existing attitude that the companies don't care. Let us get in there and get the gas, tear the heck out of the mountains, the roads and whatever else and be on our way to market with it. That's the prevailing attitude. I think that's all that I've marked for you. But I hope you will take time to read and digest this article. A lot of time and effort went into the details. They are quite accurate. And please be mindful of human needs and human comfort and our need that was...our wish that was established in the

constitution that we have a right to...what is it I'm trying to say here...we have a right to undisturbed happiness on our own land and that sort of thing. So, that's all I have to say. I had some comment about the splits, but I will keep that to myself. Oh, and one other thing, I request pending permits to be filed in a newspaper in Dickenson County, The Dickenson Star, because the Bristol newspaper is no longer distributed there. So, local people have no way of knowing if, in fact, that is printed in the Bristol paper. I don't know for a fact that it is but I do know that it is not printed in the Dickenson Star. So, it's just a request we're making. So, that's all I have for you. Thank you for listening to me and I hope you will really when you're making your ruling, I hope you will take all of that into consideration because it's very important.

BENNY WAMPLER: Thank you, Ms. Sneeuwjat.

JUANITA SNEEUWJAT: Thank you for letting me speak. I appreciate it. Have a good evening.

BENNY WAMPLER: Thank you, you too. Is there any other public comment?

BILL HARRIS: Let me just ask, this pipeline in the creek, I know for mining, you know, there is reclamation efforts and inspectors and whatever, what happens when this is...I guess, this sort of surprised me that that's...well,

maybe it shouldn't but it does---.

FRANK HENDERSON: Actually I'd like to make notice that that picture is of a waterline that the water trucks pull water from the creek. It's not a gas pipeline. As you can see there's a quick connect fitting...aluminum quick connect fitting. So, that's an incorrect statement.

BILL HARRIS: So, in other words they put that in the creek to pump water, but left---.

FRANK HENDERSON: That they pull water out and fill the tanks up---.

BILL HARRIS: Yes, but left the pipe.

FRANK HENDERSON: And they'll leave it if they're coming back for another load. It's a standard practice. It's not a gas pipeline being shown there.

BENNY WAMPLER: The reporter was made aware of that.

DAVID ASBURY: Yes, Mr. Chairman, pictures were provided to the Division of Gas and Oil and both of these sites were investigated and Mr. Henderson's comment is exactly right. This was not a discarded waterline. It wasn't a line that was being use for fresh water drilling and was approved by the Division of Gas and Oil.

BENNY WAMPLER: Okay. This is a petition from Appalachian Energy, Inc. for pooling coalbed methane unit

AE-233, docket number VGOB-08-0715-2279. 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, Justin Phillips and Frank Henderson. I'd ask that they be sworn at this time.

(Witnesses are duly sworn.)

JUSTIN PHILLIPS

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Justin Phillips, Appalachian Energy, Inc. as landman.

Q. And this is a unit that's been approved previously by the Board for an additional well, an increased density well?

A. That's correct.

Q. And that's what we're pooling here today AE-23...AE-233 is actually an increased density well?

A. That's correct.

Q. And we pooled the unit for the first well, correct?

A. That's correct, yes.

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

A. Yes.

Q. And prior to the filing of the application were efforts made to contact each respondent and an attempt made to work out a voluntary lease agreement?

A. Yes, it were.

Q. What is the percentage under lease to Appalachian Energy within the gas estate?

A. It's 92.03% of the gas and 91.61% of the coal.

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

A. That's correct.

Q. SO the interest in the gas estate that remains unleased is 7.97%, correct?

A. Correct.

Q. And 8.39% of the coal estate remains unleased?

A. That's correct.

Q. Okay. Are the addresses set out in Exhibit

B to the application the last known addresses of the respondents?

A. Yes.

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

A. Yes, we are.

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. Would you advise the Board as to what those are?

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

Q. Okay. We don't have any unknowns in this unit?

A. We do not.

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

A. Yes, they do.

JIM KAISER: At this time, Mr. Chairman, I'd ask that the statutory election option testimony taken first in

item thirty-nine, 2024-01, be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

JUSTIN PHILLIPS: Yes, I do.

BENNY WAMPLER: That will be incorporated.

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

A. Appalachian Energy Incorporated.

JIM KAISER: That's all I have 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.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, what's the total depth of this proposed well?

A. 1,780.

Q. And what will the estimated reserves for the unit be, and that is what both wells will ultimately produce?

A. The estimated reserves for the unit are 375 million combined for the wells. There is a typo in this 250 million.

Q. Yeah. So---.

A. The two wells in that unit combined will be 375.

JIM KAISER: 2C of the application needs to go from 250 to 375 for the unit. Okay, so the order will say 375 for the unit for the two wells. Are you familiar with the well costs?

A. Yes.

Q. Is an AFE been reviewed, signed by you and submitted to the Board?

A. Yes.

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

A. Yes, it does.

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

A. The dry hole cost is \$140,125. The completed well cost is \$331,753.

Q. And do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness, 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. Is there 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 Appalachian Energy, Inc. for pooling of coalbed methane unit AE-231, docket number VGOB-08-0715-2280. Do you have the revised exhibit handed out?

JIM KAISER: Yes, sir. That exhibit revision reflects a correction, a mistake, that was made when we originally filed the application as to the gas estate. It was a much higher percentage now leased than what was originally filed. There was a mistake as to a lease.

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

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, do your responsibilities include the land involved in this unit and the surrounding area?

A. Yes.

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

A. Yes, we do.

Q. And at this point in time 48.97% of the gas estate would be under lease?

A. That's correct.

Q. And 47.65% of the coal estate?

A. Yes.

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

A. They are.

Q. So, we have 51.03% of the gas estate remaining unleased and 52.35% of the coal estate remaining unleased, correct?

A. Yes.

Q. And there's no unknowns?

A. No, there is no unknowns.

Q. And you are requesting the Board to force pool all unleased interests as listed at revised B-3?

A. Yes, we are.

Q. Again what are the fair market value of drilling rights in the unit here?

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

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

A. Yes.

JIM KAISER: Again, we'd ask that the statutory election option testimony be incorporated.

BENNY WAMPLER: Do you accept those terms?

JUSTIN PHILLIPS: Yes, we do.

BENNY WAMPLER: That will be incorporated.

JUSTIN PHILLIPS: Thank you.

Q. The Board does not need to establish an escrow account?

A. No.

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

A. Appalachian Energy Incorporated.

Q. Again, this is another unit that has been approved for increased density and it's the second pooling of the unit for the second well, correct?

A. That is correct.

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

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY JIM KAISER:

Q. Mr. Henderson, the proposed total depth of this well?

A. 2,340 feet.

Q. Estimated reserves for the unit for both wells?

A. 375 million for both wells.

Q. And, again, that will be a correction to the application. And has an AFE been signed, reviewed and submitted by you as Exhibit C to the application?

A. Yes.

Q. And in your opinion, does it represent a fair and reasonable estimate of well costs?

A. Yes.

Q. What are those dry hole costs and completed well costs?

A. \$144,685 for dry hole. Completed well costs of \$355,373.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as with the revised exhibits.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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 Appalachian Energy, Inc. for pooling coalbed methane unit supporting well numbers AE-170 and AE-194 and

this is docket number VGOB-08-0715-2281. 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, Justin Phillips and Frank Henderson.

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

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY JIM KAISER:

Q. Justin, do your responsibilities include this unit?

A. Yes.

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

A. Yes, they do.

Q. And has this unit been previously approved for increased density drilling, that being two wells within the unit?

A. Yes, it has.

Q. And prior to filing this application, did

you attempt to contact each respondent and work out a voluntary lease agreement?

A. Yes, we did.

Q. And at this time would it be correct to state that 84.080% of the gas estate is under lease?

A. Yes.

Q. And 74.593% of the coal estate is under lease?

A. Yes.

Q. Which means 15.920% of the gas estate remains unleased and 25.407% of the coal estate remains unleased?

A. That's correct.

Q. We don't have any unknowns?

A. We do not.

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

A. Yes, we are.

Q. Are you familiar again with the fair market value of drilling rights?

A. Yes.

Q. Advise the Board as to what those are?

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

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

A. Yes, I do.

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

BENNY WAMPLER: Do you accept those terms?

JUSTIN PHILLIPS: Yes, we do.

BENNY WAMPLER: That will be incorporated.

Q. The Board does not need to establish an escrow account for this unit, correct?

A. They do not.

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

A. Appalachian Energy, Inc.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, you've got two wells here so just go ahead and differentiate between the two of them and give us the total depth of each well.

A. Well, AE-170 1,350 feet and well AE-194 1,766 feet.

Q. And again, the estimated reserves for the entire unit will be 375 million cubic feet?

A. That's correct, for both wells.

Q. Okay. And you did file an AFE for...separate AFE for each well that was actually prepared by, signed and submitted by you to the Board?

A. Yes.

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

A. Yes.

Q. Could you state the dry hole costs and completed well costs for both wells breaking them down again?

A. Well, number AE-170 dry hole costs of \$122,148 and the completed well costs of \$377,312. Well number AE-194 dry hole costs of \$141,837 and the completed well costs of \$396,289.

Q. And do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions of Mr. Henderson from members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---want to clarify one. The estimated production in the application is 500 and 500 million but it actually should be a total of 375 for both wells?

JIM KAISER: For that entire unit.

FRANK HENDERSON: That's correct, 375 for the entire unit.

MARY QUILLEN: Okay.

JIM KAISER: The application is a mistake.

BENNY WAMPLER: Other questions?

(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.

BILL HARRIS: 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: You have approval. Thank you.

Next is a petition from Range Resources-Pine Mountain, Inc. for a provisional drilling unit consisting of 320-acres for drilling horizontal conventional gas well docket number VGOB-08-0715-2282. 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,

Phil Horn and Jerry Grantham for Range Resources-Pine Mountain. We'd ask that you'd call items thirty-four and thirty-five also at this time and we'll combine these three.

BENNY WAMPLER: That will be docket number VGOB-08-0715-2283 and VGOB-08-0715-2284. We'd ask the parties that wish to address the Board in these matters to come forward at this time.

JIM KAISER: Jim Kaiser, Phil Horn and Jerry Grantham. We'd ask that Mr. Horn and Mr. Grantham be sworn. (Witnesses are duly sworn.)

JIM KAISER: 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, could you state your name and who you're employed by and what capacity?

A. My name is Phil Horn, I'm land manager for

Range Resources-Pine Mountain Inc.

Q. And you've testified before the Board on numerous occasions?

A. Yes, I have.

Q. And it would be your testimony that everyone who would be entitled to notice in all three of these units in accordance with 361.19 has received notice by certified mail return receipt requested?

A. That's correct.

Q. And would it be your testimony that all of the interest within all three units are owned and leased by other Range Resources-Pine Mountain or your partner Equitable Production Company?

A. That's correct.

Q. Nothing further....and would it also be your testimony that any existing wells within these three 320-acre units and/or within a reasonable area outside the 320-acres any existing wells would be owned and/or operated by either Range Resources-Pine Mountain or Equitable Production Company?

A. That's correct.

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

BENNY WAMPLER: Questions of this witness from

members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JIM KAISER: That will be Mr. Grantham.

JERRY GRANTHAM

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Jerry Grantham. I'm employed by Range Resources-Pine Mountain, Inc. as Vice President.

Q. And you've testified before the Board on numerous occasions, particularly in the area of the formation of these provisional units for horizontal drilling, correct?

A. Yes, that's correct.

Q. Okay. At this time, if you would go through your handout for the Board and let them know what we're doing and why we're doing it and any insights you might want to give them on what has happened so far.

A. Yeah, actually I think probably the first thing to do is give you a little update on where we are with

our horizontal program. As you know we've been in front of the Board several times requesting horizontal units and we are drilling those which you know certainly what we plan to do this year and next year, we've to date have drilled five wells. Four of those have now been completed. All of these have been in the Lower Huron shale which has sort of been our primary target. Although, we feel like and we've talked about the potential for drilling in other conventional horizons. The first well we drilled was the one in 2007. That well has now been on for about eight months and still the production on it looks good. It's dropping of as wells always do but we're encouraged by it. We have drilled 530008, which is actually, and I hate to skip ahead, but if you look at Exhibit EE is actually a unit that was improved in December of 2007 and what we're here today to do is request three additional offsets to that unit. And, of course, those are, as you can see from this exhibit, contiguous with the way that we've laid it out. We've drilled that well. We've completed that well and it just went in line last week. So relatively new. 530031, which is a well to the west of this location, was drilled this year also. It was completed and went in line yesterday so it's relatively new. We don't have a lot of data on it but we have high hopes. And then 530094, which was an offset to the well that

we drilled last year, the first horizontal well in Virginia, was completed on Monday of this year...of this week, I guess that was yesterday, wasn't it? And that well we don't, you know, we're forming it back and we don't really know a whole lot about it. We know the completion went well and we were pleased with that. But that's sort of where we are. We have things in various stages and then we are drilling on 530097 which is another well. Now, sort of what we're seeing is, you know, we've drilled one well here and we're going to be talking about the offsets to 530008. We want to put some additional units together to go in and test the shale in those other units offsetting and make sure things are repeatable. And also we actually have plans to drill a horizontal Berea well in this area later this year. So, not only are we drilling the shell down here but now we're coming up and saying okay let's test this other horizon and see if that works. So, we're moving ahead with our program and you know we've got about five wells done at this point and we're going to continue to drill through the year.

So, I guess getting back to the exhibits, we've combined all three of these now. I do have additional if we need for the files additional exhibits for the other files. We have extra ones.

JIM KAISER: In other words, if you need a handout

for each file he's got them.

JERRY GRANTHAM: Yeah, do you need a handout? Does the Board want a handout for each file?

BENNY WAMPLER: Do you have one for each file David?

DAVID ASBURY: I need one for each file.

JERRY GRANTHAM: Okay.

BENNY WAMPLER: As long as he has it unleased the Board specifically requests it they do not need it.

JERRY GRANTHAM: But these are the same exhibits that I've shown in the past. Again, sort of the schematic of how these units are laid out the 320-acre units, they're square, they have distances on each side of 3733 feet. And actually if we flip to BB, I think this is you know is the narrative of how the unit is laid out and what we're requesting the Board to approve today. There are 320-acre units, 3733 feet by 3733 feet and they have a maximum diagonal distance within the interior window of 4431. Effectively, that's the maximum we could complete within the window. We are proposing a 300 foot window pane that we cannot complete in and we'd be 600 feet from horizontal wells in adjacent grids. And there again the 300 foot window pane is an area that we can't complete in but we want to be able to put the surface there or build our curve in that window

pane or even outside the unit and we have done that on a couple of occasions now and we found that that actually has been very effective because we can drill and build our curve and put the part of the hole that we cant complete in outside and then we can maximize the amount of lateral. That's very effective. The other thing that we've done and I don't have that exhibit with me today that we're working on right now is two units that are side by side. We've drilled one to the west and now we're going to use the same surface and drill one to the east. That's coming up shortly, too. So, all of the things that we've shown you we're trying and you know seeing how they work and working through that. The proposal would be that we would have to stay at a minimum of 600 feet from any horizontal wellbore producing from a horizon or any vertical well producing from that horizon within the unit. The proposal is to allow for multiple wells or laterals that can be drilled in the unit and these can be in various conventional formations. Again, we're talking about...or I should say we will do a Berea well later this year. We are actually looking at some of the other formations, Big Lime is a possibility. So, we think that the horizontals may have application in other horizons other than shell. And then also again we want to be able to put the surface outside the unit, but in no case produce anything that's outside of the

interior window. And then Exhibit CC is just sort of a typical well design. We really haven't varied from this much. We've run the shallow stream of conductor and surface casing of course to produce fresh water. And then the nine and five eight's stream which is called the coal protection stream. IT's run just like it is in a vertical wellbore. The seven inch intermediate, we're setting that right now through the Weir. We may move that up to the base of line and set it in the base of the line. We think that may actually be a better seat. But other than that the design is virtually the same as what we've done on the past wells. And then again we're trying to get about 3000 feet of extension. We haven't gotten over that yet. I'd like to, you know, maybe find one where we can do that and see what 3500 feet of lateral will do. The benefits, you've heard these, again, you know we believe it's going to benefit the working interest owners, ourselves, our royalty owners and certainly the county and the state by maximizing production. We think it's going to promote conservation of the gas resource. Certainly laterals can get into areas or drill under areas that are inaccessible terrain issues, towns, whatever. We think it will have a less impact on coal because in theory we should have fewer soda straws through that and we think the square units make sense because they don't leave any stranded

acreage out there. And then Exhibit EE is the exhibit that shows the Board approved location of 2108, docket number 2108, which was done December of last year. Again, this well has been drilled and what we would like to do would be to get approval for these three offset units and drill additional wells both in the heron shell and probably in the Berea Sandstone.

BENNY WAMPLER: Questions from members---

MARY QUILLEN: I have one question.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: You were talking about using the same platform. Would you be using the same platform to drill these that are side by side?

JERRY GRANTHAM: Actually, we very likely would. We...and I don't have the well location, but I can show you the well that we drilled in this unit right here was right down in the very southeast corner. I think the plan is, I'm not 100% certain, but we've looked at using this surface to drill this unit back to the southeast also. This is a big enough surface location that's up on a ridge we've actually talked about using it and maybe drilling this way. Certainly if---

JIM KAISER: That's an orientation you haven't tried.

JERRY GRANTHAM: Well, that's an orientation we haven't tried. We think the preferred orientation as we talked about is this way. Now, do we know that for a fact, no. We've drilled an east west one and actually that well just went online, but initial results were pretty positive. I mean, we like what we see. So, you know at the end of that I can't tell you. This is the best orien...but Jim or Mr. Kaiser is right, this would be a very different orientation if we went southwest and northeast. But you are correct, that's the plan for this is using that existing location to drill, you know, possibly two or three additional wells.

BILL HARRIS: Mr. Chairman?

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: First the AA, and I probably know the answer to this already. But I notice that some of the other companies have advertised 5,280 feet as that diagonal and rather than look back at that, is that from corner to corner, is that what they're doing?

JERRY GRANTHAM: Yes.

BILL HARRIS: So, that's including that 300 foot, so what...well, I'm not...what they are not saying though is that they can't produce that whole 5000---?

JERRY GRANTHAM: Actually---.

BILL HARRIS: I'm not asking for a judgment on

their drawing---

JERRY GRANTHAM: Yeah, I mean both measurements are correct. And actually, if you recall on our initial exhibits we listed 5280 and we...the question then came up well that's a lot of lateral and we were saying well we can't produce all that and so we changed our exhibit to only reflect the distance in the interior window because we felt like okay that's more representative of really what could be productive in the well...maximum.

BILL HARRIS: Right. So...yeah, okay. Thank you. And so far you said about 3,000 feet is what you all have drilled?

JERRY GRANTHAM: That's what we have drilled, maybe a little more 3200. I know some other operators in some other areas, I'm not sure about Virginia, but other states have drilled more than that. And I know for example in one well we had I think we could have drilled more but we drilled up to within 100-150 feet of our hard line, which would be the window, we call it a hard line meaning you can't go past that. And we always err on the side, you know, and so we had to stop that one because of that. But the well was drilling very well. I mean it...I think we could have drilled another five, six, seven hundred feet the way it was drilling.

BILL HARRIS: Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve all three applications.

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.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. They are approved.

JERRY GRANTHAM: Thank you.

BENNY WAMPLER: A petition from Chesapeake Appalachia, LLC for establishment of provisional drilling unit consisting of 320-acres, horizontal conventional gas well served by well 826879, is docket number VGOB-08-0715-2285. We'd ask the parties that wish to address the Board in

this matter to come forward at this time. I thought you were going to testify too.

JIM KAISER: I can if you want me to.

BENNY WAMPLER: We'll swear you.

JIM KAISER: Mr. Chairman, again, I think it would probably be advantageous to go ahead if you would we could request to go ahead and call item thirty-seven too and we can combine these two.

BENNY WAMPLER: That would be docket number VGOB-08-0715-2286. We'd ask the parties that wish to address the Board in these two matters to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser, Dennis Baker and Stan Shaw for Chesapeake Appalachia, LLC. Mr. Shaw is passing out his PowerPoint now...well, I guess, two PowerPoint's aren't you, Stan?

STAN SHAW: I will.

JIM KAISER: Just go ahead and pass them both out.

SHARON PIGEON: Do these apply to different docket numbers?

BENNY WAMPLER: Yeah.

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

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, in both these units which I'm going to call---

BENNY WAMPLER: Wait just a second, are you guys sworn?

DENNIS BAKER: Yeah.

BENNY WAMPLER: Are both of them previously sworn?

JIM KAISER: They've been previously sworn because they did that.

BENNY WAMPLER: I just wanted to get it on record. Thank you.

Q. Remember you've been sworn. I'm going to call them PP-1H and PP-2H. Would it be your testimony that all parties entitled to notice under the 361.19 of Virginia Code have been noticed in both units?

A. Yes, they have.

Q. And would it be your testimony that all parties in PP-2H are under lease to Chesapeake at this time and all parties in PP-1H are either under lease or will be force pooled in item thirty-eight later today?

A. Yes.

Q. That's correct?

A. That's correct.

Q. And would it be your testimony that any existing wells, and I don't know that there are any in either of these units, or any wells in the close proximity to either of these 320-acre units would be under the operation and control of Chesapeake Appalachia, LLC?

A. That's correct.

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: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY JIM KAISER:

Q. Now, Mr. Shaw, who do you work for and in what capacity?

A. Chesapeake Appalachia as a reservoir engineer.

Q. And you have testified previously before the Board on the establishment of these provisional units for the drilling of horizontal conventional wells?

A. Yes, I have.

Q. And could you...has Chesapeake actually drilled one yet?

A. We have. This unit for well 826879 is about four and a half miles west from where we drilled our first horizontal well and only horizontal well so far. This will be our third unit. The second one is not ready to drill yet. We turned that well in line on May 14th. So, it has been producing about eight weeks or a little better now and results are promising. It's really only about half the flow rate we need, but we only completed four intervals in the horizontal section. We'll double that up probably on our next one so we think things look real promising there.

Q. Okay. And could you go through your PowerPoint for both units for the Board and you know make any distinctions that if there are any that are necessary other than a copy of the plat as you go through it.

A. Yeah. This next page, Exhibit A, is the same as the plat. I shrunk it way down.

Q. It's the same as the plat that was attached to the application?

A. It is, yes. A couple of things on here is it shows the nearest producing wells and we operate both of those, well 826718 to the west, we drilled earlier this year. It's a vertical well. And then well 824609 to the east at

about 3700 feet away. So, we operate the only wells in this vicinity. The plat shows a square unit of 320-acres length and width of 3733 feet. And there's a 300 foot interior window and that does reduce the effective max lateral to 4431 feet as Jerry just said earlier. So, this next page, Exhibit C, it's a Chesapeake Appalachia, LLC horizontal conventional unit proposal and it's intended to be consistent with other proposals so far from Equitable and Pine Mountain. It covered the 320-acre units and 300 foot window. We propose it to be permissible to drill the surface location outside of the unit so long as production comes from within the unit. TO have a minimum of 600 foot distance between the horizontal wellbore and any vertical or horizontal well producing from that horizon to allow for multiple wells and/or laterals for maximum drainage. And our first unit we drilled we only have one well so far and that's all we have planned at this time. The second unit we worked on we were going to try both Lower Huron and Berea there but we haven't gotten to that yet. In some cases multiple wells may be able to use the same pad and we intend to do that when possible. This next page, Exhibit D, is the proposed drilling plan for the Lower Huron well in this unit. It looks just like the vertical well down into the Lower Huron. You have fresh water casing, nine and five-eighths casing for coal protection, seven inch run down clear

through the Berea and cemented about 500 feet deeper. About 100 feet below that we'll begin building our curve and attempt to get out about a total lateral of about 3000 feet. There will be packers, torn casing completion with ports in between so we can do individual fracs about seven different intervals. And that's a little hard to read being compressed on there. Lastly, our Exhibit E, other points you've already heard today, the importance to the industry and others of horizontal drilling and productive formation to alter the orientation of the wellbore path to reach into areas otherwise inaccessible by vertical wellbores due to environmental constraints and other issues, higher depletion rates and development of the resource to benefit the royalty owner as well as the producer and ultimately we think we can produce the Lower Huron with fewer wells and have fewer issues, coal disturbance. That's all I have.

Q. Anything significant in regards to the plat for 826880?

A. It shows our offset wells in that vicinity to the south.

Q. So, it's maybe just one?

A. Yeah. And there's one at a greater distance to the---

Q. Way down here?

A. Yeah.

Q. Okay. Those are both owned and operated by Chesapeake?

A. They are, yes.

Q. Okay.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: For the record, these exhibits will be like double alphabetical letters, okay?

JIM KAISER: AA, BB, CC, okay. In the future we need to just label them that way.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Excuse me, just a quick question for clarification. When you started you said something about you completed four intervals. Could you define what you meant about four intervals?

STAN SHAW: They were all in the Lower Huron, but start at the far end of the well and the way we completed it we had packers run on the casing.

BILL HARRIS: Yeah, is that what's shown in your diagram?

STAN SHAW: Yes, very similar. Yes, very similar to that but not as many. We pumped nitrogen in and there's a

dart that goes down and opens a port in that pipe at the far end and then the frac goes out into that first stage. And then by them being different diameters different ones open and then you just work your way back to the wellbore pumping more of those and then you frac...it plugs off the bottom zone and then fracs the next one.

JIM KAISER: So, you fraced it at four points along the horizontal.

BILL HARRIS: So, an interval is that section that you fraced and then you back up to another section and that's another interval. So, four intervals means four of those?

STAN SHAW: Yes, and those can be spaced based on shows you see while you're drilling the well but in that case we just spaced them at even lengths.

BRUCE PRATHER: How far are your packers?

STAN SHAW: Pardon?

BRUCE PRATHER: 500 foot intervals, your packers?

STAN SHAW: Those are about 750.

BRUCE PRATHER: Oh, okay.

STAN SHAW: We plan to shrink those intervals.

BENNY WAMPLER: Other questions?

DAVID ASBURY: Mr. Chairman, our exhibits...we don't have an Exhibit B in either one. Was there supposed to be?

STAN SHAW: It's attached to the plat.

SHARON PIGEON: These are attached to this. That's part of the reason I think he did that but we have another way of doing that. Maybe use double letters for that. I think that's he did, skip B, because that's attached to the original application.

JIM KAISER: Application.

STAN SHAW: To the plat, yes.

DAVID ASBURY: Okay, thank you.

BENNY WAMPLER: But these will be double AA, CC, etc. 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 both items.

BILL HARRIS: 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.

DON HALL: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next

is a petition from Chesapeake Appalachia, LLC for pooling drilling units supporting well number 826879. This is docket number VGOB-08-0715-2287. 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, Dennis Baker and Stan Shaw for Chesapeake Appalachia, LLC.

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

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, do your responsibilities include the land involved here and in the surrounding area?

A. Yes, they do.

Q. And you are familiar with the application we filed seeking to pool any unleased interest which was dated June 13, 2008?

A. Yes.

Q. And does Chesapeake own drilling rights in this unit?

A. Yes, we do.

Q. And prior to filing the application, were efforts made to contact each interest owner within the unit and attempt made to work out a voluntary lease agreement with each?

A. Yes, sir.

Q. And what is the interest under lease to Chesapeake at this time?

A. At this time the interest leased is 86.70832. Unleased interest is 13.291618.

Q. And are all unleased parties set out at B-3?

A. Yes, sir.

Q. And are there any unknown interest owners?

A. No.

Q. Are the addresses set out in Exhibit B-3 the last known addresses for the respondents?

A. Yes, sir.

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

A. Yes.

Q. 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 th Board as to what those are?

A. Five dollar per acre consideration, five year term and a one-eighth royalty.

Q. And in your professional opinion, do those terms you've just testified to represent fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, at this time I'm going to back up to PP-2H and I'm going to hand out a revised plat and what I call DG-07 supplement which should have gone out earlier with that, but that will need to go in your file for the establishment of the unit. Back to Mr. Baker. At this time, we'd like to incorporate the testimony regarding statutory election options previously taken in item thirty-nine this morning.

BENNY WAMPLER: Do you agree to those terms?

DENNIS BAKER: Yes.

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

A. That's correct.

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

A. Chesapeake Appalachia, LLC.

JIM KAISER: That's all I have of this witness at this time, Mr. Chairman.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, what is the proposed depth of this well?

A. 8,272 feet.

Q. And that would include the lateral?

A. Yes.

Q. Okay. And estimated reserves for the unit?

A. 1,000 million cubic feet...1 bcf.

Q. One bcf. Are you familiar with the well costs?

A. Yes.

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

A. Yes.

Q. In your opinion does it represent a

reasonable estimate of well costs?

A. Yes.

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

A. Dry hole cost are \$1,045,050 and the completed well cost are \$1,682,754.

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 for conservation, prevention of waste, and protection of correlative rights?

A. Yes.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, do we need to file with the Board an amended Exhibit B?

A. Yes, we do.

Q. And why do we?

A. The total acreage leased and total acreage unleased on page six of Exhibit B is incorrect.

Q. Because somebody is used to 112.87 acre conventional units and that's what your program probably has and it computed it based---

A. Yeah.

Q. ----based on that rather than the 320-acre unit?

A. That's correct.

Q. Okay. So, we will file that amended exhibit with Mr. Asbury's office as early as tomorrow, correct?

A. That's correct.

JIM KAISER: Nothing further of the witnesses at this point, Mr. Chairman.

BENNY WAMPLER: Questions of Mr. Shaw?

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

BENNY WAMPLER: Ms. Dye.

KATIE DYE: I noticed Mr. Shaw that your total depth is different than your AFE. It's probably just a typographical.

STAN SHAW: I'll tell you why that is, the headers for this AFE comes from a program that the geologist does and then the rest of the AFE came from the drilling engineer and

the drilling engineers would take president over that so it would be the---.

BENNY WAMPLER: 8272?

STAN SHAW: 8272. That factors in the actual curvature, the built curve on the drilling and all of that.

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 to reflect the correct numbers.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve pending the revised Exhibit B. Was it B?

BENNY WAMPLER: Yes.

MARY QUILLEN: Yes, Exhibit B.

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. You have approval. Thank you.

DENNIS BAKER: Thank you.

BENNY WAMPLER: Board members, you have minutes from the last hearing distributed earlier, is there any correction of issue?

(No audible response.)

BENNY WAMPLER: Now, to entertain a motion for approval.

BILL HARRIS: Motion to approve the minutes as presented.

BENNY WAMPLER: Is there a second?

KATIE DYE: Second.

BENNY WAMPLER: Any 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. That concludes today's hearing. Thank you.

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 15th day of August, 2008.

NOTARY PUBLIC

My commission expires: August 31, 2009.