

IN THE COUNTY OF RUSSELL:

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

JULY 21, 2009

APPEARANCES:

BOARD MEMBERS:

PEGGY BARBER - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER
BILL HARRIS - PUBLIC MEMBER
BRUCE PRATHER - OIL REPRESENTATIVE

CHAIRMAN:

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND
PRINCIPLE EXECUTIVE TO THE STAFF OF THE BOARD

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BUTCH LAMBERT: Good morning, ladies and gentlemen. It's 9:00 o'clock and time to begin the proceedings. At this time, I'd ask if you have cell phones, pagers or any other devices, please turn those off or put them on vibrate. These proceedings are being taped and we need to be able to hear the testimony. As most of you have seen, we have a long agenda again today. So, I'm going to open up with public comments and those folks that have signed up. I'd ask if you could be as brief as possible in your comments. First of all, I would like to introduce the Board beginning with Ms. Barber.

PEGGY BARBER: Peggy Barber, Dean of Work Force Development and Continuing Education at Southwest Virginia Community College, a public member.

BRUCE PRATHER: I'm Bruce PRATHER. I represent the oil and gas on the Board.

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

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

BRUCE PRATHER: I'm Bruce Lambert with the Department of Mines, Minerals and Energy.

BILL HARRIS: I'm Bill Harris, a public member from Big Stone. I'm a, I guess, retired faculty member...a long

time faculty member at Mountain Empire Community College.

MARY QUILLEN: Mary Quillen, Director of Graduate Programs for the University of Virginia.

BUTCH LAMBERT: Thank you. Our first person on the sign in sheet is Sara Day. Please come forward and state your name for the record.

SARA DAY: I'm Sara Day. My comment was I have contracts here from CNX. I wanted to pass out to the Board the contracts and see if these can't be...where they want split agreements, to see if it can't be changed. I'll show you the contracts because you don't know what you're signing. I'll pass it out and let everybody see it. And to---

BUTCH LAMBERT: We'll take a look at that, Ms. Day, but I'm not so sure that we can give you an answer today. That's something we'll have to research. And I'll---

SARA DAY: Well, that's---

BUTCH LAMBERT: ---Mr. Asbury to work with you.

SARA DAY: I understand that. I brought also the numbers of the wells for the Horn Heirs and the Keen Heirs. This is the original. I had a fire and mine got burn up. That's Nancy Stilwells. So, I've got some copies here. Here's the number for the wells for Linkous Horn and one for O. H. Keen.

DAVID ASBURY: Why don't you keep the original?
This is a copy.

SARA DAY: Well, that don't have her name on it---.

DAVID ASBURY: Okay.

SARA DAY: ---is the only reason. So, I need it back. But these are the same thing except it don't have her name on it. I feel like, you know, if you're going to have agreements you need to know what you're signing. So, I thought I'd bring it before the Board. It don't tell what you're signing for.

BUTCH LAMBERT: Mr. Asbury, can we get copies made of that so each Board member can have it?

DAVID ASBURY: Yes. Do you want that now or---?

BUTCH LAMBERT: Sometime before...maybe during the break if you'll get copies of them.

SARA DAY: I've got copies her that don't have her name on them. It's the same thing.

DAVID ASBURY: As she's giving testimony, I'll have copies of this made, if that's okay.

BUTCH LAMBERT: All right. Thank you.

SARA DAY: But I didn't want to take up too much time. But I did need to know something about this because we don't know what wells that drawing above...we don't know what we're signing for because it don't explain anything.

That's about it.

MARY QUILLEN: Mr. Chairman, may I ask one question of Ms. Day?

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: From what I understand, you would like for them to list the wells in the agreement? Is that what you're saying?

SARA DAY: Right. Right. The Horn Heirs and the O. H. Keen Heirs because it's two different projects. I inherited from my grandfather on the Horn Heirs and my mother on the Keen Heirs.

MARY QUILLEN: Right. But the well numbers would identify each of those---

SARA DAY: Right.

MARY QUILLEN: ---and which project it's with.

SARA DAY: Yes.

MARY QUILLEN: That's what...thank you.

SARA DAY: I feel like that needs to be on there.

BUTCH LAMBERT: Thank you, Ms. Day. We'll have Mr. Asbury to look into that for you and the Board will take a look at that agreement.

SARA DAY: Okay.

BUTCH LAMBERT: Thank you.

SARA DAY: I appreciate it.

BUTCH LAMBERT: Thank you.

JUANITA SNEEUWJAT: I'll brief actually. My name is Juanita Sneeuwjat. I'm president of Committee for Constitutional and Environmental Justice. David Delaney asked me to give this message to you because this was something he had emailed to Jerry Grantham. Mr. Grantham may or may not have the answer, but he would like it to go on the record. That's why I brought it with me today. "Hi Jerry, Sorry, this has taken a little longer than I anticipated to get the info to you, but you can click on the link below or Google the below information. You will see that the US Supreme Court, as well as the Virginia Supreme, but not in this case cited, as well as Circuit court of Buchanan County ruled in favor of land owners. I believe my original question of a gas company making multiple leases should result in multiple payments of royalties. The 12.5% is a suggested amount set by the state. If I were to make two agreements would I not be held to the letter of the agreement? I.E. if I promised to pay you 12.5% and I promised to pay" he is just using David Asbury as an example, "David Asbury 12.5 hypothetically one is a landowner and the other a coal owner would I not be required to pay a total of 25% to both parties? I also believe that since the coal has not been removed that the coal owner has

suffered no loss when the leases state that coal only was severed." That's all he had. But like I said, I just...he couldn't be here today and he just asked me to present this for him, which I'm glad to do. Also, Ms. Day's house burned down. She's trying to recoop. I'd like you to say prayers for her. It's a very tragic thing. Thank you.

BUTCH LAMBERT: Thank you, Ms. Day. Are there any others who failed to signed up that would wish to comment?

CATHERINE JEWELL: I have manage to leave everything at home. So, you all...the first thing is that the well production data, statistical data for 2008 is off unless for some reason Chesapeake now has 418 coalbed methane wells and Cabot has 304. The oil data is also off on these. So, there needs to be corrections on that. I mean, I'm sure that they would like to have those wells. The fact is they belong to CNX.

The regulations...the oil and gas regulations are, I guess, approved now, the changes that were made. Where is David? Have they been approved now?

BUTCH LAMBERT: The latest ones?

CATHERINE JEWELL: Yeah.

BUTCH LAMBERT: No.

CATHERINE JEWELL: Have the Board regulations---?

BUTCH LAMBERT: No. Those are still going through

the APA process.

CATHERINE JEWELL: Okay. They're online. Back in August I submitted many pages for both of these regulations to David Spears and to Tabitha Pease. On the oil and gas regulations, there's a line under public comment, a paragraph extracted from my eighteen pages of comments that says that those are my comments. It's one paragraph. It says it does not pertain to oil and gas regulations. On the Board regulations online it says there is no public comment. This is open and transparent. I'd like to know what happened to my comments and why there were not considered.

There's a lot of increased density being proposed today. I think those increased density wells need to be on a one unit per unit basis and you need to examine the well that's already there and look at the production and see if there's even a need. A lot of these wells being proposed, units increased being proposed by Equitable are for some reason very low producing wells. Some have been there since 1993. None of them really look like very good wells. I don't know what the case is, but Equitable Production seems to decrease a lot more rapidly than CNX wells. So, I don't know what that deal is. But at any rate, I think you all really need to consider what's happening to the coal and is it worth it to put another well down where you might not

get...I mean, last month it was testified a 175 mcf spread over 65 years is what the well...the extra well would recover. When a person goes before the Board and is being pooled, all right. Say that you have a glass. I put one straw in that glass, all right. I'm sucking on that straw. Okay, I'm carried interest. I'm a working or a participating person. I have paid to participate in that either postponed, revenues from the well or I've paid up front. My assumption was one well would go in that unit. You come back and you say you want to put another straw in my glass. Well, your assumption is that in this unit we are not sucking gas from anywhere outside this unit. Now, I'm paying twice to put the second straw in. To me, it's amazing because it does affect correlative rights, okay. So, please look at those increased density. We've spent, what, 1.6 billion is the proposed Dominion Plant or something like that, public and private funds. Where are we going to get the coal? I mean, seriously. Coal is being condemned and the 600 mcfs you get per ton of coal, the coal itself is 39 times...the energy content of that coal is 39 times that gas. So, I think it really needs to be looked at. You're condemning every seam down.

The other thing is horizontal wells. I was really interested to see how well these wells were doing. There

are 17 wells online. Pass those down. I appreciate it. I'm sorry, but these things are pathetic. They start out high and they decrease rapidly. I mean, some of these are about as good as a CNX coalbed methane well. These wells cost 1.5 million. None of these look good. I mean, to me, this is throwing money down a hole. Yet again you condemn the coal. Will you pass these out? These talks about horizontal wells and maybe it's something that we need to look at. This is a draft of the horizontal wells showing exactly what it looks like over time. So, if you all could look at that and consider it. I would appreciate, though I know you won't, but it's worth saying it.

BUTCH LAMBERT: Are the folks from Wachovia here?

(Wachovia acknowledges their presence.)

BUTCH LAMBERT: Okay. The next item on the agenda is the Board will receive a semi-annual report from Wachovia Bank, escrow agent from the Board...for the Board. Good morning.

PATRICK DIXON: Good morning.

BUTCH LAMBERT: I'd ask you please state your name for the record.

PATRICK DIXON: My name is Patrick Dixon. I'm with Wachovia/Wells Fargo. I work in our government and institutional group.

ROBERT WEISS: My name is Robb Weiss. I'm with Wells Fargo. I'm responsible for appropriate trusts and escrow practice in Virginia.

JAY SMITH: I'm Jay Smith. I'm a relationship manager at Wells Fargo.

BUTCH LAMBERT: You may proceed.

PATRICK DIXON: Thank you. Mr. Chairman and distinguished Board members, we're glad that we have an opportunity to sit before you today. We've had the distinct pleasure and privilege of being the escrow servicing agent for the Board since 1999. We take that as a very serious obligation and duty and work very closely on a day to day basis with staff, primarily David and Diane. Today, we've prepared for you a brief booklet on several different matters.

I'll direct us to page two essentially. The bullet points there tell us what we're going to touch on today. We've, obviously, already introduced our team. We also want to touch on quarterly performance review for you and allow you to ask some questions. Certainly questions at any time during the presentation are welcome. We'll also touch briefly on some market interest rate environments and discussion, as well as some investment considerations. We'll provide you a brief update on the merger between

Wachovia and Wells Fargo. Then, lastly, we want to spend a little bit of time allowing Robb and Jay to specifically to the corporate and institutional municipal and escrow solutions. With the merger of Wachovia and Wells Fargo, there's a new approach that we're going to be able to take with respect to the Board's engagement. So, we want to talk through that and allow you an opportunity to ask questions.

On page two...excuse me, page three, we have a brief year to date performance and market update for you. This gold box or chart really lays out year to date performance for the escrow fund. It also shows one, three and five year performance of the fund. On the left side of this graph, it shows the individual waiting of the funds and investments that we have the escrowed assets in. These are designed to address and meet the investment policy statement of the Board. It also is in line with the Code of Virginia statutes for legalized and permitted investments for governmental entities in the State of Virginia. Right now, we have about 42% of the assets in an Evergreen US Government Fund. That is a AAA rated fund. It is comprised of direct obligations of the United States Treasury and also its agencies and repurchase agreements. There's also some expense figures there and then the returns net of fees. 11% of the assets are in a Federated Government US Treasury

Reserve Institutional Money Market Fund. That also is a 100% investment in those assets of US Treasuries. It too is AAA rated. The last component of the investment metric is a Wachovia Bank Money Market account. 47% of the assets are invested in that fund. By being a bank money market account, two things occur that are noteworthy. Number one, up to \$250,000 those assets and, clearly, there is more than that in there are first covered by FDIC coverage. Over and beyond that, due to some Treasury Board changes in February, the rest of those assets every dollar above \$250,000 is collateralized 100%. A bank's obligation, particularly Wachovia/Wells Fargo's obligation is to provide collateral to back up those deposits. So, what that means is if Wachovia/Wells Fargo, which is one of the strongest banking institutions in the nation were to ever to fail, then those assets for the Board would be completely protected. There would be no issues about collect ability.

The lower part of this page is a snapshot of our current interest rate environment. The reason we want to show you this is that as you can see from the above chart yield over time has been compressing. This is illustrated on the lower graph between essentially a zero time slot and two years. The total interest rate environment really only appreciates to 1.33%. That the top end of that graph. The

selected instruments are allowable instruments under the Code of Virginia and were meant to be essentially barometer for you to know where interest rates were.

Markets overall tend to still be very volatile. The very, very front end of the yield are what we would consider really one year and in remains very, very compressed. One year instruments are about sixty bases points and lower. We obviously have always maintained a high degree of liquidity in the escrowed moneys to handle disbursement orders. The other thing that tends to drive the yields right now is there's a real high premium for quality instruments. In other words, the higher the quality the less yield, the provider of that instrument actually has to pay. Since these are a majority focused in US Treasury instruments, you know, those yields are quite low.

Economic indicators are telling us that there is a little bit of optimism, which would mean we would hope that over time that these rates would move up, but obviously there's no guarantee of that and certainly we're no forecasters in that regard. But, we wanted to make sure that you had an appreciation for the overall slope of the yield curve and, as a result, the returns that the Board has experienced.

Your docket showed the performance through the

first half of the year. It broke it up into quarters, but I'll aggregate it for you. With the beginning balance in January of \$23,983,291 during the first two quarters of the year. We had total contributions of \$1,051,216. Income from investments and then netted from expenses of servicing the account were negative \$6,793. During the two quarters, the first half of the year, we have disbursed a total of \$377,098 for an ending balance of \$24,650,617.

Are there any questions at this time?

SHARON PIGEON: I have a couple of questions and I apologize for asking such elementary questions. I don't have any money, so I don't know anything about money. When we speak of the escrow account, obviously, we're speaking of this large entity, but we have sub-accounts within that that have different individuals names and tract numbers and wells and such involved. Would there be anyway to structure this so that the \$250,000 FDIC insurance could apply to those sub-accounts as opposed to being just this 24 plus million dollar account that's obviously not even close to the value of that.

PATRICK DIXON: Sure, sure. That's a great question. The basic requirement to achieve that would be that we would have to open up individual accounts with individual tax IDs for---

SHARON PIGEON: But we have individual tax IDs provided for these folks when they get disbursements.

PATRICK DIXON: Sure.

SHARON PIGEON: So, you know, if that would give them more insurance, perhaps we could start getting those on the front end.

PATRICK DIXON: Sure.

SHARON PIGEON: But, you know, \$250,000 in comparison to the amount of money that we've got in the account here is...that's a large number for someone like me, it's a drop in the bucket for the overall value of the funds.

PATRICK DIXON: Sure. Understood. Let me...let me also say that we will take that under advisement and explore the abilities to be able to sub-divide it like that. We are doing tracking...individual by individual participant both in royalty interest and working interest as per our agreement. The funds...the institutional money funds that we are using are AAA rated. They are using the highest quality instruments available. We are going to have that with the Bank Money Market Account, which provides the FDIC coverage. So, in the grand scheme of things, I think it on sort of a risk return spectrum, the Board's assets are in the lowest risk tolerance available. So, I hope that would

give some comfort to not only the Board, but to the eventual claimants on those moneys. But we certainly can explore the possibility of that.

SHARON PIGEON: And on the balance with the part of this that's subjected to the FDIC coverage that is 100% collateralized. What does that really mean? I'm not anticipating any weakness here in your institution. I don't mean to imply that at all. But where is this collateralization coming from. It's not within your own assets obviously if you're going to be at risk. This is an insurance policy against that as any financial institution.

PATRICK DIXON: That's a great question. It's one we...from a public entity we get a lot. The Code of Virginia, and I've cited a reference to that in later pages, dictates that banking institutions must pledge collateral for any public deposit it holds. Depending on the size of your institution determines what your collateral obligation is. For institutions who have \$250,000,000 and great in aggregate public deposits, not just from the Virginia Gas and Oil Board, but from cities, counties, towns, authorities and the like, we must pledge 100% collateral. So, monthly we deliver to the Department of Treasury a report listing all of our public accounts. Obviously, the Virginia Gas and oil Board is a big component of that. We have to report

that we have set aside collateral or investments of Wachovia that are directly obligated and legally tied to that entity. Each and every month, we have to do that. Each and every month, the Department of Treasury also publishes a non-compliant list, which, you know, essentially lays out which institution had under collateralized or who had lost their qualifications as a public depository. So, through that process, dictated by the State, we legally post each and every day, each and every month, that required collateral.

SHARON PIGEON: So, the collateral is actually investments that Wachovia/Wells Fargo owns in other entities, other institutions, other types of---

PATRICK DIXON: Well, there's a stimulation on what can qualify as collateral. It's essentially the same kinds of assets that you're actually invested in, which are Treasuries and agencies.

SHARON PIGEON: With other institutions?

PATRICK DIXON: No, no. These would be assets that---

SHARON PIGEON: They're owned by you, but where are these other assets located?

PATRICK DIXON: Well, they're actually pledged to a third party trustee. In this case, it's the bank of New York. So, they actually hold the assets in an account set

aside for the benefit of the public depositor.

SHARON PIGEON: So, we've got to watch out for your health and the Bank of New York now, right? Am I falling this?

PATRICK DIXON: Well...well, I'm not trying to be...I'm not trying to be complicated or draw---

SHARON PIGEON: I'm sure you're not, but it is a very complicated world out there.

PATRICK DIXON: Well, the way the Department of Treasury is designed both the pledging of collateral and the holding of collateral is that it would be separate institutions. They have I think all together three designated custodial collateral holders, the Bank of New York happens to be one of them and J. P. Morgan happens to be another one and the third one escapes me right now. But since they are a fiduciary for the State of Virginia under...under that agreement for holding collateral it is...those assets are beyond any sort of bankruptcy claim or any creditor claim on those assets. So, it is...when I say that it is legally tied back to the Board, per the Commonwealth of Virginia laws we're doing and acting, you know, in the guise...under the guise of those guidelines.

SHARON PIGEON: Thank you.

BRUCE PRATHER: Do you---

MARY QUILLEN: Mr. Chairman, I have just one question related to that. You said all of these moneys that you hold for public, like cities, towns, municipalities and that sort of thing, we are one of a group. What place in line with that group would we be to...if for some unexpected event should happen to collect because this that's invested is almost 12 million dollars? Where would we be in line? Would we be at the front of the line or would we be at the end of the line?

PATRICK DIXON: That's a great question. In this instance, there is no line. Everyone stands parapersue or essentially in the same line at the same point and has their dedicated collateral. So, it's as if we were all sitting up here today and there were city, county and town and authority lined up left and right and each banking institution would have pledged its assets held by---

MARY QUILLEN: To that particular---

PATRICK DIXON: To that particular entity. That's exactly right.

MARY QUILLEN: Okay. Thank you.

PATRICK DIXON: Now, I'll go on to say there actually is a bit of the Code that imposing an additional obligation on banking institutions to the point where if an institution were to fail and for whatever reason not have

the collateral that they said they had, then there's a shared obligation amongst the rest of the banks to pick up the balance. So, not only do we have our own legal obligation, but to the degree another institution has not followed the letter of the law then we have an obligation to pick up that, that shortfall.

MARY QUILLEN: Just one additional question. The collateral that's held by the Bank of New York that is their only to provide two those cities, towns, counties, whatever municipalities that might be involved. Did you mention J. P. Morgan?

PATRICK DIXON: Correct.

MARY QUILLEN: In the event that one of these banks should fail, that collateral would still be protected?

PATRICK DIXON: Absolutely. Those institutions were not selected by Wachovia. Those institutions were selected by the Commonwealth of Virginia as valid and lead custodians in the State. So, we simply provide the collateral and following State Code put it with the appropriate custodian.

MARY QUILLEN: Right. So, the custodian for our escrow account is Bank of New York?

PATRICK DIXON: Correct.

MARY QUILLEN: Not J. P. Morgan or the other

unnamed?

PATRICK DIXON: Not J. P. Morgan. No, ma'am.

MARY QUILLEN: Thank you.

BRUCE PRATHER: When is the collateral reviewed?
Is it reviewed on a monthly basis? In other words, do you
change the amount of collateral that's needed every month or
do you change it on a quarterly basis?

PATRICK DIXON: Well, believe it or not it's done
nightly. All of our accounts that are invested in public
fund deposits have a unique account type code to them. So,
each and every night you have a public funds collateral
department within the bank that administers that and then
monthly we just simply report up.

BRUCE PRATHER: Yeah. But if there was a
shortfall, then it would be caught on a daily basis?

PATRICK DIXON: Correct. The systems are in place
to catch that.

BRUCE PRATHER: And does the collateral cover the
entire amount of our account? I assume it does.

PATRICK DIXON: It covers the amount that is
invested. Like in this instance, 47% of the dollars of the
24...roughly 24,000,000 are invested in that.

BRUCE PRATHER: Okay.

PATRICK DIXON: Correct.

BUTCH LAMBERT: Any other questions?

(No audible response.)

PATRICK DIXON: Page four is a continuation of really the same discussion that we've been having about the compression of rates and the short end of the yield curve as we call it. The other point here is to try and illustrate that their tends to be a view that the opportunity to extract incremental yield without taking on additional risk is somewhat limited. However, the Board could take under advisement a recommendation to reallocate assets should it want to do that. You certainly have that flexibility under your investment policy statement with us.

There are two bullet points here that I want to mention that we have to follow as your fiduciary escrow provider under the first bullet point. We have to adhere to permitted investments as described in the Code of Virginia. Secondly, and as importantly the investment policy statement directive given to us in April of 2007 and that's essentially where you have said invest in only these instruments. So, we have to follow those guidelines.

The second bullet point has to do with how income is posted to the account and then how our fiduciary escrow fees are also posted to the account and per our agreement we have a base fiduciary fee of \$8 per VGOB account.

Currently, there are 738 of those accounts. There could be more or there could be less depending on how pooling orders come to life and how disbursement orders are completed. So, roughly we have about \$5900 a month in fiduciary fees that are applied against the account balance or roughly \$71,000 annually. If you simply attempted to cover only the fiduciary fees, then the interest earnings on the account would have to be .3% or three-tenths of a percent. So, if the account investment mix is yielding less than thirty basis points, then the account will actually have a negative income or an expense for the month. In fact, we've had two of those months already this year. It's simply because of the shape of the yield curve and how compressed it is at the front end.

Are there any questions with that?

BRUCE PRATHER: Is the reason for this because of our low risk tolerance?

PATRICK DIXON: Correct. However, because all I deal with are governmental institutions in the State of Virginia and I guess there's...misery loves company as it were, I mean, other governmental entities, cities, counties and state...cities, counties and towns and authorities are also...find themselves in sort of the same pickle of having very low risk tolerance and consequently having lower

returns.

SHARON PIGEON: Back to my point on the \$250,000 insurance. You're getting paid per account here for 738 accounts. So, it seems like there should be a way to structure it so we get insurance on 738 accounts. Just to reinforce my point there. We really would like for you to pursue that consideration.

PATRICK DIXON: I will point you to the bottom of this page, and I realize the print is a little small, so I apologize for that. But in that asterisk area there is a synopsis. It's not a fully blown description, but it's a quick synopsis on what are allowable instruments under the Code of Virginia. In those instruments that are underlined, are the instruments that you selected to be invested in. So, you've limited yourself, you know, a bit from where the Code of Virginia can actually allow you to invest. And it's perfectly fine. We see many governmental entities select a more conservative few. But just to let you know that there could be a broader range of investment assets you could pursue if you so chose.

BRUCE PRATHER: I've got a question. Do you let somebody know when you think that we're going to run a deficit on these costs? When do we know? Do we know when you send up the monthly thing to David?

PATRICK DIXON: Monthly to David and Diane.

BRUCE PRATHER: But is there anyway that you internally would know that a head of time?

PATRICK DIXON: We probably would have some few of that as we approached the end of the month, but it's probably not...it's probably not too far of an indicator in advance.

BRUCE PRATHER: Yeah. Well, it's rather a surprise to us that we find out we're running in the deficit because we've got a lot of money in there. I understand when you have low risk investments you don't make much money out of them.

PATRICK DIXON: That's...that's exactly right. The rest of this page offers a suggestion. It's in the blue middle, which is an alternative mix to your current fund distribution and deposit distribution, which would be to take more funds away from the institutional money funds and move them into the Bank Money Market Account because presently the Bank Money Market Account is yielding 40 bases points, which is not greater than...not substantially greater than the institutional money funds, but it is greater. It's also presently greater than the .3% that is generally required to cover expenses. So, you would know that you would at least be covering your expenses plus some

incremental income, at least in the short run. Please know to that any decision that's made either today or in the future with respect to your investment mix can always be changed by action of the Board. Nothing that you do today is going to obligate you to do that in the future. It's just your current policy statement and where you want to head for the time being.

KATIE DYE: I have a question. As our accounts increase, would it be possible or are you negotiable on the \$8 per account?

PATRICK DIXON: Well, our understanding from the discussion with staff is that there is about to be a request for proposal to reevaluate our custodial and escrow services. So, we've really been contemplating or waiting on the arrival of that to discuss that more specifically. So, it's a good question.

KATIE DYE: Thank you.

BILL HARRIS: Mr. Chairman, just a quick question. The recommendation that's in the blue there that you talked about the alternative mix to move more of the money into that money market account. Would that additional amount also be covered collateralized. I guess is the word?

PATRICK DIXON: It would be.

BILL HARRIS: So, that would be also?

PATRICK DIXON: Yes. It would gain the coverage of the collateral per the Code, every dollar.

BILL HARRIS: Thank you.

KATIE DYE: But it would not be FDIC insured?

PATRICK DIXON: No, it would. I know it's a little curious to say or explain, but the way the FDIC rules and regulations work is that the first \$250,000 of a depositor's ---.

KATIE DYE: I understand that.

PATRICK DIXON: Okay. It would be covered by that. Then every dollar above \$250,000 would be collateralized.

PATRICK DIXON: Page five is a couple of quick snapshots about the Wachovia/Wells Fargo merger. My colleagues who are joining me here today are from Wells Fargo what we, I guess, on our side of the table would call Legacy Wells Fargo and I'm from Legacy Wachovia, but we're partners now. We're very proud to have this historic union between our companies. It gives us complete reach across the United States. We specifically have offices in 39 states. But one of the best attributes for the merger, at least as far as we're concerned, is our ability as a company to offer a more dedicated resources to multiple escrow solutions exactly what the Board is needing and desires. Although I won't necessarily go through this in extensive

detail, what I do want to point out is a couple of things that we feel that are very, very important. Number one, anytime there's a bank merger or any merger for that matter there's always concern of a change and destruction and confusion. We, as a combined company, are taking a very methodical and deliberate approach to this. We announced our merger in December of 2008. At the end of July, we will have completed the targeted operating models for our combined company. That essentially would be the end of our planning phase. Some business units have become down a path of actual integration, but we really don't perceive the combined company being together as one holistic unit until 2011. So, there's a very deliberate path. We're doing that on purpose because we want to make sure that we're communicating early and frequently with our clients regardless of what your relationship is with us, whether you're a personal customer, whether you're a wholesale customer, whether you're a governmental customer, we want to make sure we have all the plans in place and all the systems in place before any changes would occur.

We also think that degree...to the degree that there is change, it's going to be a positive change. Here is why we believe that. This targeted operating model process has essentially been our best practices type of

analysis. We've essentially laid out the Wachovia way of doing it, the Wells Fargo way of doing it, and then selecting the best path amongst the evaluation. There has been no pride of authorship about where that solution comes from amongst our team. We just want to make sure that we're putting their very best system for our clients, for our shareholders, for our customers for the communities in which we operate. That's really the approach.

As a part of that, the dedicated resources around municipal escrow solutions is an environment that Wachovia has been in the past, but not to the same degree that Wells Fargo has been in it continuously. In fact, they have been in it for more than eighty years. Wachovia has sort of been in and out of that focus. We now like the fact that we're going to be holistically dedicating the resources. That's what Robb and Jay are here today to talk about. So, I thought I'd spend...allow them to speak specifically to some of the attributes of their business and how it applies to the Virginia Gas and Oil Board.

ROBERT WEISS: Thank you. We are thrilled to be here. As Patrick mentioned, we're very excited about joining forces with our new team mates at Wachovia. I'm responsible for the corporate trust and escrow business. Jay works closely with me in that unit. As Patrick

mentioned, we've been doing this at Wells Fargo for more than eighty years. We've been here on the East coast when people didn't really know what Wells Fargo was doing on the East coast. We've been doing trust and escrow work here for the longest period of time. Wachovia had a trust and escrow group and five years ago they sold that business. So, bringing together Wachovia wells is wonderful because now the combined unit and our legacy Wachovia bankers now have access to our trust and escrow platform. Now, what does that mean for you? Let me just note here that on page six that, as I said, Wells Fargo has been in the business for quite a long period of time and we've been doing it here in the Commonwealth of Virginia. We've got more than 50 legacy wells offices within the state. A pretty big presence within the state and now with our Wachovia teammates, of course, that presence is even larger. We've been working with Patrick over the last couple of months and we've met with David and his team to talk about how we could transition from the platform that Patrick has used to service you to a truly dedicated trust and escrow platform.

Now, again, what does that mean for you? On page seven, I just want to talk about some of the enhancements and some of the some of the value added that we believe that we can bring to you now having a dedicated trust and escrow

unit. First and foremost, we've talked a lot about safety of your assets, which, of course, is paramount and because Wells Fargo has trust and fiduciary powers all of the assets that we manage in our escrow and trust accounts are segregated from assets of the bank. Of course, until a year ago no one even thought twice about what that all really means, but now we've all been through a lot of what we thought was unthinkable in the last year. What it means is in addition to collateral and in addition to FDIC, all of the things that you've talked about, our accounts at Wells Fargo are on a trust and escrow platform. We have trust and fiduciary powers so that in the event of a financial meltdown, which none of us hopes will ever happen, but in the vent of some uncertain with respect to Wells Fargo, those assets are not available to creditors of the bank. So, beyond the collateralization issue and beyond the FDIC issue, the assets themselves are separable from the other assets of the bank. A very important and very critical added piece of safety for you.

In addition to that, we have...because we've been doing escrow work for so many years, we've got superior technology in this area and we've invested a lot and you would enjoy the benefits of that. I'll touch at a high level, Jay can offer some additional detail if you would

like to discuss this at this point, or we certainly will offer that up when we respond to the RFP. But, our escrow sub-accounting systems allow us to load the account history, track information by well number, separate working and royalty interest with each well, track year over year payouts and report on closed accounts. We do all of that in the manner the information is available to you 24/7 online. It will be very user friendly reporting mechanism. So, rather than just a spreadsheet, (inaudible) or sifting through reports, you will have access at all time to this information in a very user friendly mode. The deposits that are made, inquires to deposit information, daily reconciliations we'll be able to provide all of that online through the solutions that we'll choose for you. Again, we'll outline all of that as and when we respond to the RFP.

Of course, we will continue to focus on maximizing your investment value. There has been a lot of a conversation here about that. First and foremost, again, is the safety of your assets. Again, we'll add a layer to that by putting these in a dedicated fiduciary escrow account as Wells Fargo has trust and escrow powers. On top of that, we too will follow your direction. We'll follow the permitted investment criteria of the Code and we'll select the investments that would provide you the best combination of

safety, liquidity and yield. Again, we'll be able to talk to some of those when we respond to the RFP.

BUTCH LAMBERT: I have a question.

ROBERT WEISS: Yes.

BUTCH LAMBERT: You say that these accounts will be available online. To whom?

ROBERT WEISS: To you.

BUTCH LAMBERT: To the Board?

ROBERT WEISS: To the Board.

BUTCH LAMBERT: Can individual tract owners be able to look at those accounts online?

ROBERT WEISS: Would we be able to facilitate that, Jay? Do you think?

JAY SMITH: You can provide online reporting as the Board directs, okay. The problem you get into that is that there's so much information out there there becomes some privacy issues as well. But if you're comfortable with the direction and you provide us the direction, we're willing to do that. We're happy to do that. If you follow the money flow as it comes into us, you get maybe 600 or 700 checks a month. Each one of those checks that comes in and the check stub itself, whatever supporting detail that comes in, that's all imaged. That's provided online so that it's available online so that you could see what's coming in. It

moves into one of the sun block products out there that we use called SCI were we move the money into that fund and then we invest it. We can provide you with online reporting for it. We can also give you another type of platform where that information is downloadable to, you know, like an Excel or some other type of format that you use. In addition to that, we have a program that we've developed...developed in-house. That program itself takes those checks...takes the information from those checks, we can put in the units of production, we could put in the dollar amounts that come in and then we can segregate that based on each well individually and within each well we can do it by working interest versus royalty income. That is---

BUTCH LAMBERT: That is my question. When you break it down to that level, we're talking about individual interest in a unit or in a well. Will that individual who has an interest in that unit be able to view his data or his or her data online?

JAY SMITH: He may not be able to see just his. He might see the whole thing. That program itself we could download and send it out to you on a daily basis or whatever. But as far as saying, does John Doe have the ability to see only his interest in well say 10, the answer to that is probably not, okay.

BUTCH LAMBERT: Okay.

JAY SMITH: You probably see it (inaudible). Now, we can explore that for you. If there's a way to do it, we're happy to do it.

SHARON PIGEON: Well, there are some additional concerns. It's not in escrow if the owner has a contested claim to it.

JAY SMITH: That's right.

SHARON PIGEON: So, we've got contested claimants with the same moneys.

JAY SMITH: Right.

SHARON PIGEON: And...so, we have to keep that in our privacy evaluation.

ROBERT WEISS: I think...yeah, I think what we do basically is the outline reporting that Jay has just talked about and that I mentioned. We have a lot of flexibilities in terms of the reports that we can construct out of that facing the level of detail of the report. In aggregate, all that would be available to you, the Board members and to David and his team, we could then discuss what we could parse out of that and make available so that we're not, you know, violating any kind of privacy issues or making the process too cumbersome or too expensive with respect to individual folks what have interest in these accounts. But

for the Board, again, there is a lot of flexibility to create (inaudible) reports and a lot of sub-detail that we can...we would just work with you to figure out how best to provide that outside.

BUTCH LAMBERT: Thank you.

JAY SMITH: One of the other features of this in-house program that we do is we do a daily reconcile in that account. So, you're not...you're not getting in 600 tracts and trying to reconcile it at the month there. You're reconciling it every day. So, there's a safety feature there.

BRUCE PRATHER: Don't you run into security problems if everybody had access to this---

JAY SMITH: Oh, absolutely. Well, not necessarily security.

BRUCE PRATHER: I mean, I wouldn't want to...I wouldn't want to see a hacker get into this account.

JAY SMITH: They wouldn't be able to do that.

ROBERT WEISS: Well, no one...no one could get into the investment accounts. Again, what we're talking about is providing online access to you from a reporting perspective.

BRUCE PRATHER: As long as they don't have an access code.

ROBERT WEISS: No one...no one will be able to get

into the accounts. In terms of the reporting of the information, again, that will be provided to you. If we then want to brainstorm on how we could take some of the information and potentially download it into Excel spreadsheets or other vehicles that we could then provide to individuals, we'll talk about that. But absolutely, no one will have access to either the online reporting unless the Codes and the passwords are requested and provided by you. Okay, absolutely. We can go through the...you know, the gymnastics of how we would set that up and bring some reports in another session where it's more appropriate for you to go through that. But the main point to leave you with is that it's very robust technology. It should make it easier for you to see the level of detail that you want to see to query the kind of reports that you want to query and between Jay and I and the team that we dedicate to this, we'll work with you as often and whenever you provided it to make sure that you're comfortably using that reporting system.

PATRICK DIXON: I will say this. There is a level of information that we share to David and his staff that is in spreadsheet format and there is some degree of manual input into that. With respect Robb and Jay's area, a lot of that manual input becomes automated. Consequently to your

point earlier about these, depending on the level of detail and efficiencies will increase with this move to the new platform. So, I think the amount of effort expended by David and his staff will be less, which means the higher degree of service that they will be able to provide to the Board into the participates and claimants.

ROBERT WEISS: So, I'll just close and...I know you have a fairly full docket, by saying again that Wells Fargo Commitment to the escrow and trust business is very, very deep and, again, is...it's consistent through the years. We've never bought or sold the business. We're in it to stay. Again, our focus is on developing proactive and long term relationships. So, you will get to see Jay and I and our team quite a bit and whenever and wherever you need to talk to us, we're empowered to handle all aspects of the administration for this, and, again, focus on safety, liquidity and maximizing your value. I just note below here on the page some contact information for Jay and I and two other primary members of our team who aren't here, Beth Wexler and Lora Evans, and, again, at your convenience we look forward to the opportunity to talk to you in more detail. Thank you for having us today.

BUTCH LAMBERT: Thank you.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: I've got some questions that I would like to ask. First, gentleman, thank you for coming today. I'd like to applaud you for your quick response and open communications with our office. There has been some questions raised by the general public during public comment periods of concerns, I guess, about the monthly reporting. Just for the Board's comfort level, can you tell the Board what you receive from our gas producers monthly as far as payments into the units as far as what physically you receive?

PATRICK DIXON: Sure. We typically receive, for example...there could be CNX people in the room, I don't know, but I'm just going to use them. We would get typically a check with a specific dollar amount on it and then a stub and that could be multiple pages of data saying that it's for a certain VGOB number. From that we are simply taking those moneys, depositing it into the escrow account and giving credit to those specific VGOB numbers. That's kind of it.

DAVID ASBURY: And the information that you receive that you showed and shared with us is a royalty statement just as if that individual was being paid directly from their gas producer?

PATRICK DIXON: Absolutely.

DAVID ASBURY: Is that correct?

PATRICK DIXON: That's absolutely...it's required.

We will not process a check, we will send those back to Diane if it does not have the appropriate information on it. We first scan for that. If it does not have that, the check goes back. There's an obligation on the operator to provide that first and foremost. Now, even before we set up the account...we didn't necessarily talk about this, but before we set up the account, we have to have a pooling order. We won't establish that until we receive those pooling orders from the Board, and then the same holds true for disbursements. We don't do anything with the money until we get a legalized disbursement order from the Board.

DAVID ASBURY: Thank you very much. There was concern raised and some comments at some of our meetings that our escrow agent was not receiving monthly statements with proper detail. When Diane and I met in June with them, we saw the monthly stack of information, 700 or more plus documents. In fact, over the months we had seen examples of specific monthly royalty statements. I appreciate you sharing that with the Board to give them a comfort level that yes our gas producers are providing monthly royalty statements to the escrow agent.

KATIE DYE: I have---.

SHARON PIGEON: Could I follow up on that?

KATIE DYE: Go ahead.

SHARON PIGEON: I'm sorry. You didn't enumerate anything like transportation, compression or anything like from this check stub. So, I'm assuming that's not on there. Is that any kind of deduction?

PATRICK DIXON: Well, if it's on the stub, it's not something we're tracking. I mean---.

SHARON PIGEON: It's not...it doesn't concern you one way or the other?

PATRICK DIXON: That's correct. So, if there is---

SHARON PIGEON: So, it may be there on some and it may not be on some?

PATRICK DIXON: Now, I'm naive in some of these matters, but, you know, price at the wellhead versus price at the market or however that's...you know, we're really not concerned about that. What we're concerned about is making sure that when that check arrives that the VGOB number matches and we have a valid account for it. If none of that is available we return the item.

SHARON PIGEON: I just wanted to---.

KATIE DYE: That was basically my question is post

production costs on there and are they as gathering, compression---.

PATRICK DIXON: Well, again, we're not tracking that. That's not one of our obligations or duties is to figure out if the right computation has been made for the check.

KATIE DYE: Right. But from you guys seeing the check stubs, did you see them---?

DAVID ASBURY: They're royalty statements exactly like if they were paid to the individuals.

KATIE DYE: So, they show what---?

DAVID ASBURY: They show gross volume. They show price and deductions.

KATIE DYE: Okay. That was what I needed to understand.

PATRICK DIXON: Now, I can tell...I will tell you that the information is on there. We're just not doing anything with that information. We're not auditing it. We're not in anyway proving whether it's right or wrong, but that information is on those stubs.

PEGGY BARBER: I have a question for Jay. You talked about I assume your IT area, developing your own.

JAY SMITH: Right.

PEGGY BARBER: Wells Fargo developed your own

software for tracking information.

JAY SMITH: Yes.

PEGGY BARBER: Of course, we don't have time here to elaborate on all of those areas. How did you validate that software? Is it something that you just designed for our escrow account is it something that you've used for many, many years because I don't think that we heard it was something new that was developed or whether or not something is tried proven.

JAY SMITH: We've used it...we've used this program for a long time. What...I joined Wells Fargo...I've been in the business for about twenty years. I came from a smaller bank to Wells Fargo a couple of years ago. One of the things personally that impressed me about joining Wells Fargo was the fact that there was an often lot of technology out there. When you have offices with CMS in 39 different states you can imagine the needs that every state has...the requirements and the type of deals that they do. They develop software for these types of instances. The building I'm in probably houses 700 people. I'd be willing to bet that half of them are IT people. So, they've got a rather large think tank out there where they develop the programs, they test them and then they put them in production. They have a very high risk and compliance group that goes right

behind and test these and make sure they are functioning, reconciles them and does a lot of the behind the scenes type of validation.

PEGGY BARBER: If you were to do a query for say an interest in the well, what would you...what would your query information look like.

JAY SMITH: Excuse me?

PEGGY BARBER: Would it be by the VGOB number? How would you do a query if you wanted to look at a specific well? For example, you wanted to look at the interest in that well.

JAY SMITH: A lot of times you can...there's drop down buttons where you can go to search well XII or whatever.

PEGGY BARBER: But how do you...how do you do our accounts specifically? Is it by VGOB?

PATRICK DIXON: Today, it is by VGOB. We have online access to database information and then we also have spreadsheet data base information. So, depending on the type of question that might be coming from David or Diane's area, it might be, you know, a quicker response for us to reference the spreadsheet or just simply go online to get to the data. And we are imaging the checks as Robb and Jay spoke to, but we're also keeping the correspondence data.

Now, we're not...we're essentially archiving that data. We are not doing anything with it other than storing it for the Board's benefit and research.

ROBERT WEISS: And I just add as well, the technology that I mentioned that Jay elaborated on, again, we've been doing this for many years. There are a lot of situations where we are providing escrow trust services in analogous situations for folks involved in a class action where there a lot of payees with a lots of information to track to make sure that we distribute it accurately. So, the technology that Jay referenced is indeed used all the time in similar situations where there are lots of accounts to track and lots of disbursements to make and lots of history to make sure that we're recording. So, it's tried and true.

PEGGY BARBER: I was just scared it was going to be people soft.

(Laughs.)

JAY SMITH: No, ma'am.

DAVID ASBURY: Patrick, I'd also like to say that we appreciate your quick response and the times that we went through in September, October and November of last year to better understand this escrow and things that were going on in the banking industry in general. You folks were very

responsive and we certainly appreciate that on behalf of our staff of the Board.

BUTCH LAMBERT: So, gentlemen, while you sit here at the table, I assume we've already covered item number three on the agenda, which is the investment risk. We've talked about that. So, are there any questions or discussions from the Board on the proposal for investment opportunities other than what we are currently at or would the Board like to take this information, consider it and discuss it at the next month's meeting?

KATIE DYE: I would like the second option.

BUTCH LAMBERT: To just consider it and discuss it next month?

KATIE DYE: Uh-huh.

BUTCH LAMBERT: Are there any other discussions?

MARY QUILLEN: Just to clarify, we are considering the investment options?

BUTCH LAMBERT: Yes, that's correct.

BILL HARRIS: Let me ask another question. When is the...when is the due date for the...I know we're requesting...you know, there's an RFP out there to look at agencies to this. When is that going to take effect?

BUTCH LAMBERT: Mr. Asbury, can you give us an update on when that RFP will be made public?

DAVID ASBURY: Their contract was extended through December the 31st.

BILL HARRIS: Okay. I guess that's what I was asking you. We're talking about waiting another month before deciding to move some money around, you know. If we had another month after that and things may change, then we may want to do something else.

DAVID ASBURY: I think it's our staff's responsibility working with Wachovia and Wells Fargo to give you the option to react as quickly as the Board would like to react. This was on last month's docket and continued. We had recognized the first month's negative income. That was why it was on the docket last month. Delaying the decision could give you...give the Board additional time for thought, but also delaying the decision gives us one month downstream of potential negative income.

BILL HARRIS: Yeah. That's why I asked about that.

DAVID ASBURY: And the importance of making the decision early is so that there's time to recover in this calendar year to get us at a positive income position by year's end. Again, it's at the Board's discretion of what you'd like to do today.

BILL HARRIS: Well, my personal feeling after asking the question about the money market where we have a

certain percent and because if we were to move I won't say the other balance there, but a significant amount there if it is collateralized and protected, that would be my recommendation is to move to that the one that had the 40 bases...the .4%, is to move the money there because it's protected against a little higher interest...at least enough interest to cover the fees wherein where we are it may or may not cover us.

PEGGY BARBER: Well, your projection rate is on page three for that...your one year, three or five, could you explain those real quickly?

PATRICK DIXON: Well, those are really your historical returns.

PEGGY BARBER: Okay. So, it's historical data and not---?

PATRICK DIXON: That's your historical data, correct.

PEGGY BARBER: Okay.

PATRICK DIXON: Correct. That's where you've been historically.

PEGGY BARBER: Because if that's the case, then historically the money market is a lower percentage. It's 66%.

PATRICK DIXON: And I will state since the

inception of the account with Wachovia or its predecessor, at the time First Union, the bank money market option has always been in play. In other words, at any given time during our service history with you we've had that investment option in play and used it in some proportion relative to other instruments. So, it's...this is bad English, but it's never not been there.

ROBERT WEISS: And one reason why you note that trend, I mean, that Patrick talked about, it has been a very unusual year in terms of demand for Treasury instruments and lack of liquidity for Treasury instruments. So, it's altered that relationship. So, in stable markets, traditionally the money funds have out performed. The reason you're seeing that reverse now is simply because of the extraordinary demand for the Treasury Securities. The nice thing about all of these investment options and the investment options that we've provided as escrow agent are that they are extremely liquid so that when and if David and its team or the Board decide that well, we'd like to look at changing the mix within these criteria it's costless and easy to make the move. So, should you move the funds into the money market account and then as we are working together and we notice that Treasury yields are increasing and we say, gheez, the money market funds now are under performing

or...excuse me, they would be out performing once again, we can easily upon your direction move the moneys. So, you know, you're not...you shouldn't feel like you're locking yourself into anything that you decide today. Take advantage of where rates are now and then as we watch them as they change, again, within these very safe investment choices you can always change up your mix at a later point.

BRUCE PRATHER: See, we as a Board, we never have access to the information that you're talking about because it comes through David. In other words, he handles this account. The thing that like we're talking about that causes the state of flux we're in in the country at the present time, what would be the breakdown on these various instruments, like this Evergreen US Government...I assume that's government bonds? Is there anything else in that?

PATRICK DIXON: It is US Government directly. US Treasury bills and notes. It is also agencies of the United States Government.

BRUCE PRATHER: Okay.

PATRICK DIXON: Okay. So, those agencies also have either direct or indirect support of the United States.

BRUCE PRATHER: Yeah.

PATRICK DIXON: And then repurchase agreements, which are...repurchase agreements are agreements between

financial institutions who then backed that agreement up with a government bond. So, to the degree that Wachovia and Bank of America decided they wanted to leaned each other money overnight, for example, that would be a repurchase agreement. The collateral that backs up that loan...that one night loan is a government bond so that if either institution were to fail then that instrument is completely safe. That's---.

PEGGY BARBER: What's included in the High Grade Corp? What's included in that area, High Grade Corp?

PATRICK DIXON: That is going to be AA Corporate entities or better, AA. AAA is the highest quality and AA being second.

BRUCE PRATHER: Do we have any municipal bonds in our account?

PATRICK DIXON: You do not.

BRUCE PRATHER: Okay.

PATRICK DIXON: Not presently. Those are allowed if you'll turn back to page four, you know, in the asterisk area at the bottom of that page bonds issued by US localities and that would be any US locality. It could be a Virginia locality. So, you could do that and you're just not doing it.

BRUCE PRATHER: Yeah. I mean, some of these states

are almost bankrupt. I'm not sure why.

PEGGY BARBER: The overall (inaudible) average, did you round that up to .20%?

PATRICK DIXON: Yes, ma'am.

BRUCE PRATHER: Let me ask you another question. Do you make recommendation to David on a monthly basis on anything that say would be a disadvantage to our escrow account? In other words, like now we're running a deficit in our payments to you. Do you all supply him with any information that says, you know, maybe we should change this to this because then he could bring it in front of the Board? As long as I've been on this Board, I've never...we've never seen anything like that.

PEGGY BARBER: Like financial advisors.

BRUCE PRATHER: Yeah.

PATRICK DIXON: We do provide I would say...well, number one, we provide monthly information, okay, that would detail the return on the account. So, he obviously sees that. To the degree that we have observed that there is a yield opportunity unaddressed then we would step in and provide him information on that or to the degree that we felt like the investment mix would need to be shifted, we would do that too. So, the answer is yes we do.

BRUCE PRATHER: I mean, in the past have you done

that?

PATRICK DIXON: We have. I mean, there has probably been at least five or six situations that I can remember in the ten year history where we've shifted the moneys around in one form or another. Now, please remember that because you have a very narrow investment policy and just a handful of instruments that you're really allowing yourselves to invest in, it's just really not going to be but a handful of selections that you can make. So, your flexibility to really boost yield is always going to be probably somewhat in a narrow band unless you introduced different quality of assets, which, you know, just historically not done.

BRUCE PRATHER: See, that's the reason I asked because I've been on this Board two years now and I've never seen anything come by asking the Board to make a decision whether or not we wanted to change the investment policy.

BUTCH LAMBERT: I guess this is the first time we've been in this situation where---

BILL HARRIS: Well, but I remember though that we have visited that before where the Director has come and said that, oh, we could move money over and we've done that. That may not have been within the last two years, but I know we have done that. Yeah, we have had that information.

BUTCH LAMBERT: We've actually done it recently when we moved. When we made the last move a few months ago.

DAVID ASBURY: I think it's the Division's responsibility, as Staff of the Board, to keep on top of this and we've tried to do that as best to our ability and to give the Board updates and options as quickly as we can on this potential. Of course, we want to maximize the income for this account, if possible. But I think the Board made a smart decision last fall during turbulent times to place them in the very lowest risk potential that there was available for our funds and although we are showing negative income during the second quarter, I believe there is a potential to reverse that by calendar year end. We have not touched the principal at any time of this. So, we're still in a very positive position as far as the escrow account is concerned and by making good decision now or next month, the Board, again, just strengthens its position how we do this. But...maybe past Directors didn't take this same approach. But I think this is the best way for your staff working with the escrow agent to be transparent and to allow the Board to understand this process and to make the decisions that affect what you do with the escrow fund.

MARY QUILLEN: Mr. Chairman---

PEGGY BARBER: Patrick, your graph on page three,

the top is historical data, but the bottom one is a projection. Again, if you want to have the highest yield, would you recommend the High Corporate...I mean, the High Grade Corporate Notes?

PATRICK DIXON: Well, this is actually a snap shop as opposed to a projection. So, as of 7/13---

PEGGY BARBER: Okay, that's a snap shop of 7/13---

PATRICK DIXON: That's a snap shop. This is where yields were on the 13th---

PEGGY BARBER: That's what fun about statistical data. It's never what it is.

PATRICK DIXON: Yeah, I did put a little as of date there, but I realize it's kind of small. You know, the interest rate environment changes daily. I mean, it clearly changes daily. I mentioned a little...a bit about that earlier in my comments. I think the past understanding and the past comfort that staff felt, that the Board felt and that we as your escrow services provider felt is that to the degree that the Board needed liquidity in quick fashion then we needed to have it invested in allowable instruments that would allow for that ready distribution, and so consequently, we have followed that path. Clearly, under the Code of Virginia, you have the capabilities as a Board to follow that legalized permitted investment definition

which is summarized on page four. But you have chosen to limit it to other instruments. So, to the degree that you are seeking more return than it's certainly available to you. It's just whether that's the type of risk that you want to take on.

ROBERT WEISS: The wisdom of what you've chosen, these investments, it pretty well insures that your principal value and what's invested is not going to be at risk. When you start moving down the risk factor, I mean, you start looking at individual investments in say High Grade Corporate paper the yield might be a little bit higher, but if you do that outside of a fund all of a sudden now you're potentially putting your principal at risk. That's not something that you would probably be interested in doing given the purpose of the escrow account. So, I think you've been wise within your choices, but, you know, could lay out for you what some of these overt risks and rewards would be for some of these alternate investments allowed underneath your permitted Code and then, you know, you could have a discussion and we'd be glad to participate in that with you to show you what the trade offs are if and when that's something you think you would be interested in doing.

MARY QUILLEN: I have just one comment. I really

feel like when we did make the decision to limit it to these very conservative investments that that was at that time served us well and I think it still does really because of the...I guess, the level of the economy and some of the uncertainties. But within that framework, because of the higher yield in the Money Market and you did say that it's very easy that we can move it back and forth is looking at moving some of the...for instance, the Treasury is very low. Possibly moving some of that into the Money Market while it is still a high yield from that investment. If the Treasury looks better somewhere down the road, three months or six months, we could always move that back into that. Is that correct?

PATRICK DIXON: Absolutely.

ROBERT WEISS: That's absolutely right. Yeah, absolutely correct.

PATRICK DIXON: You always have that flexibility.

MARY QUILLEN: But I really feel like the conservative frame work that we're working in now we're protecting our principal and that's the...I think that's the primary goal and you had just mentioned that once you get outside of that framework you're putting that principal at risk and that's not something that I would feel comfortable doing with other people's money. But we can...we can be

flexible within this conservative framework.

ROBERT WEISS: I think you've absolutely nailed it correctly. You know, traditionally for any kind of an escrow arrangement, again, you know, preservation of principal is first and foremost. Once you established that, again, there are a few alternatives that you might have that you have the flexibility of moving between that will maximize the yield within that. But, again, in an escrow type of situation, preserving that principal is always first and foremost.

MARY QUILLEN: Well, you want to look at it like you're protecting your own investment---

ROBERT WEISS: Absolutely.

MARY QUILLEN: ---that I would do with my own personal investments. I want to protect---

ROBERT WEISS: Absolutely.

MARY QUILLEN: ---my principal and the---

ROBERT WEISS: Right.

MARY QUILLEN: ---rest is, you know, we can play with, you know.

ROBERT WEISS: You're exactly right.

MARY QUILLEN: But, when we're looking at this is a huge amount of money and this is other individual's money that I personally, and I'm just speaking for myself and not

from the Board, I feel more comfortable staying within this conservative framework and having some flexibility---.

ROBERT WEISS: Absolutely.

MARY QUILLEN: ---to protect them.

ROBERT WEISS: You need the principal there to pay claims and when and if---.

MARY QUILLEN: That's right.

ROBERT WEISS: ---that arises there shouldn't be any question if the principal is there.

MARY QUILLEN: Exactly. That's exactly right.

ROBERT WEISS: The rest is gravy so to speak.

MARY QUILLEN: Right.

ROBERT WEISS: Yeah.

MARY QUILLEN: Thank you.

BUTCH LAMBERT: Okay, with that discussion, do I have a motion from the Board on how we do proceed? Do we take the recommendation that's presented to us today or do we table this until next month?

BILL HARRIS: Mr. Chairman, I'd like to make a motion that we use the alternative mix recommendation. That we reallocate money that's currently, I would say, in the Evergreen US Government and move that to the Money Market account. If I need to clean that up some, I can. I'm not giving a percentage there. If you want a percentage...I

don't know if it's ever good to put a 100% in anyone item. But my motion is to move Evergreen money over to the Money Market account areas to take advantage of that higher yield.

MARY QUILLEN: Just to clarify, are you saying to take all...the whole 42%?

BILL HARRIS: Well, that's probably part of the discussion we ought to have. I'm in favor of doing that, but I don't know if it's advisable to move---

MARY QUILLEN: I would not feel comfortable taking the full 42%.

BILL HARRIS: Is there a---?

MARY QUILLEN: Put part of that.

BUTCH LAMBERT: Let's...let's take Mr. Harris' motion and see if we have a second on that one, if we don't, I'll consider a second motion or an alternative motion. Do I have a second on Mr. Harris' motion?

(No audible response.)

BUTCH LAMBERT: Do I have a substitute?

MARY QUILLEN: Mr. Chairman, I would like to make the motion that we take a portion of the Evergreen...a portion of the 42% and I would defer to a recommendation from our experts as to what percentage would be to our best advantage and move it into the Money Market account while it still has this high yield with the option of rolling it back

if we see that the yield would be higher three months or six months down the road.

BILL HARRIS: And I'll second that.

BUTCH LAMBERT: Can you gentlemen give us a percentage to be safe?

PATRICK DIXON: My recommendation would be...or our recommendation would be to initially...and this can expand between Board meetings as well, I mean, to the degree that you wanted to make a supplementary motions, that you would take at least we'll say 50% of the Evergreen balance and move it into the Wachovia Bank Money Market account.

BUTCH LAMBERT: Ms. Quillen, would you like to include that percentage in the motion?

MARY QUILLEN: I would like to include the recommendation in the motion of 50% of the Evergreen account moving it into the Money Market account.

BUTCH LAMBERT: And do I have a second?

BILL HARRIS: I'll second that.

BUTCH LAMBERT: I have a motion and a second. Are there any further discussions?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. PRATHER.

PEGGY BARBER: That would leave 21% in the Evergreen.

BRUCE PRATHER: Yeah. I assume what we're trying to do is cover negative costs that we're experiencing now. Is there anyway you could give us a forecast as to what that would be in the future? In other words, to end of the year could you come up with a forecast and then we'd know probably or pretty close to what we would need to transfer from Evergreen over to the Money Market. Is there anyway that could be done?

PATRICK DIXON: Well, it would be difficult to provide any...I would say information other than sort of directionally...directional advice as to where it would go. I do not think we'd ever be able to say that, you know, we're going to pay it to X, Y and Z. I do know with respect to the bank Money Market account that for the rest of July and for what we believe to be the month of August that the .4% will be sustainable. I can say that about the Money Market account with the respect to the institutional Money Market fund that you're invested in it would be very difficult to sort of project that out. We can provide some guidance, but it would only be guidance.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: I have a motion and a second. All in favor, signify by saying yes.

(All Board members signify by saying yes, but

Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you. Mr. Asbury, would you work that up and work with Wachovia/Wells Fargo to make that change?

DAVID ASBURY: Yes, sir, I will. Thank you very much. Thank you, gentlemen.

BUTCH LAMBERT: Thank you, gentlemen. We appreciate your time.

ROBERT WEISS: Thank you.

JAY SMITH: Thank you very much.

PATRICK DIXON: Thank you for your time.

ROBERT WEISS: We appreciate your time.

BUTCH LAMBERT: Ladies and gentlemen, before we continue with our docket, we're going to take about a ten minute break. We're resume at twenty till.

(Break.)

BUTCH LAMBERT: We're going to deviate from the docket just a little bit and go directly to the disbursement orders. For the Board, I'll be calling item fifteen. It will be a petition from Equitable Production Company for a disbursement of funds from escrow and authorization for direct payment of royalties in a portion of Tract 5. This

will be unit VC-536070, Virginia docket number VGOB-04-0921-1337-04. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Corporation. I'd ask that the witness be sworn at this time.

(Rita Barrett is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: Mr. Chairman and Board members, we'd ask at this time that items sixteen and seventeen also be called and that we be allowed to combine these. They all deal with the disbursement to the same individuals.

BUTCH LAMBERT: Okay. We're also calling a petition from Equitable Production Company for disbursement of funds from escrow and authorization for direct payment of royalties in a portion of Tract 4, unit VC-702835, docket number VGOB-98-0324-0642-02. We're also calling a petition from Equitable Production for disbursement of funds from escrow and authorization for direct payment of royalties in a portion of Tract 5, unit VC-501853, docket number VGOB-00-0516-0815-04.

RITA BARRETT

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay, with that being done, Ms. Barrett, this is the...could you state your name, who you're employed by and in what capacity?

A. My name is Rita Barrett. I'm employed by EQT Corporation as regional land manager in the Big Stone Gap office.

Q. And if I'm not mistaken this is...on these particular disbursement items this is the third time we've appeared before the Board?

A. It is.

Q. And can you kind of...to refresh everybody's memory as to what's going on here, could you sort of give us a...the background of what's happened?

A. Initially, we pooled Christopher Counts because we made a mistake in our title and we thought Mr. Maynard Counts was deceased. We credited Christopher Counts with the interest in the well. We later found out through Christopher Counts that his father was indeed alive and kicking and that the only way Christopher Counts could obtain an interest in this was if his father were deceased.

Q. And would it be accurate to state that Mr.

Chris Counts the son does want his father Maynard Counts to receive the royalty not only that's in the escrow account but on a going forward basis?

A. He does.

Q. And he provided us with a letter...I don't want to say an Affidavit. He provided us with a letter stating that request.

A. He has provided with two letters today that he wanted his father to have the royalties from these wells.

Q. Okay. In the second letter, there was a question as to the validity of the Kentucky notary on it?

A. That's correct.

Q. And have you since been working with the DGO, Mr. Asbury and Ms. Pigeon come to what we think is a resolution of that issue?

A. I don't think we think that's an issue at this point because we made a mistake in title and we credited a Christopher Counts with the royalty in these wells. Maynard Counts is alive. The only way Christopher Counts could obtain Maynard Counts' interest was if his father were deceased.

Q. So, would it be your testimony today then that the Board...in these three units that the Board disburse the escrow money as represented in these

spreadsheets that we've attached to each to Mr. Maynard Counts?

A. That's it. Yes, correct.

Q. And they can use the owner percentage as listed in the next to the last column of the spreadsheet?

A. Correct.

Q. And would it also be your desire that the order include that going forward all applicable royalties to this particular...these particular tracts and these particular units be paid to...directly to Mr. Maynard Counts?

A. Correct.

JIM KAISER: That's all that I have at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. PRATHER.

BRUCE PRATHER: I assume that any amount of money that has been paid in the past will also be paid to this gentleman?

RITA BARRETT: It will be a retroactive payment to---.

BRUCE PRATHER: Okay.

RITA BARRETT: ---Maynard Counts and we will not

seek repayment from Christopher Counts.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve the request for item fifteen, sixteen and seventeen.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser and Ms. Barrett.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

JIM KAISER: Do you want to go to thirty-six? We've got three more of these if you want to stick with us.

SHARON PIGEON: (Inaudible).

JIM KAISER: No. One more disbursement before

ours, but we have three after that. If you could just go to forty-two, forty-three and forty-four.

BUTCH LAMBERT: Okay, we'll be moving on to item number four...forty-two, I'm sorry. It's a petition from EQT Production Company for disbursement of funds from escrow and authorization for direct payment of royalties from Tract 1, unit 535601, docket number VGOB-04-1214-1372-01. All parties wishing to testify, please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Corporation.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, again, state your name, who you're employed by and in what capacity.

A. My name is Rita Barrett. I'm employed by EQT Corporation as regional land manager in the Big Stone Gap District office.

Q. Okay. We filed a petition today seeking to disburse escrowed funds from Tract 1 in the unit for well number 535601. Were all interested parties notified as required by statute?

A. They were.

Q. And in this particular case, we do have a 75/25 royalty split agreement on Tract 1 between James Hamilton and ACIN, is that right?

A. That's correct.

Q. And was a copy of that agreement filed with our petition?

A. Yes.

Q. And are you asking the Board...have all parties been notified? Have I asked you that?

A. Yes.

Q. And are you asking the Board to disburse the moneys in escrow for Tract 1 within this particular unit based on that split agreement and based in particular on the owner's percentage in escrow, which is represented in the next to the last column in the spreadsheet, which is the last page attached to our application seeking this disbursement?

A. I am.

Q. And should those be the percentages going forward should the Board elect to disburse for the royalty to be paid directly to these two owners on a going forward basis?

A. Yes.

Q. Do you have any other testimony that you wish to offer at this time?

A. I'll just say that we faxed a W-9 to your office today and I'll get you the original in the mail tomorrow.

DAVID ASBURY: Thank you.

Q. And so the relief that we're requesting is for the Board to disburse based upon the owner's percentage in escrow in the next to the last column on our spreadsheet and then disburse directly to the two owners based on the split agreement going forward?

A. Yes.

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

BUTCH LAMBERT: Just for the record, Mr. Kaiser, through what date would this be applicable?

SHARON PIGEON: The figures that you presented.

BUTCH LAMBERT: The figures that you have on top are...would this be through today's date or---? You have escrowed 6/30/2008.

SHARON PIGEON: 5/31/08.

JIM KAISER: Well, we've got that figure for the percentage, but then for the amount we've got 3/30/2009.

BUTCH LAMBERT: 3/30/2009, right.

JIM KAISER: So, we'd ask that, I guess...I mean, what the Board normally does, I think, we'd ask that you disburse based upon the most current figure that you all have. That's what you normally do isn't it based upon the owner's percentage.

SHARON PIGEON: Normally, we get testimony as to the date that the reconciliation with the bank has been made.

JIM KAISER: Okay.

RITA BARRETT: March the 30th, 2009.

JIM KAISER: It's my understanding that if you've got good figures through a month later than that, you disburse based on that, don't you?

SHARON PIGEON: We didn't know which date on here we were supposed to be looking at.

JIM KAISER: 3/30/2009.

SHARON PIGEON: You have three different dates.

RITA BARRETT: I'll talk to her about that.

BUTCH LAMBERT: Any further questions from the Board?

DAVID ASBURY: Mr. Chairman, I have a question. In looking at the exhibit, what is the acreage ownership that was in dispute here? Is it the acres owner net interest? Is that .0213? Is that the acres?

RITA BARRETT: That's the net, yes. I almost need a magnifying glass to read it. It's .0213 for Mr. Hamilton and .00710 for ACIN.

DAVID ASBURY: So, that...combining those would have been a 100% and that would be the acres that would originally appeared in the first E?

RITA BARRETT: Correct.

DAVID ASBURY: Okay. Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

KATIE DYE: I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: We see things come through with the notarized signature and the notary seal and the about. And like this application doesn't have that. Not to pick on Ms. Barrett, but is it standard procedure that all of these disbursements need to be notarized.

SHARON PIGEON: We don't have any requirement that we have a notary at the present time. Some of have and some haven't. So, we haven't had a standard rule on that.

KATIE DYE: In your opinion, do you think that we might need one?

SHARON PIGEON: It just goes to the weight of the

evidence. Certainly, what the notary is notarizing is that this individual signed the document. As far as the terms of the document, that's not part of what is being notarized.

RITA BARRETT: And these royalty split agreements are between two parties separate from us. We're not a party to these royalty split agreements.

KATIE DYE: But looking at it from a Board members' prospective, I guess is what I'm saying is, I don't know that Mary May signed this. Do you know what I'm saying? We're disbursing money based on that.

SHARON PIGEON: Well, I think the key and your question is, you know, a legitimate one, but the notice is what's key. These individuals are getting notice that this disbursement is going to be on the docket and if they are not in agreement with this or they didn't agree to this, then hopefully they will appear and state their position directly and not in reliance on a notary or any kind of document that's presented now. This is sort of secondary evidence presented when individuals have chosen not to appear personally.

KATIE DYE: I think that answers part of my question. But what I'm saying is how do we know that this individual signed this and what if at some point in the future, you know, that we have somebody come back and say,

well, you know, that's not my signature or I didn't agree to that?

RITA BARRETT: I think a copy of the notary...the royalty split agreement is actually sent with the notice. So, I would think that that individual would know if that were their signature or not.

KATIE DYE: If they received that.

RITA BARRETT: They do get notice.

KATIE DYE: Okay. So, it's sent certified mail?

RITA BARRETT: Yes.

JIM KAISER: Yes.

KATIE DYE: Okay. So, just to be clear, the Board doesn't require that it be notarized, the signature, on any of these split agreements?

JIM KAISER: That's correct.

SHARON PIGEON: We don't always see the split agreements either, so no. It's key that they get notice and they have the opportunity to appear and in person state their interest either agreement or disagreement of whatever is being presented. The notice is the constitutional requirement. They met that with the certified mail.

KATIE DYE: Thank you.

BUTCH LAMBERT: Okay. Any further discussion?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: I have just one question---.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---before we do the motion. Is that notice on file with them?

JIM KAISER: I've got the green cards right here.

RITA BARRETT: Yeah, he has got the green cards. And---.

JIM KAISER: We sent an affidavit of mailing.

RITA BARRETT: ---DGO---.

JIM KAISER: Copies of it, yeah.

RITA BARRETT: Copies of the application and actually assigns it the docket number.

MARY QUILLEN: Right.

RITA BARRETT: So, it is on file.

JIM KAISER: And we sent an affidavit of mailing that I sign that is notarized saying that we have noticed everybody that's required to receive those.

MARY QUILLEN: Thank you.

BILL HARRIS: Mr. Chairman, just a real quick question. I don't want to take up any more time. This is probably something that can't be answered. There is a...I mean, it probably could be, but not by you all. There's a letter from NRP Operating, LLC to Mr. Hamilton. I believe

I'm in the right---,

RITA BARRETT: NRP ACIN is a subsidiary of NRP Operating.

BILL HARRIS: Okay. My question though is about the reference in the letter. The one I'm looking at is to Mr. James Hamilton Copperhead Road, Coeburn. The reference has permanent split of CBM royalty of James J. Hamilton oil and gas two-thirds interest and then---.

RITA BARRETT: Yes. He only owns two-thirds interest in that tract of land. Another individual owns a separate one-third interest. They're splitting---

BILL HARRIS: That's---.

RITA BARRETT: ---75/25 of two-thirds interest.

BILL HARRIS: Oh, okay. Of the two-thirds.

JIM KAISER: That's his ownership in the tract and not his part of the split.

BILL HARRIS: Yeah. Okay, that was---.

RITA BARRETT: Yes.

BILL HARRIS: ---confusing because when I saw that and then I thought, well, wait a minute two-thirds is not 75 and one-third is not 25.

RITA BARRETT: They're splitting 75/25 two-thirds.

BILL HARRIS: Of that---?

RITA BARRETT: Yes, sir.

BILL HARRIS: Okay, thank you. Well, you could answer it. Thank you.

BUTCH LAMBERT: Any further discussion?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Item forty-three is a petition from EQT Production Company for disbursement of funds from escrow and authorization for direct payment of royalties for Tract 3, unit 703169, docket number VGOB-98-0616-0670-02. All parties wishing to testify, please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Rita Barrett.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY KAISER:

Q. Ms. Barrett, on this particular...on this particular application we're seeking to have the Board disburse again proceeds...in this case it's the entire tract, right?

A. Yes.

Q. From Tract 1 in the unit for VC-3169 and we do have...included a...everyone has received notice as required and we have filed our affidavit of mailing, signed and notarized as such and have a copy of the green cards here before us today? Those two parties would be a Jimmy M. Smith and NRP Operating, LLC, is that correct?

A. That's correct.

Q. And the application included the royalty split agreement between the parties for a 75/25 split?

A. Yes.

Q. Turning our attention to the last page of the application in the spreadsheet. Again, these same

problems with the dates. The date we will use here again will be 3/30/2009, is that correct?

A. That's correct.

Q. And, again, the Board should pay particular attention to the owner's percentage in escrow, which is the next to the last column on the right?

A. Correct.

Q. And, again, as far as Mr. Asbury's questions regarding acreage included in the tract, we would refer him to the third column under net interest?

A. Correct.

Q. And are you asking that the Board not only disburse the moneys in escrow in accordance with the royalty split agreement but on a future basis pay the respondents directly?

A. Correct.

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

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: No other tracts will be left or is this tract...I didn't understand what you---.

JIM KAISER: It looks like we still got 2, 6 and 7 left.

SHARON PIGEON: But all of this tract?

JIM KAISER: Yeah, all of this tract. This is all of Tract 1.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is item forty-four. A petition from EQT Production Company for disbursement of funds from escrow and authorization for direct payment of royalties for Tract 10, unit VC-2942, docket number VGOB-94-06-21-0455-02. All parties wishing to testify, please come forward.

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

Rita Barrett for EQT Corporation.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. All right. Ms. Barrett, in this particular case we're seeking to have the Board disburse escrowed funds from Tract 10 in the unit for VC-702942, is that correct?

A. That's correct.

Q. And the parties to the split agreement, one Mary C. Mays and Standard Banner Coal Corporation have been notified by certified mail return receipt requested and we have both the green cards back, is that correct?

A. That's correct.

Q. Okay. Was this situation a little bit different on this one?

A. Yes. And the Board should see the dates in the last column. This is going to be effective as of 6/30/08 because initially we pooled Mark Mays. I have copies of those orders. Subsequent to that pooling, he sold his property to his mother. I have a copy of the recorded deed if you need it. We're going to retroactively pay Mary Mays back to the turning on line on this well.

Q. Okay. Mary Mays and Standard Banner have executed a royalty split agreement for a 50/50 split, is that correct?

A. That's correct.

Q. Okay. That's included with the application?

A. Yes.

Q. So, again, drawing the Board's attention to the next to the last column on the right, owner's percentage in escrow would dictate how they not only disburse but pay going forward, is that correct?

A. Correct.

Q. And column number three under net interest would give Mr. Asbury the net acreage involved?

A. Correct.

Q. And this would...would this be all of Tract 2? Yeah, I think it would be.

A. Yes, it's 100% of Tract 10.

JIM KAISER: Okay. Nothing further of this...

Q. And you do wish that...you would ask the Board to include in the order that these two parties be paid directly on a going forward basis?

A. Yes.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: A quick question, Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: I notice the letter...the split agreement from Standard Banner is dated like three years ago. Is there a reason why it took three years---?

RITA BARRETT: We weren't aware...we weren't aware that Mary had actually purchased the property back from her son. She provided us with this deed and copy of the royalty split.

BILL HARRIS: So, that's what you referred to earlier about purch...yeah.

RITA BARRETT: Yes.

BILL HARRIS: Okay.

SHARON PIGEON: Did you pay the son?

RITA BARRETT: Actually, no, it's in escrow because of the conflicting claim.

SHARON PIGEON: So, no one got the money---?

RITA BARRETT: No one got money.

DAVID ASBURY: Mr. Chairman, I want to make sure I'm clear of what you're asking for here about the June 30 date so we...with this disbursement make sure that the escrow agent pays on the balance at June 30 and everything

going forward is EQT?

RITA BARRETT: Yes.

DAVID ASBURY: Okay.

SHARON PIGEON: David does need to get a copy of that deed.

RITA BARRETT: I think he already has one.

DAVID ASBURY: Yes, we do. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Next we will be calling item thirty-six. It is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties Tract 2D, unit AY-112. This would be docket number VGOB-01-0320-0873-02. All parties wishing to testify, please come forward.

MARK SWARTZ: Mr. Chairman, Mark Swartz and Anita Duty here on behalf of CNX.

BUTCH LAMBERT: Gentleman, would you all state your name for the record, please?

PETER GLUBIACK: Yes, sir. Mr. Chairman, Peter Glubiack. I'm the attorney representing Mr. Ralph Sneed who is seated to my left. He's the administrator of the estate of Columbus Earl Whited.

FERRELL WHITED: Ferrell Whited, Heir to Columbus Earl Whited.

(Anita Duty, Ralph Sneed and Ferrell Whited are duly sworn.)

BUTCH LAMBERT: Mr. Swartz, you may proceed.

MARK SWARTZ: Thank you.

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. State your name for us, please.

A. Anita Duty.

Q. Anita, who do you work for?

A. CNX Land Resources.

Q. Is CNX Land Resources involved in the operation of unit AY-112?

A. Yes.

Q. What did you do in the course of your job pertaining to this disbursement application?

A. I'm comparing the deposits that we had sent to the escrow bank to make sure they were properly accounted for.

Q. Okay. And in doing that, did you take your record of checks that were mailed---

A. Yes.

Q. ---and compare that to the bank's records with regard to deposits received?

A. Yes.

Q. And when you compared the checks that you sent them to the what checks that they deposited, what was...what did you learn?

A. They were all in agreement.

Q. Okay. And then did you try to balance that or determine that they were in agreement through a particular date?

A. May the 31st, 2009.

Q. Okay. And the money stated...the sums of money stated on the Exhibit A that you passed out to the Board today, are those sums as of May the 31st, 2009?

A. Yes.

Q. Okay. And do we have one hand written correction that you've noted on all of the Exhibits that you've given everybody today?

A. Yes.

Q. Okay. If we take the tract acres with regard to Tract 2D, which is the tract that we're talking about today---?

A. Yes.

Q. ---which is 13.92, correct?

A. Yes.

Q. And we divide that by the total acres escrowed, which is reported sort of in the title of the exhibit of 41.7275, correct?

A. Yes.

Q. The percentage of that tract as a percentage of the acres escrowed is, in fact, the 333593

that you crossed out?

A. Yes.

Q. And essentially these parties have agreed to split that percentage half in half?

A. That's correct.

Q. And that's the number that you've written in handwriting with regard to Buck Horn and then with regard to the Earl Whited Heirs?

A. Yes.

Q. And if you add the individual amounts opposite the Whited Heir names that appear sort of in the center of Exhibit A, do those individual percentages add up to the 16.679648%?

A. They do.

Q. Okay. Just to stay with this exhibit for...or finish with this exhibit before we move on to some other issues, with regard to the order that should go to the escrow agent, what are the percentages that the escrow agent should told to use in making the disbursement?

A. 16.679648% to Buck Horn Coal Company and 16.679648% to Ralph Snead.

Q. Okay. And with regard to Exhibit A, if we use the 16% and applied that to the \$207,000 total that's stated at the top of the right hand column...the last column

on the right we get the \$34,000 amount, do we not?

A. That's correct.

Q. So, the only...the only error was we didn't divide the total by half?

A. That's right.

Q. Okay. And when you're...and are you requesting that when the Board give us...when the Board makes its order that the escrow agent be directed to use the percentage that you've just reported as opposed to a dollar amount?

A. Yes.

Q. And the reason for that is because the dollar amounts will be different in the future because royalty will continue to come into that account?

A. That's right.

Q. Are you also asking that the Board order allow the operator to pay these pay, specifically Buck Horn and the listed Whited Heirs, directly in the future once that order is entered---

A. Yes.

Q. ---so you don't have to escrow their funds?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

MARK SWARTZ: Oh, and one last thing. I'm sorry.

Q. In this instance to the order...based on the last time we were here, in this instance the order should reflect that the escrow agent write one check to Mr. Snead who's identified in the center of this for the Whited Heirs, I think?

A. Yes. Yes.

Q. And then he will subsequently disburse it? Obviously, you guys will have to agree to that, but I think that's what we had---

PETER GLUBIACK: Mr. Chairman, that's our understanding based on last month and based on my conversations with Mr. Snead and the other Whited Heirs. That's correct, one check. The direct payments will be paid after that to the individual Heirs, but that's been set up.

MARK SWARTZ: But the initial check.

PETER GLUBIACK: The initial---

MARK SWARTZ: Correct.

PETER GLUBIACK: Yes, the escrow check.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Glubiack, do you have anything?

PETER GLUBIACK: Nothing, Mr. Chairman. Thank you.

SHARON PIGEON: Mr. Glubiack, you've had an opportunity to look the corrected Exhibit A?

PETER GLUBIACK: I have. I have.

SHARON PIGEON: And---?

PETER GLUBIACK: And we agree.

SHARON PIGEON: ---you're in agreement with that?

PETER GLUBIACK: The percentage did not change the amount of money. It merely reflected the accurate...the split of percentage should have been 33% cut in half.

SHARON PIGEON: Mr. Whited, do you agree with that?

FERRELL WHITED: Yes.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Are there any further discussions?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, gentlemen.

MARK SWARTZ: Thank you all.

PETER GLUBIACK: Thank you, sir.

BUTCH LAMBERT: Okay. We're going to go back to item number five on the agenda. It's a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 420 VA unit F-37, docket number VGOB-09-0421-2504. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins on behalf of GeoMet.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Appalachian Energy.

TOM MULLINS: And, Mr. Chairman, we're going to be asking to continue, on behalf of GeoMet, five through nine on your agenda. We're in active discussions with Appalachian. We've made progress. We're hoping to resolve these issues and not have to force a hearing before the Board.

BUTCH LAMBERT: Okay.

JIM KAISER: And we'd ask...I'd ask on behalf of Appalachian Energy that items ten through fourteen be continued under the same (inaudible).

BUTCH LAMBERT: Gentlemen, thank you very much.

However, we can't keep doing this every month. This is costing this Board a lot of funds to have to do this every month. So, I would encourage you all to try to work something out.

JIM KAISER: We understand.

BUTCH LAMBERT: Okay.

TOM MULLINS: And we are working.

BUTCH LAMBERT: Okay. For the record, I need to read the other items. Item six is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 419 VA unit F-36, docket number VGOB-09-0421-2505; also calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 418 VA unit F-35, docket number VGOB-09-0421-2506; calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 417 VA unit F-34, docket number VGOB-09-0421-2507; also calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 416 VA unit F-33, docket number VGOB-09-0421-2508; also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-199 (F-37), docket number VGOB-09-0421-2517; also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-241 (F-33), docket number VGOB-09-0421-2518; a petition from Appalachian Energy, Inc. for

pooling of coalbed methane unit AE-237 (F-36), docket number VGOB-09-0421-2519; also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-245 (F-35), docket number VGOB-09-0421-2520; and also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-243 (F-34), docket number VGOB-09-0421-2521. Gentlemen, those items will be continued until?

SHARON PIGEON: One month or two months?

TOM MULLINS: What do you want?

SHARON PIGEON: Think of this as maybe your last opportunity to do that.

JIM KAISER: Let me consult with my client.

(Jim Kaiser confers with his client.)

JIM KAISER: One month.

BUTCH LAMBERT: One month, okay. It will be continued until August. Thank you.

TOM MULLINS: Thank you.

JIM KAISER: Mr. Chairman, while I'm up here and before Mr. Mullins starts with eighteen. I've got a couple of other items that I need to continue.

BUTCH LAMBERT: Okay.

JIM KAISER: If you would call item number twenty.

BUTCH LAMBERT: Calling item number twenty. A petition from Equitable Production Company for repooling of

conventional gas unit V-502028, docket number VGOB-05-0816-1492-02.

JIM KAISER: Mr. Chairman, Jim Kaiser representing Equitable...EQT Corporation. We're still trying to work out the differences on Tract 16 and 16A. If we could just continue that one until August, I think we'll have that worked out.

BUTCH LAMBERT: Thank you, Mr. Kaiser. It will be continued until August.

JIM KAISER: And then if you would please, sir, call the very last item, item number fifty-nine.

BUTCH LAMBERT: Calling item fifty-nine. It's a petition from Appalachian Energy, Inc. for a modification of the Oakwood I coalbed gas field rule to allow for the drilling of an additional well in units E-38, F-31 and G-29, G-38, H-29, H-30, H-31, I-33, J-34 and J-38.

JIM KAISER: Mr. Chairman, Jim Kaiser representing Appalachian Energy, Inc. We'd ask that that item be continued until the August docket and that we do not have one of our...we were not able to get one of our witnesses here today.

BUTCH LAMBERT: Okay, thank you, Mr. Kaiser. That will be continued.

TOM MULLINS: Mr. Chairman, I have one that I'd

like to ask for a continuance as well if we're cleaning up the docket.

BUTCH LAMBERT: Okay, Mr. Mullins. Item number nineteen, I would like to ask for a continuance. We're waiting on the consent to stimulate. We haven't gotten that yet. So, I think it would be pretty premature at this time to do that one. If we could continue that until September.

BUTCH LAMBERT: Okay. It's a petition from GeoMet Operating Company for pooling of coalbed methane unit Rogers 281 unit A-43, docket number VGOB-09-0616-2531. It's continued until September.

TOM MULLINS: Yes, sir.

BUTCH LAMBERT: Okay.

TOM MULLINS: Would it be overreaching to ask that our only remaining item is thirty-one be moved into the nineteenth spot?

(Laughs.)

BUTCH LAMBERT: Since that's your only item, Mr. Mullins, we'll take that into consideration---.

TOM MULLINS: Thank you, sir.

BUTCH LAMBERT: ---and afford you the opportunity.

SHARON PIGEON: He has got eighteen.

DAVID ASBURY: Which item?

MARY QUILLEN: Number eighteen.

TOM MULLINS: Number thirty-one to nineteen.

DAVID ASBURY: Thirty-one?

TOM MULLINS: Yes. That's the only other item that we have.

SHARON PIGEON: He wants to---.

BUTCH LAMBERT: Oh, you want eighteen and thirty-one.

TOM MULLINS: Eighteen is next. We're ready to proceed on eighteen. I'd like to have thirty-one moved up behind eighteen if the Board doesn't have a problem with that.

BUTCH LAMBERT: Okay. All right, Mr. Mullins. Calling item eighteen. A petition from GeoMet Operating Company for pooling of coalbed methane unit Rogers 211 VA unit ZZZ-39, docket number VGOB-09-0616-2528. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins with the Street Law Firm on behalf of GeoMet.

DALLAS NESTLE: Dallas Nestle, GeoMet.

(Dallas Nestle is duly sworn.)

TOM MULLINS: Mr. Chairman, the handout I just gave you is identical to what was filed with the application with the exception, as the Board may remember, there was some discussion between Island Creek and GeoMet whether Island

Creek should be listed, and we've included that in this new handout. Otherwise, there's no percentage changes or anything like that.

DALLAS NESTLE

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Nestle, would you please state your full name?

A. Dallas Nestle.

Q. And by whom are you employed?

A. GeoMet Operating Company.

Q. And what are your job duties with GeoMet?

A. Project manager for Virginia and West Virginia.

Q. Are you familiar with the application that has been filed for the pooling of this unit ZZZ-39?

A. Yes.

Q. And is this an 80 acre Oakwood unit?

A. Yes, it is.

Q. And this is designated as Rogers Well 211 Virginia or VA, is that correct?

A. That's correct.

Q. Do you have drilling rights in this unit?

A. Yes, we do.

Q. Okay. Are there any parties in the application that needed to be...listed in Exhibit B-3 that need to be dismissed today?

A. No.

Q. What is the percentage of the coal ownership that GeoMet has under lease?

A. 99.05%.

Q. And the gas ownership?

A. 98.685%.

Q. Was notice sent as required by the Code of Virginia to all of the parties?

A. Yes.

Q. And we have just filed the green cards with the Director, is that correct?

A. That's correct.

Q. Is GeoMet authorized to do business in Virginia?

A. Yes.

Q. And do you have a blanket bond as required by statute?

A. Yes.

Q. Could you tell the Board what the royalty terms GeoMet offers to those who lease with them?

A. Twenty dollars per acre for a five year paid up lease with a one-eighth royalty.

Q. Based upon your experience in the gas industry, is this a fair and reasonable lease term?

A. Yes, it is.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to pool?

A. 1.315%

Q. And the coal estate?

A. .95%.

Q. Are there any unknown owners?

A. No.

Q. And the folks that are in dispute are what the Board knows as the Rogers Cousins?

A. That's correct.

Q. And that's in Tract 2, correct?

A. Correct.

Q. Okay. And the total percentage to be escrowed due to this disputed ownership is what?

A. .365%.

Q. And is that indicated on Exhibit E?

A. Yes, it is.

Q. And is the Board...is the GeoMet requesting that the Board pool these unleased interest in the unit?

A. Yes.

Q. To whom should correspondence be sent?

A. Joseph Stevenson...Stevens, Land Manager, GeoMet Operating Company, 5336 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama.

Q. Okay. Now, was an AFE prepared for this?

A. Yes, it was.

Q. Okay. And was that done under your supervision?

A. Yes, it was.

Q. What's the total depth of this well?

A. 1870 feet.

Q. And the estimated reserves?

A. 650 million cubic feet.

Q. And what have you estimated the well completion costs to be?

A. \$427,817.

Q. Okay. And the dry hole costs?

A. \$212,059.

Q. And as an exhibit to the application, has this AFE been attached?

A. Yes.

Q. Okay. Does that include a reasonable charge for supervision of the drilling of the well?

A. Yes, it does.

Q. Is it your position that granting this application would promote conservation, protect correlative rights and prevent waste?

A. Yes.

TOM MULLINS: Mr. Chairman, I don't have any other questions for Mr. Nestle unless the Board does.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman, let me ask a question. Where does the...I'm looking at your AFE, I'm sorry. Where does the supervision show up here because I don't see a line unless I have just overlooked it that says supervision? Is that under consultants or is it under something else? Because I know we always ask that question, but I don't really see a line item for that. I wouldn't think it would be consultants, but I don't---

DALLAS NESTLE: It's 13587.

BILL HARRIS: 87.

DALLAS NESTLE: Engineering and drilling supervision.

BILL HARRIS: Supervision, okay. And when you all determine that amount is that a fixed amount for each well

or is it based on---?

DALLAS NESTLE: It is...it is a fixed amount per well.

BILL HARRIS: Thank you.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved.

TOM MULLINS: Thank you, sir.

BUTCH LAMBERT: Calling item thirty-one. It's a

petition from GeoMet Operating Company for pooling of coalbed methane unit Rogers 210 VA unit ZZZ-40, docket number VGOB-09-0721-2549. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, again, for GeoMet, Tom Mullins.

DALLAS NESTLE: Dallas Nestle for GeoMet Operating Company.

TOM MULLINS: Mr. Chairman, I'd like to incorporate Mr. Nestle's testimony from the prior hearing concerning his credentials and the standard lease terms, if I could.

DALLAS NESTLE: Accepted.

DALLAS NESTLE

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Nestle, would you please tell the Board whether you're familiar with the pending application?

A. I am. Yes.

Q. Okay. And is this an 80 acre Oakwood unit as well?

A. Yes, it is.

Q. And designated as Rogers Well 210 VA?

A. Correct.

Q. Does GeoMet have the drilling rights in this unit?

A. Yes, it does.

Q. Is there anybody on Exhibit B-3 that needs to be dismissed by the Board today?

A. No.

Q. What is the percentage of coal ownership that GeoMet has under lease?

A. 98.99%.

Q. And the gas ownership?

A. 90.8475%.

Q. Was notice sent as required by statute to the parties?

A. Yes.

Q. And green cards were just filed with the Director, is that correct?

A. Correct.

Q. Is GeoMet authorized to do business in the Commonwealth of Virginia?

A. Yes, they are.

Q. And does GeoMet have a bond in place?

A. Yes.

Q. What are the lease terms that GeoMet offers to folks who lease with them?

A. Twenty dollars per acre for a five year paid up lease with a one-eighth royalty.

Q. And in your experience in the oil and gas industry, is that a reasonable and fair lease terms?

A. Yes, it is.

Q. Okay. What is the percentage of the oil and gas estate that GeoMet is seeking to pool?

A. 9.1525%.

Q. Okay. And the coal estate?

A. 1.01%.

Q. Are there any...are there any unknown or unlocateable interest holders?

A. No.

Q. Are there any folks whose interest are in dispute?

A. Yes.

Q. Is that Tract 3?

A. Yes, it is.

Q. And what is the percentage to be escrowed due to the conflicting claim?

A. 8.1425%.

Q. And is that listed on Exhibit E?

A. Yes, it is.

Q. Okay. Is GeoMet requesting that the Board

pool these unleased interest in the unit?

A. Yes.

Q. And correspondence should again be directed to Joseph L. Stevenson, Land Manager, GeoMet Operating Company, 5336 Stadium Tract Parkway, Ste. 206, Birmingham, Alabama 35244?

A. That is correct.

Q. And was an AFE prepared under your supervision for this?

A. Yes, it was.

Q. What's the total depth of this proposed well?

A. 1,800 feet.

Q. And the estimated reserves?

A. 754 million cubic feet.

Q. And the estimated well completion costs?

A. \$427,861.

Q. Dry hole costs?

A. \$212,096.

Q. And is that exhibit...is that AFE made an exhibit to the application?

A. Yes, it is.

Q. Okay.

BUTCH LAMBERT: I don't think some of us have

that...have the exhibit. I don't have it. Do you?

MARY QUILLEN: I don't have it.

BILL HARRIS: I don't have it either.

TOM MULLINS: I have a copy that got stamped. I'm willing to share. Here is the...Mr. Chairman, that's the entire application.

BUTCH LAMBERT: Okay. We'll get a copy.

SHARON PIGEON: Okay.

BUTCH LAMBERT: Anything further, Mr. Mullins?

Q. Does the AFE provide a charge for reasonable supervision for the drilling of the well?

A. Yes, it does.

Q. And is it your testimony that granting of the application will promote conservation, protect correlative rights and prevent waste?

A. Yes.

TOM MULLINS: That's it.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Excuse me, what was the depth of the well?

DALLAS NESTLE: That well is 1,800 feet.

MARY QUILLEN: 1800.

BILL HARRIS: Thank you.

BUTCH LAMBERT: It's in the application.

MARY QUILLEN: Yeah, it's in the application.

BILL HARRIS: Yeah, I just went to look for it.
It's quicker to ask.

SHARON PIGEON: Mr. Mullins, on your revised
Exhibit, is that the same change and just adding---?

TOM MULLINS: The same...the same issue.

SHARON PIGEON: ---Island Creek?

TOM MULLINS: I'm sorry, I should have spoken to
that.

MARY QUILLEN: Just one clarification. You will
submit that original one to the---.

TOM MULLINS: Sure. You all can keep that one.

MARY QUILLEN: Did you ask for a motion?

BUTCH LAMBERT: I have not yet.

MARY QUILLEN: Oh, okay.

BUTCH LAMBERT: Any further questions from the
Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any
further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved.

TOM MULLINS: Thank you, Mr. Chairman and members of the Board.

BUTCH LAMBERT: At this time, we'll be calling item twenty-one. A petition from Equitable Production Company for pooling of coalbed methane unit VCI-531389, docket number VGOB-09-0616-2538. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Corporation.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you'd state your name for the record, who you're employed by and in what capacity?

A. Rita Barrett. I'm employed by EQT

Corporation in Big Stone Gap, Virginia as a regional land manager.

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

A. They do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in the unit for VCI-531389, which was dated May the 15th, 2009?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What is the percentage of the unit...of the gas estate in the unit under lease to Equitable?

A. 91.316666667%.

Q. And the interest under lease to Equitable in the coal estate within the unit?

A. A 100%. Oh, I'm sorry. I need glasses.
91.316666667%.

Q. So, in other words, the same percentage of the coal estate is leased as the gas estate?

A. That's correct.

Q. Which means we have one unleased party?

A. That's correct.

Q. And that is Tract 4?

A. Tract 2 and 4.

Q. Tract 2 and 4 and those...so both...the percentage of both the gas estate and coal estate that remains unleased is 8.68333333, is that correct?

A. That's correct.

Q. We don't have any unknowns or unlocateables in the unit?

A. We do not.

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

A. They are.

Q. Are you requesting this Board to force pool all unleased interest 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. Could you advise the Board as to what those are?

A. \$25 paid up five year term and one-eighth royalty.

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

A. Yes.

Q. Now, as to the respondents in Tract 2 and 4, do you agree that they be allowed the following options with respect to their ownership with in the...ownership interest within the unit: 1) Direct participation; 2) a cash bonus of...well, actually a paid up lease of twenty-five dollars plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eights 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 or 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 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.

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

A. Yes.

Q. And should this be the address for all communications with the applicant concerning any force pooling order?

A. Yes.

Q. Do you recommend that the force 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 participation?

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that they receive the recorded Board

order to file their written elections?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay for their proportionate share of actual well costs?

A. Yes.

Q. Does the applicant expect the party electing to participate to pay in advance that parties' share of actual completed 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 any cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then their election should be treated just as if no initial election had been filed under the order or that is 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 those actual well costs any cash sum payable to that respondent from the applicant be paid by the applicant be paid within 60 days after the last date on which the respondent could have paid?

A. Yes.

Q. Okay. In this particular unit, we do not need any escrow, is that correct?

A. We do not.

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

A. EQT Production Company.

Q. What's the total depth of this proposed well?

A. 2,252 feet.

Q. Estimated reserves over the life of the unit?

A. 200 million cubic feet.

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

A. Yes.

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

A. Yes.

Q. Could you state both the dry hole costs and

completed well costs for this well?

A. Dry hole costs are \$110,852. The completed well costs are \$321,578.

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, the prevention of waste and the protection of correlative rights?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Ladies and gentlemen, we're going to break for lunch and we'll resume at 1:00 o'clock.

(Lunch break.)

BUTCH LAMBERT: Okay, ladies and gentlemen, it's time to reconvene. At this time, we're going to call item number twenty-two. A petition from Equitable Production Company for pooling of coalbed methane unit VCI-537521, docket number VGOB-09-0616-2541. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Rita Barrett on behalf of EQT Corporation.

BUTCH LAMBERT: You proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes, my name is Rita Barrett. I'm employed by EQT Corporation in Big Stone Gap, Virginia as a Regional Land Manager.

Q. 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 we filed seeking to pool any unleased interest within the unit for Equitable well VCI-537521, which was dated May the 15th, 2009?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. What is the percentage of the gas estate

within the unit that's under lease to Equitable at this time?

A. 97.66857967%.

Q. And what is the interest in the coal estate under lease to Equitable?

A. 100%.

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

A. Yes.

Q. So, the interest...the only thing that remains unleased is 2.33142033% of the gas estate?

A. That's correct.

Q. Okay. In this particular unit, we do have some unknown and unlocateables?

A. We do.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate these unknown and unlocateable respondents---

A. Yes.

Q. ---including primary sources such as deed records, probate records, Assessor's records, treasurers' records and secondary source such as telephone directory, city directory, family, friends and internet?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents named in this petition?

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 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.

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

A. Yes, it's twenty-five dollars per acre paid up for a five year term.

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

A. Yes.

JIM KAISER: At this time, Mr. Chairman, with your permission and Ms. Barrett's agreement, we would like to incorporate the testimony taken earlier in item 2538, being the last four number of the docket regarding the statutory election options that are afforded any of the unleased parties.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, in this particular case, we have both conflicting claims and unknown and unlocateables. So, the Board does need to establish an escrow account and it would be for proceeds attributable to Tracts 2, 3, 4, 5 and 6?

A. 2, 3, 5 and 6 is what I have.

Q. And not 4? Is 4 all Pine Mountain? Yeah, that's right. I'm sorry. 2, 3, 5 and 6, correct?

A. That's correct.

Q. Okay. Thank you. Who should be named operator under the force pooling order?

A. Equitable Production Company.

Q. Total depth of the proposed well under the plan of development?

A. 2,389 feet.

Q. Estimated reserves over the life of the unit?

A. 200 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

Q. 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 this well?

A. Yes. Dry hole costs are a \$125,455 and completed well costs are \$376,072.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Barrett, just for clarification, that unit is within the window? It's pretty close.

RITA BARRETT: It's within the window.

BUTCH LAMBERT: It's pretty close.

RITA BARRETT: I think it is.

DAVID ASBURY: Mr. Chairman, just to be clear, the petition that you're asking also for the location exception of this...or a location to be approved for this well.

RITA BARRETT: We were going to address that with the---

DAVID ASBURY: Permit?

JIM KAISER: Permit.

RITA BARRETT: ---permit application.

DAVID ASBURY: Okay.

RITA BARRETT: But, yes, it is in the interior?

BUTCH LAMBERT: Thank you.

RITA BARRETT: It is inside the window.

BUTCH LAMBERT: Other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be

approved as submitted, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is item twenty-three. A petition from Equitable Production Company for a well location exception for proposed well VH-539991, docket number VGOB-09-0616-2542. All parties wishing to testify, please come forward.

(Luke Shankin and Taylor Vactor are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: Mr. Chairman and Board members, our witnesses in this particular docket item will be Rita Barrett and Luke Shankin. Everybody has been sworn at this point. This is a little different application that we've filed in the past. I've just got a few questions for Ms. Barrett regarding the correlative rights situation and then we'll go to Mr. Shankin's testimony that you have the handout on.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you could, again, state your name for the Board, who you're employed by and in what capacity?

A. My name is Rita Barrett. I'm employed by EQT Corporation in Big Stone Gap, Virginia as regional land manager.

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

A. Yes.

Q. Are you familiar with the application that we filed seeking a location exception in this instance?

A. Yes.

Q. Have all interested parties been notified as required by Section 4B of the Virginia Gas and Oil Board regulations?

A. Yes.

Q. Now, this is the important part, if you...we filed one plat with the application, correct?

A. That's correct. Actually, if everyone will turn to the plat page on the application, there should be another unit above this and that's what I just distributed to you. So, it would look something like this. All parties are leased in both units.

Q. Okay. And so all parties are leased and I guess we have what two different royalties, either Steinman Development or Penn Virginia?

A. Penn Virginia. That's correct.

Q. Okay. And they've both been notified?

A. Correct.

Q. And they've both been informed of what our plan of development is here?

A. Yes.

Q. And they're both in agreement and have signed off on this plan?

A. They're in agreement, yes.

Q. Okay. So, it would be your testimony that

there aren't correlative rights issues?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

LUKE SHANKIN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Luke Shankin, EQT Production as a geologist,

Q. And this is the situation that, I guess, really presented itself some time ago for the Board and we talked about how there's some discussion between both Equitable and Board members as to how we might be able to best develop these units in the most efficient manner and also take into account protecting the correlative rights of all of the royalty owners, is that correct?

A. Yes.

Q. And so now we're coming forward with the plan and you've got a handout prepared for the Board. If you would kind of go through it and explain what our proposed development for this well is?

A. Okay. This is for well 539991. If you'll turn to AA, the plan would be for this well for 3850 foot lateral to be drilled in a northwest direction from the top hole. This lateral would cross from one previously established 320 acre horizontal unit into another. Originally, this unit was proposed as a 480 and it was recommended by the Board for us to establish the two 320s, get a variance across from one into the other. Our goal is to follow the well design of well VH-531020 to the north in length and direction. This is one of the best horizontal wells that we've drilled so far in Virginia. We'd like to try to mimic that right below it. We're going to start the lateral and conventional unit to the south, which was VGOB-08-0819-2301 and cross into conventional unit to the north VGOB-08-0819-2303. It would take approximately 375 feet to build the curve about the target formation until we entered our target formation, which is the Lower Huron shale in this case. 1725 foot of producible interval would be in the southern unit. 1750 feet of producible lateral would be in

the northern unit. We had maintained a 300 foot interior window on all other edges of the units besides where this lateral crosses from one to the other and maintained a minimum of 600 foot distance from vertical wells that produce from the same formation as the horizontal well. If you flip to BB, this just shows where those units are in relation to Wise County and the surrounding quads. CC gives an outline of what we're talking about. The blue line in the northern unit well 531020, which is an already drilled well. As I've said it's one of the better horizontals that we've drilled to date. The brown line underneath is the proposed well path for 539991. Again, starting the unit in the south, it's drilled in the same direction in the northwest direction as 531020 and ending in the unit to the north.

Q. And if we were not...what kind of impact would it have on the reserves in the southern unit if we weren't allowed to...if we weren't allowed this location exception?

A. What we found to date is wells drilled in that northwest direction are by far the better producers when we drill horizontal wells in Virginia. Horizontal wells are still at its beginning stages in Virginia. So, there's still a lot of testing to do, but we would like to

figure out what's done right and repeat that process to continue to get good wells.

Q. So, this variance is the only way that we can maintain that orientation?

A. Yes. Otherwise, there is not enough length in the southern unit itself to drill this well.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman. Now, if you were to move that...of course, you know that that's going to be a question. If we move that down further south, what prevents that from happening. Is it a terrain issue or---?

LUKE SHANKIN: In this unit, it's a terrain issue in here. This was the only suitable location we could get in this area for a horizontal top hole. It's actually 20 vertical well...20794 is a drilled vertical well that goes down to the Berea formation. So, it does not produce from the same formation as this proposed lateral.

KATIE DYE: I have a question. Up in the...let me show you what I'm talking about. In the corner here, could you tell me about the distance between those two wells and could you tell me about the production on 539990?

JIM KAISER: Which plat are referring to, Mrs. Dye?

RITA BARRETT: She's talking about these two right here, I think.

JIM KAISER: Up here?

RITA BARRETT: Yeah.

LUKE SHANKIN: Neither one of...these are actually proposed locations that have not been drilled yet. Yeah, those are just proposed locations that have not been drilled yet.

KATIE DYE: You don't...you don't have a distance? It could change?

LUKE SHANKIN: If they were drilled, we would still stick to what we're testifying to is a 600 foot distance from any vertical well or horizontal lateral that produces from the same formation.

KATIE DYE: Thank you. I have another question. Would you tell me...could you tell me about the distance between the VH-531 and 1020 and the VH...the 991 and 1020?

LUKE SHANKIN: I believe the distance in this case is between 1250 and 1500 feet. I don't have those numbers right in front of me. But when I develop this, I believe that's about what it was.

KATIE DYE: Thank you.

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---one question, Luke. On this, this is the...correct me if I'm wrong, the same proposed

location that you had originally it's just that this was cut off right here making this the larger unit and you have just expanded this into the 320 and a 320?

LUKE SHANKIN: Yes, ma'am.

MARY QUILLEN: Is that correct? But this is basically...it's the same layout or proposed---?

LUKE SHANKIN: It's the same---.

MARY QUILLEN: ---orientation for---?

LUKE SHANKIN: Exactly.

MARY QUILLEN: ---it that you have? Good job. I understand that.

BILL HARRIS: Let me...let me ask a question about a statement that you said about the best horizontal well. Can you put some qualifiers on that?

LUKE SHANKIN: When I say this is one of the best horizontal wells we've drilled to date in Virginia that's based off monthly production and dailies that we have on this well. It was drilled in late 2008 and the well is still making 300 plus mcf a day. So, for us, it has been a very good producer and above economic. So, that's why we're trying to repeat that process getting as close in---.

BILL HARRIS: Do you think it's just the way it's crossing the strata there and that---?

LUKE SHANKIN: Yeah.

BILL HARRIS: I mean, do you have some evidence that that strata continues about---?

LUKE SHANKIN: Yeah, we have a natural fracture trend in this area. We're going to get fractures that form in the southwest and northeast direction. So, we tried to cross as many of those as we can with that direction. Yes, sir.

BILL HARRIS: Cross...yeah, okay. Okay.

MARY QUILLEN: One additional question, Mr. Chair.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Are these both going to be producing out of the same horizon?

LUKE SHANKIN: Yes, ma'am.

JIM KAISER: And we just found that this was a better solution then forming the bigger unit. Again, we did have both royalty interest owners approve this site.

BILL HARRIS: Now, how does this...have we talked about correlative rights yet? How does this work when you are...well, I guess, how is going to work when you are, I guess, assigning rights to people? You know, the upper...what am I trying to say? The lower one that you're talking about drilling, the proposal one, of course, laps into that other cell. So, are we pay those...I mean, what's the plan for that for paying folks who are in those areas?

RITA BARRETT: I would think that we would pay the royalty---.

BILL HARRIS: Yes, that's what I'm trying to say. Thank you.

RITA BARRETT: ---on each...on each unit as it's shown on each plat for each well like what...whatever is in this unit here would be to Steinman Development Company and then whatever portion is...comes up into the northern unit would be the royalty owners as it's shown.

JIM KAISER: It's Steinman and Penn Virginia.

BILL HARRIS: So, that---.

MARY QUILLEN: It's just the two...is there just those two?

JIM KAISER: Yes.

PEGGY BARBER: Yes, ma'am. Steinman Development Company and Penn Virginia.

MARY QUILLEN: That's what I understood that you had said that this was...there was an agreement between both Steinman and Penn Virginia. So, that really is not a whole big issue of correlative rights, is that correct?

RITA BARRETT: There is no correlative rights issues, no.

BUTCH LAMBERT: Since the map is not to scale, what is the distance between those pegs?

LUKE SHANKIN: Between what?

BUTCH LAMBERT: Between the legs?

JIM KAISER: Between the two lines.

LUKE SHANKIN: I believe it's in between 1250 and 1500 feet. I don't remember the exact distance, but it was approximately that distance when I wrote this up.

BRUCE PRATHER: Have you ever drilled one that close together?

LUKE SHANKIN: We have in other states. In Virginia we have not.

KATIE DYE: What about interference?

LUKE SHANKIN: We...at that distance at 1250 to 1500 feet, whichever, we wouldn't anticipate seeing the fracture travel that far. I mean, since we haven't drilled like this in this area, we'd have to see what happened. We don't anticipate that that would happen in this case.

BUTCH LAMBERT: So, you're not fracturing any further out than 600 feet from each well?

LUKE SHANKIN: That's the anticipation right now.

BILL HARRIS: One time they talked about legs out from the diagonal. Is that being done or are you saying that's the fracturing?

LUKE SHANKIN: In this case, no, it would just be one mother bore in each case.

BILL HARRIS: The main channel?

LUKE SHANKIN: Yeah. We wouldn't be deviating off of the side of that mother bore, no.

DAVID ASBURY: Mr. Chairman, I've got a question, please.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: This goes to correlative rights and some other things that have been presented. I don't mean to muddy the water at all. I'm just trying to find the best solution here. But if we were looking at this and I understand that your existing well in the 320 acre unit for 531020 and that you're paying people in that unit based on that well. So, comes 53991 and we drill it for the first month with crosses, two units. It goes into the second unit. Wouldn't it protect correlative rights better that beginning with that first month of production from 53991 that this becomes a 640 acre unit and that those people share in the production from both of these wells? Wouldn't that be the best protection for correlative rights? That the real middle line between these two units go away and then this becomes the 640 acre unit. Maybe this was what you were trying to present in the previous months.

JIM KAISER: Yeah, it just becomes a larger production unit.

DAVID ASBURY: Right. And then this larger horizontal unit with two wells and then everyone in both units would share royalties from both wells.

JIM KAISER: Proportionally, correct.

DAVID ASBURY: Apportion. Their acreage proportionate.

RITA BARRETT: That makes the most sense.

BILL HARRIS: So, your...let me just...so, you're saying the 1020 that is in place now if we made this a 640 then those royalties would be distributed to the one below as well as part of this whole 640 acre unit?

DAVID ASBURY: At the first month of production from 53991.

JIM KAISER: The second wells.

RITA BARRETT: Uh-huh.

DAVID ASBURY: In other words, 53020 is in place now. It's properly approved. It's in a 320 acre unit. Now, we're crossing borders between two units. So, my thought is that it best serves correlative rights to expand into a 640 at that first month of production and then everyone in that 640 is paid from both wells.

JIM KAISER: Yeah, at the time in which we've established production from both wells.

DAVID ASBURY: Yes. Just a question.

LUKE SHANKIN: I mean, I...Mr. Asbury, I think from our standpoint it would all be the same. I mean, it's a royalty either way wherever it get paid as far as...if it turns into a 640 acre payment or a 320.

DAVID ASBURY: Right. My question stems from how the accounting department would figure out what percentage of this 53991 went into the upper unit, how they would allocate that production into that unit if we don't make this one 640 acre unit. It had been presented before we had a well crossing another unit line and we pay based on the length of that line item.

BILL HARRIS: Proportionately.

DAVID ASBURY: And we decided at that time instead of doing a length percentage that we would just make the whole area one unit. That was presented by another operator at a different time.

BRUCE PRATHER: David, are you saying that the people that are in 1020 and the royalty on that would also get their part of this 991?

DAVID ASBURY: At the point that 9991 begins production, the unit becomes a 640 provisional unit. Yes, at that---.

BRUCE PRATHER: I mean, there wouldn't be any retroactive---?

DAVID ASBURY: No.

BRUCE PRATHER: ---money from 1020---?

DAVID ASBURY: No, that's---.

BRUCE PRATHER: ---going to 991?

DAVID ASBURY: No.

BILL HARRIS: No.

RITA BARRETT: No.

BILL HARRIS: No, I wouldn't think so.

BRUCE PRATHER: Okay.

DAVID ASBURY: No, it would begin at the first month of production or the first day of production really of 53991

BUTCH LAMBERT: Further discussion?

MARY QUILLEN: Just one question. Would there be any problem between those two owners, Penn Virginia and Steinman, by doing that? They would be agreeable to do that?

RITA BARRETT: I wouldn't think so because they've been notified that we want to do this and neither have complained. But I would also think that if we're starting to lay these units down here, it's to their benefit---.

MARY QUILLEN: Right.

RITA BARRETT: ---on future wells.

MARY QUILLEN: Because there may be some vertical

wells, those that are proposed that would be in that?

RITA BARRETT: No, additional horizontals that fitting on the grids on such and---.

MARY QUILLEN: Additional horizontal---.

RITA BARRETT: ---I just think this helps us eliminate the confusion of how we're going to lay these units on the grids over there instead of, you know, how we...when we first started doing this we kind of had them slide outside. We were just creating a mess. So, this makes more sense to keep these units uniform with the existing grids.

MARY QUILLEN: And particularly with the terrain---
.

JIM KAISER: Yeah, exactly.

RITA BARRETT: Yes.

MARY QUILLEN: ---in that area because you have to put it where you can put it.

RITA BARRETT: Right.

MARY QUILLEN: Sometimes you have no choices.

JIM KAISER: I was going to repeat that point. If we don't do something like this, then you're basically going to leave that unit sterilized.

MARY QUILLEN: Right. Yeah.

RITA BARRETT: Right.

KATIE DYE: So, there's no way you can move it like further south---?

RITA BARRETT: No.

JIM KAISER: I mean, he has already testified to that.

KATIE DYE: ---and keep your lateral within that one unit?

JIM KAISER: He has already testified to that.

BILL HARRIS: Well---.

DAVID ASBURY: I think the 320 acre grid is a good grid that we've established provisional units. But when we hit this situation, then it has to become an exception, which is okay and it is. It properly protects correlative rights. Your notice issues is done. All parties are notified and all join into with royalty and other working interest. An election potential.

BRUCE PRATHER: David---?

DAVID ASBURY: Yes, sir.

BRUCE PRATHER: ---are we sitting a precedent by putting these wells this close together for ourselves? In other words, you know, we have a certain spacing limitation that we've had on these things because of the location of this well, it has to be there. But what it's also doing it is also not making our spacing thing comply. In other

words, this thing is too close together. We will have that in the future.

DAVID ASBURY: I don't think we're sitting a precedent because we're still in a provisional unit here. I think we do need to focus on statewide spacing issues and make sure that we don't get outside of our requirements unless the Board approves it. But in this particular case, I don't really see an issue.

BUTCH LAMBERT: Any further discussion?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: Ms. Quillen, is your motion to approve to approve the unit plus approve making a 640 acre unit?

MARY QUILLEN: Yes, to include that addition.

BUTCH LAMBERT: Okay.

BILL HARRIS: My second still applies.

BUTCH LAMBERT: And we still have a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert, Katie Dye and Bruce PRATHER.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: One abstain. Mrs. Dye?

KATIE DYE: I'm not really sure that I understand and it shouldn't come down to the voting process. I have a problem with the distance. So, I'm going to go with a no vote.

BUTCH LAMBERT: A no vote. A no vote, Mrs. Dye. So, we have two yeses and one abstention and one no vote. I guess, you're approved.

JIM KAISER: Thank you.

LUKE SHANKIN: Thank you.

JIM KAISER: Mr. Chairman, if I can interrupt you for a second. We...I think we can combine twenty-four, twenty-five, twenty-six and forty-one. We'll do Ms. Barrett's testimony and then Mr. Vactor's will be the same on all of these.

BUTCH LAMBERT: Which ones again, Mr. Kaiser? Twenty-four through twenty-six---

JIM KAISER: Yes, sir. All of the increased density, twenty-four, twenty-five, twenty-six and forty-one. Ms. Barrett's testimony will be a little different on each

of them, but then Mr. Vactor's testimony will all be the same. So---

BUTCH LAMBERT: Calling item twenty-four. A petition from Equitable Production Company for modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional units BD-72, BE-71, BE-72, BE-74, BF-71, docket number VGOB-89-0126-0009-52. Also calling a petition from Equitable Production Company for a modification of Nora Coalbed Gas Field Order to allow for drilling of an additional well in units BI-66, BI-68, BJ-67, ,BM-63, BN-62, BP-59, BP-60, docket number VGOB-89-0126-0009-53. Also calling item twenty-six, a petition from Equitable Production Company for modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional units AX-56 and Au-54, VGOB-89-0126-0009-54. Also calling item forty-one, a petition from EQT Production Company for modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional units AU-61, BF-55, BG-83, BH-81, BH-82, BL-49, BL-50, BL-51, BL-52, BL-53, BM-33, BM-42, BN-32, BN-33, BN-38, BN-55, BO-30, BO-31, BO-33, BP-30, BP-38, BQ-25, BQ-26, BQ-27, BQ-37, BQ-38, BQ-63, BR-25, BR-26, BR-27, BS-24, BS-25, BS-26, BS-27, BS-38, BS-39, BT-23, BT-24, BT-38, BU-24, BO-38, BX-31, docket number VGOB-89-0126-0009-55. All parties wishing to testify, please come

forward.

RITA BARRETT: Take a deep breath.

BUTCH LAMBERT: Yeah.

JIM KAISER: Mr. Chairman, in these four docket items it will be Ms. Rita Barrett and Mr. Taylor Vactor.

JIM KAISER: Yeah, he has already been sworn.

TAYLOR VACTOR: Yeah, I've been sworn in.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, will start with you and we'll start with what we call our Big Branch unit, which is -52, item number twenty-four on the docket.

A. Yes.

Q. Have all parties as required by statute have been noticed of this hearing?

A. Yes.

Q. And we did have some unknowns. So, we did file a publication notice?

A. We did.

Q. And the...including in the...the folks that we've noticed would be all coal owners?

A. That's correct.

Q. And have we received any objections from any coal owners?

A. We have not.

Q. And all of these wells will...before they're permitted and drilled will actually will be signed off on by the coal owner, right?

A. Yes. We have to seek coal approval requests on each well prior to permit.

Q. Okay. And have you in the past, in drilling these increased density wells, the second well...the additional well within the unit, have you ever received any complaints from royalty owners?

A. No.

Q. Okay. And actually I would think probably actually kind of like this, don't they?

A. They get their money quicker.

Q. Let's turn with Ms. Barrett to the Wampler Ridge item, which is twenty-five also -53 on the docket. In this particular case, we only had six parties to notice. This is basically an all Range Resource property?

A. That's correct.

Q. Again, the coal owner...all coal owners within this particular grid were noticed?

A. That's correct.

Q. Have you received any objections from any of them?

A. We have not.

Q. And have you received any complaints from any royalty owners within this unit?

A. We have not.

Q. Thank you. Let's turn to item twenty-six on the docket, which is -54. I don't think we have a name for this one, do we?

A. We do not.

Q. In particular one, we sent out twelve...ten notices. So, everyone was notified as required by statute, correct?

A. That's correct.

Q. Including all coal owners?

A. That's correct.

Q. Did you receive any objections from any of those coal owners?

A. We did not.

Q. And did you receive any negative reaction or negative input from any royalty owners in this unit?

A. We did not.

Q. Thank you. And last for Ms. Barrett's purposes, we'll turn to item forty-one on the docket, which

is -55. In this particular unit, I sent out thirty-three notes. Would it be your opinion that everyone who's statutorily required to be noticed in this particular unit received notice?

A. Yes. And we published...there's two unknowns. There's unknown and unlocateables in units BO-30 and BO-31 and we published notice.

Q. Okay. Did you receive...did that notice include all coal owners within the unit?

A. It did.

Q. And did we receive any objections from any of those coal owners?

A. We did not.

Q. And have you received any sort of correspondence or negative reaction from any royalty owners within these units?

A. We have not.

Q. Okay. There is some acquisition to be done on some of these units and if we're not successfully in obtaining...they're not very many of them, but out of these four applications I think there's one, two...maybe four units that require some acquisitions?

A. Yes. On item, where are we here, twenty-four, unit BE-74 requires acquisition. On item twenty-five,

BN-62 requires acquisitions. On item twenty-six, unit AX-56 requires acquisitions and then on item forty-one, units BO-30 and BO-31 require acquisitions.

Q. And should we be unsuccessful in obtaining a 100% voluntary leased units on these units, then we will come back before the Board and force pool those interest?

A. Yes.

Q. And when we force pool those interest, even though this is a second well in the unit, those parties being force pooled will get a second chance to participate directly in the development of these units, is that correct?

A. That's correct.

JIM KAISER: Okay, thank you. Nothing further from Ms. Barrett.

BUTCH LAMBERT: Questions from the Board?

KATIE DYE: I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Do you know if...do you have anyone participating in any of these wells who have already been drilled in these units?

RITA BARRETT: In these increased densities, we have not. We---.

KATIE DYE: What about carried interest? Do you know about carried interest?

RITA BARRETT: Not to my knowledge.

KATIE DYE: Thank you.

RITA BARRETT: You're welcome.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JIM KAISER: We'll call Mr. Vactor next and I'll remind the Board that his testimony is going to be generic to all four of these applications pending.

TAYLOR VACTOR

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Taylor Vactor. I'm a geologist with EQT Production.

Q. And you've testified before the Board on increased density applications and horizontal well applications unit establishments in the past?

A. I certainly have.

Q. Okay. Could you, in conjunction with the handout that you've prepared, go through and explain why

Equitable still thinks this is a very viable and profitable exercise for them as a company?

A. I sure can. All right. So, we're just going to go through our usual increased density packet. The first page, AA, this is a summary of the increased density drilling through May the 31st. It just states the number of wells drilled in year so far, cumulative production and rate for each year. At the bottom, we have the totals. To date, we've drilled a 106 infill...increased density wells. Cumulative production is around 2.9 bcf. Total rate is around 6.6 million a day.

On page BB, this is just a different way to look at that production data. This is the gas rate. Showing you original wells versus increased density wells. The original well is in blue. The increased density well is in red. If you take the difference from the red line and then blue line, that's your incremental production that you're getting out of that infill well.

On page CC, we're looking at a map of Dickenson County and the surrounding counties. The grids that are shaded grey are previously approved grids for increased density drilling. The grids that are shaded green are the ones that we're seeking approval for.

On page DD-1, this shows the grids for docket

number twenty-four. Again, the grids in green are what we're seeking the wells...in blue are existing vertical wells.

On page DD-2, docket number twenty-five as shown, the grey grids are previously approved grids. Again, green is what we're seeking now.

And on DD-3, this is docket number twenty-six, the same set up here as far as approved and what we're trying to get approved...existing wells are approved.

On DD-4, docket number forty-one is shown. This is a blown back map because they're kind of spread out. But, again, the green grids are the previous grids that we looked at for approval. Grey is the previously approved grids prior to today. In the orange is the docket number forty-one grids that we're seeking approval for. That's it.

Q. And would it be your testimony, Mr. Vactor, as someone who's job responsibility is to foster the development in the increased density drilling program that Equitable, as long as they obtain coal approval the proper coal owners and are not seeing any objections from the royalty owners, that this is something that they still think is economically viable and will continue to pursue in the future?

A. For the incremental production that we've

seen, that I've presented today, we certainly do think this is a viable thing. So---

JIM KAISER: Thank you. Nothing further at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman. Let me ask you a question about your BB, your cumulative.

TAYLOR VACTOR: Uh-huh.

BILL HARRIS: I may be misreading this. I remember in the past when these were proposed and I guess we looked at some historical data to a certain extent, you know, for as much as that existed. The original wells seemed to increase along with the other well that's drilled. I notice this stays pretty flat. Is there something else happening here or do you all still...or I'm a mis-interrupting the data? What's---?

TAYLOR VACTOR: I mean, we wouldn't expect the blue line to keep shooting up and follow the red line. The natural curve of a CBM well is to start to flatten out. That line continues to go up because we're drilling that additional well.

BILL HARRIS: Yes. Yes.

TAYLOR VACTOR: And that's that additional production that you're seeing there.

BILL HARRIS: Now, in the red, that's the blue plus the additional? I mean---?

TAYLOR VACTOR: Exactly.

BILL HARRIS: ---the original plus---?

TAYLOR VACTOR: Yeah. That's the incremental production that you're seeing.

BILL HARRIS: Yeah. I was thinking that...isn't there...and I may just be confused. But I was thinking there was a communication between the wells or something and that the original well actually increased its production somewhat as well. I'm I thinking about something else. I'm not sure.

TAYLOR VACTOR: The original well, I don't think we've seen that. Its increase in production.

BILL HARRIS: Okay. So, you're saying it's a flat production. Okay. Okay, thank you.

KATIE DYE: Mr. Chairman---

LUKE SHANKIN: Mr. Harris, in certain cases we do see that, but I think as an overall program a large increase in production is not necessarily the norm for the original well once these are drilled. But we have seen cases like that before.

BILL HARRIS: It seems to me...and I don't know if it was from you all, it seems to me we have gotten testimony

that generally the original well actually shows a little increase in production when the other one goes on line and it has to do with the pressures and whatever. I'm not---

JIM KAISER: At least initially, I think you're right.

LUKE SHANKIN: Yeah.

KATIE DYE: Mr. Chairman.

MARY QUILLEN: Mr. Chairman, just one additional question concerning that. Would there be a difference in different fields perhaps?

TAYLOR VACTOR: As far as?

MARY QUILLEN: As the increasing the production from the original well?

TAYLOR VACTOR: I mean, we definitely do see variations geologically from here to four feet across the room, you know. It definitely changes.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Yes. What I wondering is how is this economically viable with gas at roughly four dollars mcf and you are producing these people's resources faster, but, you know, at a much lower price? Not at fifteen dollars.

TAYLOR VACTOR: Yeah. We can't control what the gas price is going to be. But, I mean, the money now is worth more than it is further on down the road. So, it

makes more sense to produce the gas now for us to get it out of the ground.

BRUCE PRATHER: I've got a question, Mr. Chairman.

BUTCH LAMBERT: Mr. PRATHER.

BRUCE PRATHER: I notice on your map her, you've got these units that you want to drill the extra well and you've got these white areas up here. I assume that in the future when you get ready to drill these I could see possibly you may have some correlative rights problems. I just wondered are any of these close enough to where they would present a problem to you on a correlative right basis. In other words, I assume these white areas in here are unleased.

RITA BARRETT: Well, anything that's in white in there could be leased and it's not represented on this map. But anything that's in white in there that we would propose a unit in, we will certainly attempt to lease it.

BRUCE PRATHER: I mean, you know, it's...when you starting putting two wells on here, you're just...you got to almost put that second well in a certain area. In other words, you can't put two in the same location. What I was wondering about, if you've got leases offsetting this thing, I realize this is your first blush at this thing. But it's not like this thing here and like this one up here. I mean,

on this B-166, I guess it is, the only place you can put a well there would be up there about where that D is. Would that give you correlative rights on that BH-66 up there where it's not leased?

RITA BARRETT: Which one are you---?

JIM KAISER: Well, again, we're required...they're required to be at least 600 feet apart. They're required to be within the interior window unless---

BRUCE PRATHER: Right.

JIM KAISER: ---we get a location exception through the permitting process. I'm sure that if that second well were located at a distance that Mr. Asbury thought was too close to an unleased or unforced pooled interest, then he deny the permit.

BRUCE PRATHER: Well, I mean, I'm just bringing it to the attention. I mean, as long as you've got the lease under---

JIM KAISER: Again, they're got to be 600 feet apart---

BRUCE PRATHER: Yeah.

JIM KAISER: ---and they've got to be in the interior window unless we get the location exception.

BRUCE PRATHER: Yeah, okay.

RITA BARRETT: And one thing that I want to

address. Mrs. Dye, you asked me regarding elections. Did we have anyone who was participating in these wells and who was carried? Not that I'm aware of, but I will research that and let the Board know. I mean, I don't do the elections after the fact. So, I really don't get involved in the division orders and the elections and that kind of thing. But I will get back to you on that.

KATIE DYE: Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

JIM KAISER: Mr. Chairman, I could again before we get started, I think we can go ahead and combine twenty-seven and twenty-eight also with your permission.

MARY QUILLEN: Twenty-seven and twenty-eight?

BUTCH LAMBERT: At this time, we'll be calling item twenty-seven. A petition from Range Resources-Pine Mountain, Inc. for the establishment on a provisional drilling unit consisting of 320 acres for the drilling of a horizontal conventional gas well RR-2544, docket number VGOB-09-0616-2544. Also calling item twenty-eight, a petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit consisting of 320 acres for the drilling of horizontal conventional gas well RR-2545, docket number VGOB-09-0616-2545. All parties wishing to testify, please come forward.

JIM KAISER: Thank you, Mr. Chairman. In this case it will be Jim Kaiser, Phil Horn and Jerry Grantham on behalf of Range Resources-Pine Mountain, Inc.

(Jerry Grantham and Phil Horn are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

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, if you could you state your name for the record, who you're employed by and in what capacity?

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

Q. And it's your responsibility that this units that we're attempting to establish is in your area of responsibility?

A. Yes, it is.

Q. And would it be your testimony that in both of these units we have noticed by certified mail return receipt requested all parties entitled to notice in accordance with statute?

A. That's correct.

Q. And would it also be your testimony that on item number twenty-seven that we did have some unknown and

unlocateables and that we did file a publication notice?

A. That's correct.

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

Q. And that notice would include all mineral owners including oil, gas and coal owners, correct?

A. All oil, gas and coal owners, that's correct.

JIM KAISER: Yeah, thank you.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

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, who you're employed by and in what capacity?

A. Jerry Grantham, Range Resources-Pine Mountain, Inc. and I'm vice-president.

Q. And you've testified before the Board on

Range-Pine Mountains horizontal program in Virginia on numerous occasions?

A. Yes, I have.

Q. And you have prepared a handout for the Board today for these two particular units?

A. Yes, I have.

Q. Okay. If you would go through that now for them.

A. All right. If you would look at the handout that I have given you, I'd like to come back to AA at the end. So, if we go forward to BB, what we're here today requesting is a 320 acre unit that you've seen before with all of the same guidelines and provisions that we have asked for and had approved prior by the Board. The units are 320 acres in size. The dimensions are...they are square. So, they're 3733 feet by 3733 feet. And what the diagonal, again, in the interior window of about 4400 feet...4431 feet. With the idea that potentially that would be the longest complete able proportional lateral we could do if we went corner to corner on the diagonal. I wish we...I could say that we've achieved that kind of distance, but we haven't. I'm going to give you a little update when I get through with the presentation here as to sort of where we are with our horizontals here in Virginia. This is just

basically the same 320 acre unit. We're requesting a 300 foot window pane around the unit. That is an area that we cannot produce the lateral in. We can drill within that window pane. In fact, we've requested that we could actually drill the well vertically outside of the unit so that we can deviate the hole and then come into to the unit within that interior window. That allows us...we've executed that in many instances and is very effective because what it allows us to do is not burn up or use up a portion of that interior window in building our curve. That's very, very effective. I would think over 50% of the wells we do that now. The units that we propose would allow for multiple laterals whether they be in the same formation or in any other conventional formation. But we are not asking for any lateral or approval for a lateral in any of the coals. This is particularly for the conventional reservoirs. I will discuss what we've done so far because we now have done three different reservoirs. Again, as I stated, we'd like to be able to spud the well outside of the unit.

This is, again, a pretty standard design for us. The casing strings are consistent with the regulations. For any well drilled in Virginia, we have to have a surface or a very shallow conductor string. We have to have a fresh

water stream, which, of course, protects the fresh water aquifers, and that at a minimum is 300 feet or below the deepest horizon that's producing fresh water. That has to be cemented back to the surface. Then we have to have coal production string, which, again, has to be cemented back to the surface. That protects the coals and then as really a double protection for the fresh water. We then drilled down to about 600 feet above the target zone. In this diagram, it's the Lower Huron shale. We begin with steering tools to actually build an angle in the hole and turn that vertical well horizontal. That's done over about a 600 foot distance. We've done shorter and we've done longer, but 600 is about it seems to be the best because what that does is it keeps our build rate at about 10° per 100 feet. If we get too high of a build rate, we call that a dogleg. You don't want a dogleg because then trying to get pipe in and out through that is pretty difficult whether it's drill pipe or at the end when we're producing the well four and a half casing. Once we drill that 600 foot curve, we land the well, as we call it, and that's when then either stay horizontal or depending on what geology is doing, we may be 89° to try and stay in a formation or we may be going 91° but roughly it's a horizontal. We drill out about 3,000 feet. So far, we...with our curve, we've probably been out

about 3500 feet or 3600 feet. I think the longest complete
able interval that we've had is about 3100 feet. We'd like
to achieve more than that and we're working towards that. I
think we will achieve longer laterals. We've done some
science on what we've done so far. We have found a pretty
good correlation at least in the Lower Huron shale that
productivity is related to lateral length. I guess
that's...you know, would be in that assumption that I would
make. I think we have pretty decent data now that indicates
that. Our shorter laterals generally are not as good or
longer laterals are generally better wells.

Of course, the benefits of the horizontal I think
are many. I think it's a great application. It's being
used all over the country and all over the world. I think,
you know, it benefits certainly us as a working interest
owner. We're investing the money. Royalty owners certainly
are befitting from it by, I think getting higher rates out
of the wells and probably higher reserves. Certainly, the
counties, I think, are befitting because the higher rates
translate into higher severance taxes that go back to the
counties. I think we're conserving the resource. I think
we're doing this in many ways. In the Huron...the Huron and
Nora, at least, in the field that we're active in from a
vertical standpoint would never be productive. We could not

economically drill wells if we...the only target that we had was the Huron. We have up hole conventional targets in a vertical well. I'm talking vertical here that make it productive. So, in some instances we do go to the Huron and it is a productive zone, but the production from that zone is pretty minimal. But it's accumulated with the other zones, it does become productive. If the Huron shale were all we had here in Nora, we would not have a vertical play. It would not be productive in my estimation. In other parts of the state it may be. It may be in Roaring Fork, I don't know. But, clearly, with the Horizontals I think what we have done is make what we call...you've heard the expression the silk purse out of the sal's ear. I think we have done that. There's gas in the Huron. It has got fairly high gas content. What we've done horizontally is make it be a productive zone. So, I think in that sense, we definitely are conserving the resource. We're making it something productive out of something that wasn't.

Laterals can be drilled under sensitive areas whether it's mining or environmental sensitive areas such as creeks. We've been able to position those so that we are drilling underneath those areas that probably you couldn't get a vertical location in. I think the impact on coal is minimal in my discussions with the coal company that we work

with or that they really like this technology and they believe that, you know, it's a way of draining more gas underneath the coals without maybe having as many soda straws through the coals. So, the feedback I get from the coal company is that they like it too.

Then, the square units have no stranded acreage. I think that's an important one. To give you a little update. Now, we've drilled...we, I'm talking about Range Resources-Pine Mountain, has drilled about 20 horizontals. The vast majority of those have been in the Lower Huron. I think 16 of those...those may be in...some of those may be drilling right now at various phases of completion. So, that's what we have the most data on. Statistically when we look at all of that data, we now have well that has been on probably 500 days. We have some that are less than that. So, we're starting to make a prediction of what we think the ultimate reserves will be based on this curve of the production. It's called decline curve analysis where you actually plot the curve out in the future to determine what the future reserves would be. What we see is that we like the average and that's what this is. It's like coalbed wells, you drill good ones and you drill bad ones. At the end of the day, what we're looking for is an average. Can we average this or average that? We like what we see. We

don't particularly like gas prices right now. Mrs. Dye, you asked the question about, you know, does it make sense to be drilling these wells? I think the answer is yes. I think if...I don't if you were going to ask me that question. But I think the answer is yes. I'd like to think we could all predict gas prices. But there is some pretty smart people who have sure missed the boat on where we are now and as far as gas prices. I think a lot of people thought we'd still be in eight dollar gas. And you're right, we're four dollars or maybe even a little below that right now. I think if we as an industry...I mean, we have to make a decision based on our economics and what we're investing in the wells. Clearly, I think we've seen a reduction in the number of wells that are going to be drilled this year from last year based on that. I think elsewhere in the country you're seeing that too. But as long as the economics still work, I think it makes sense to go ahead and drill it because it could be ten months from now or a year from now you're right back up in numbers significantly higher than that. I mean, we have to...I think we as the operator we're making an investment. We have to make that decision and say does it work for our company or does it work for company X, Y or Z. That's what our companies do. I mean, we certainly look at gas prices and we'd like to see them higher. But,

you know, could gas prices go low enough to stop drilling, it's possible. If they stayed there long enough, I think it's possible. Certainly, we haven't seen four dollar gas or sub four dollar gas in about eight years, I think. So, it definitely is different. With that, not only do we see low prices, the big thing is we've seen cost increase significantly over...about 50% over the last six years, our cost in drilled the well. So, that's my two cents on gas prices. I said we had drilled some other formations now. We've drilled three big...excuse me, three Berea wells and one Big Lime well. We've been very pleased with those. The issues that we face in the shale wells is that the eastern side of our property is very deep. So, now we have wells that are over 9,000 feet measured depth. That's measuring a long vertically and then horizontally. It's getting pretty deep for us. I mean, their wells drilled much deeper than that in other parts of the country. That's pretty deep. Particularly trying drilling those on (inaudible) that's a challenge. That's where we end up drilling out so far and then efficiently can't clean the hole and so we...you know, that's why we can't get more than the three...or 3,000 foot of complete able interval right now. We're probably looking at some different rigs that may be able to chip more than that. The Berea, we're real pleased with the production on

those. But the Berea is a hard sandstone. It just eats bits like they're candy. So, you know, they're expensive and not only that, but then you're having to come out of the hole very frequently to change that bit out. That's the issue we found there. We tried different bits. We'll continue to do that. My point is, you know, we've drilled twenty of these and I'd love to say we know everything about it. We know exactly how to do it. We know the best rack. We know what the reserves are. In reality we don't. I mean, we have an idea. We certainly have a much better idea than we did a year ago. But if there were, you know, plays across the country that decision as to does this work or that work, no. Does this work or that not work based on just twenty wells there would be a lot of bad decisions made. So, we're still in our, you know, toddler stage. I guess, we're aren't an infant, we're a toddler. We've learned a lot. I'm excited about it. I think we're going to be drilling a lot of horizontals and I think it's a great technology.

So, getting back to Exhibit AA, I guess. That's really sort of the purpose of this particular hearing. The two red units are the units that we're asking for Board approval on today. You can see we're keeping those consistent and in the building block pattern with the other

units that we've had approved around that. We aren't offsetting units and doing things that aren't going to have...potentially leave stranded acreage of units that don't mesh. So, we're trying to stay in that building block pattern. I think Gus...Gus has shown you that before. We're certainly looking at getting more units where we have these multiple zones that we can try a shale well or a Big Lime or a Berea because we are drilling multiple wells off one pad, which is good, I think, for everybody. It's cheaper for us, it's good for the coal and it keeps everything...pipelines coming into one area. So, we really like that and we have drilled, you know, one unit this way and turned around and drilled the other unit back the other way. I think I've shown you one of those diagrams several months ago. We've done that many times now. We find that to be very effective. So, we like building off the ones that we already have and that's what we're asking for here today.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, just a question from Mr. Grantham. Are the majority of the wells...I know they have come before the Board, but when you don't have all of them...looking at all of them at one time it's hard to remember the horizon that you are drilling these in. Are

the majority of them in the Huron?

JERRY GRANTHAM: Yes.

MARY QUILLEN: And this is the one that you have the best production on?

JERRY GRANTHAM: We certainly have the most production.

MARY QUILLEN: The most production.

JERRY GRANTHAM: I will tell you that actually our Berea wells horizontal is probably look like...ultimately better production. We gage production on a first thirty day average or first unit because we sort of try and see, you know, the ones we have the long data on we feel pretty good about them. But the short ones, we don't exactly what it is going to do to change over time. So, we gage things over short periods of time and long periods of time. Our Berea wells actually look like they're going to be better wells, our Berea horizontals. That's exciting because we're sort of drilling those in a field that is vertically developed in the Berea but we're going in between the wells and, of course, staying the distance that's required by the order. But we're finding that I think we're getting reserves that aren't being drained by those other wells. I think that is real exciting. Those wells are more expensive to drill because---

MARY QUILLEN: That was my question.

JERRY GRANTHAM: ---that Berea is so hard.

MARY QUILLEN: Right.

JERRY GRANTHAM: A big cost \$10,000 or \$12,000 and rig time to trip it in and out of the hole so every day that we're out there, obviously, is a lot of money and it just takes a lot longer to drill those.

MARY QUILLEN: Well, if you're doing this off of the same pads, does this seem to be something that's economically viable for you that would cut down on the cost of that---?

JERRY GRANTHAM: Yes.

MARY QUILLEN: ---particularly and that hard sandstone?

JERRY GRANTHAM: Well, drilling off the same pad definitely cuts the cost. What we look at...and when you look at...when we look at economics, of course, we run present value analysis on everything. We look at, you know, what are the costs going in and what are the reserves and how does that relate over time. We're clearly looking at trying to reduce cost and how can we do that. We do that by drilling off the same pad. I think clearly drilling off the same pad is probably not only good for us as an operator, it's good for the surface owners, it's good for,

you know, as I said the coal owners---

MARY QUILLEN: Right.

JERRY GRANTHAM: ---because we are reducing the number of wells of the surface by doing that effectively.

MARY QUILLEN: And you said that it looks like the Berea is going to be the better producer. So, again, you're getting a bigger bang for your buck if it does turn out that you can drill off of the same pad and that it is a better producer in that horizon?

JERRY GRANTHAM: Absolutely. Yeah, absolutely.

MARY QUILLEN: It sounds good.

BUTCH LAMBERT: Any other questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. PRATHER.

BRUCE PRATHER: Jerry, on your exhibit here, I don't recall ever seeing one of these where the seven inch was up that high. Usually, the ones that I've been noticing are in the Little Lime or maybe in the Raven Cliff. How many have you done where set the seven inch up right above the coal or right below the Lee if you want to call it?

JERRY GRANTHAM: We've done several of those now and actually, you know, of course, that's our coal protection string.

BRUCE PRATHER: Yeah, right.

JERRY GRANTHAM: That's what that string is for. If we're in an area that we think there could be water production out of some of those shallow sands, we don't want that.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: Or if we think we might have... drill into a big natural out of some of those sands then we'll set that string deeper. But, if we're in an area where don't have any indication of that, then we would probably set it there at the base---

BRUCE PRATHER: Okay. You have done this in the past then?

JERRY GRANTHAM: Yes, we have.

BRUCE PRATHER: Okay.

BRUCE PRATHER: The other thing that I was going to ask you, I assume you're going to be running four and a half down when you get the lateral done to complete the well. And I assume then that...how far up are you going to run your cement? Are you going to run it up...if you had a Big Lime shale, would you run it above the Big Lime or do you just cement the bottom part of that up into the Huron a little ways?

JERRY GRANTHAM: Well, most of these we do not

cement the four and a half and run packers plus in those. So, that's a packer system. What we do is we run the double packers at the top of that zone and then we'll dump cement on top of that to bring it up over the Berea typical.

BRUCE PRATHER: Yeah. Okay, so then what you've go then is that if there was any natural flow from any of these upper zones that would got out the annulus?

JERRY GRANTHAM: It would just...it would be shut in. It would not be produced.

BRUCE PRATHER: Either shut in or produced through annulus.

JERRY GRANTHAM: And we have not asked for that kind of variance to produce anything from the vertical portion at all.

BUTCH LAMBERT: Mr. Kaiser.

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: Is that a motion to approve twenty-seven and twenty-eight, Ms. Quillen?

MARY QUILLEN: Twenty-seven and twenty-eight.

BUTCH LAMBERT: Thank you. I have a motion and a

second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert.)

BUTCH LAMBERT: Opposed, say no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530109, docket number VGOB-09-0616-2547. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name,

by whom you're employed and your occupation?

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc. I'm in charge...one of my duties is in charge of getting the wells permitted and drilled.

Q. And with regard to this particular unit, you're familiar with the ownership of the oil and gas, is that correct?

A. That's correct.

Q. And that's correctly shown...the owners are correctly shown on Exhibit B?

A. Yes. We own 100% of the oil and gas less there's 1.07 acre tract owned by Appalachian Power Company.

Q. And Appalachian Power Company was notified of this hearing, is that correct?

A. Yes, they were.

Q. And who operates the adjacent or the offset well?

A. V-530108 is operated by Range Resources.

Q. And you have participated...you actually operate that well, is that correct?

A. Yes. Along with will turn operations over to our partner Equitable Production Company in the future.

Q. And how was...how were the people listed on

Exhibit B notified of this hearing today?

A. BY certified mail.

Q. And we provided Affidavit of mailing to Mr. Asbury, is that correct?

A. Yes, you have.

TIM SCOTT: That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. Jerry Grantham, Range Resources-Pine Mountain, Inc. and I'm Vice President.

Q. And you've participated in the preparation of this application today?

A. I did.

Q. And would you please explain to the Board why we're seeking a well location exception today?

A. We're seeking an exception for 530109 because of topographic and safety reasons for drilling this well. As you can see on the plat, this well is barely an exception. I guarantee I would have love to been able to move it to the northeast for like 50 feet it looks like to me. We're right on a bench...a strip bench. If you look at the shaded area underneath that goes around the contour line there is an old strip bench and we've positioned this well on that. To move it further to the east and northeast, we would have to move onto the slope of that bench and there are houses...I haven't been out here, but I understand there are houses down below that. Not only would it be environmentally probably not the right thing to do because we're disturbing the area but also a potential safety issue with the houses below. So, we've opted to come in for an exception and locate it on the bench.

Q. So, we've have a significant loss of acreage if this were not granted today, is that right?

A. Oh, absolutely.

Q. And what's the target depth for this well?

A. Target depth is 6740.

Q. And what would be the loss of reserves if this well location exception application were not granted today?

A. It would be 350 million cubic feet.

Q. And in your opinion the granting of this application would be in the best interest of conservation, protection of correlative rights and prevention of waste, is that correct?

A. Yes, that is correct.

TIM SCOTT: That's all I have

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: In general, looking at this and not to pick on Mr. Grantham because we see this from different companies, why do we not have a better system of putting this like in squares and eliminate all of this stranded acreage in between the circles?

JERRY GRANTHAM: I am sorry, is the question for me? Was it a general---

KATIE DYE: Well, it was just a question in general. Yeah.

JERRY GRANTHAM: Why are they circular units?

KATIE DYE: Right. Why are they not squares? I mea, it would make more sense.

JERRY GRANTHAM: Do you all want me to take a stab at it? I mean, I certainly wasn't around when the Regs were

passed. But my understanding, and, Mr. PRATHER, you probably know as well as I do, the concept I think behind the circular units was that a well effectively probably drains in a radius and not a square. In other words, a wellbore is here and it's going to drain like this, you know, and not into the square pattern. So, I believe if I'm not mistaken that was why circular units were used on the conventional side. Of course, there are no coalbeds as you well know. Those are square units.

KATIE DYE: These were square units and with the horizontal.

JERRY GRANTHAM: With the horizontals we have square units, that's correct. That's correct.

KATIE DYE: And with the coalbeds you have like a vertical wellbore just like you would in this conventional. But, you know, when I look at this, I see a lot of stranded acreage and resources and potentially, you know, I could be the person that owns property here. So, you know, I'm just left out.

JERRY GRANTHAM: I agree. I agree. I will tell you and you may notice that we're here in probably doing infills or not infills but location exceptions as much or as more than anybody. Some...I've seen the past where, you know, maybe if you had to get this as an infill, but you

could move over another 1,000 feet and get a regular location you moved over and did it. But you're right, then you left that 1,000 foot gap in the middle there that ultimately may not be developed and we've done more of that I think than a lot of companies. I think it's a flaw in the system and how it's corrected, I mean, it's...I don't know the answer to that.

KATIE DYE: Well, I agree with you there. I think that it does need to be corrected and I'm not sure, you know, what the process is that we need to do that.

JERRY GRANTHAM: But we...when we pick a location we try and pack the bowling balls or marbles or whatever they are as tightly as we can. I think it's the most effective way from a...you know, certainly draining the resource from a royalty standpoint and it protects as much of the correlative rights and from a working interest standpoint I think it's the prudent thing to do. So, we always try and make an effort. We may be in here more often because we're doing that, but we try and do it that way.

BRUCE PRATHER: I think another problem that you haven't discussed is the fact that geology has a lot to do with this. In other words, between 3036 and this one if the formations would pinch down, then you would come back to where you have more porosity or potential porosity then you

would be drilling say toward that well. In other words, geology has a lot to do with the selection of these wells.

JERRY GRANTHAM: Oh, absolutely...oh, absolutely. I mean, they're---

KATIE DYE: So, you do geologic tests to determine this?

JERRY GRANTHAM: Well, what we do and I think most companies do is whenever we drilled one of these wells we always log it and we get a log that tells us a lot of things about, you know, what's underneath ground in each formation.

KATIE DYE: But it's already drilled then.

JERRY GRANTHAM: What's already drilled. But what I'm saying is the ones that were drilled prior to this well, we use that to help us map underneath the ground for the next well that we're going to drill. And do we're always building that data base so that we have all of that data. And as Mr. PRATHER says, you know, that tells us okay this sand is getting bigger or thinning down or whatever and it may effect, you know, where you want to drill. There's no question about that absolutely.

DAVID ASBURY: Mrs. Dye, just to add to that---

BILL HARRIS: Huh.

DAVID ASBURY: Excuse me. Just to add to the little bit of the history. When the 1990 Act was redone,

the...some of the public testimony questioned the conventional unit, shape and size and things of that nature. There were several other states looked at it at the time in this circular unit, the 1250 foot radius, was considered in part of several meeting testimonies at that time. So, that was...it had been done before. Other states had used oil and gas with this circular unit and some of that testimony, in my opinion, based on the history is why it was in place then and continues.

BILL HARRIS: Is there...I'm sorry. Is there any thought to changing that? I mean, I...you know, I'm sure it would be difficult to go back and say, okay, let's make all of these squares because we probably...I don't know how many wells we're talking about, but I doubt that they would line up to a grid like we have for the different areas. But is there any thought to in the future starting to do that to overlay a grid that's square or rectangular. I mean, I...you know, from some point forward I would think that would---

SHARON PIGEON: Currently, the spacing is statutory of this. So, they can't come to us and ask us to do that.

BILL HARRIS: Well, but...does that mean it can't be changed or does it mean it would take---

SHARON PIGEON: Legislatively.

BUTCH LAMBERT: Legislatively.

BRUCE PRATHER: I think basically what has to happen is if they drill these wells based on our economics and if their economics says they can drill these things a 1,000 foot apart that's what they will do. So, irregardless of what the state spacing is if you're got everything in the middle of this thing and you figure you can drill a well a 1,000 feet away and you can make money at it, you drill them a 1,000 feet apart.

JERRY GRANTHAM: And we have...as I think you're aware, we have come back and proposed and drilled wells in gaps like this and this and even that. I mean, we've done some pretty close ones. I'll tell you the ones that we drilled that were really, really close were not terribly good as an average. I don't know that we will be pursuing that because it looked like those wells were draining fairly...somewhat effectively. But the ones where we did have, you know, 50 acres in here that wasn't in a unit, we found those to be pretty good wells. So, there definitely was some reserves being left in the ground. I think the correlative rights is the biggest issue. If I owned that tract right---

KATIE DYE: Yeah. That's what I was saying. You

know, if you kind of look at that and you put yourself there, then you kind of feel like you've been cheated.

JERRY GRANTHAM: I think from an engineering standpoint the circles made sense. I think engineering wise that probably does more closely represent what that well is draining than a square unit. But from a practical standpoint---

KATIE DYE: But the squares would leave no stranded acreage, I guess, is what I'm looking at.

JERRY GRANTHAM: I agree with you.

BRUCE PRATHER: I think basically what they anticipate is that your frac job is going out readily. It's not going out haphazardly so to speak. That's not a really good way to consider it because it could also go all in one direction. So, you know, you don't know where that frac job is going to.

JERRY GRANTHAM: I think, you know...I mean, my understanding would have to be statute changed. To go back retroactively I think would be very difficult because you've already paid on a unit to change that.

SHARON PIGEON: You've already got established property right issues and I would have to retire. I have to move on---

TIM SCOTT: It would be...you'd have a civil war.

BILL HARRIS: But it just looks like if we keep going forward the way we are, we're just compounding it even more. I'd just...you know, I'd love to see at some point we'd just say, okay, let's just drop the grid over this and in future conform everything to the grid.

PHIL HORN: In the early '90s you all...the DGO did a study and they showed all of the wells. Some of the wells were drilled under no spacing and some under 500 foot and some under 1320 and some under 1250 and they tried to lay squares on them and it just didn't work.

BILL HARRIS: Yeah.

PHIL HORN: There were two and three wells in a lot of squares.

BILL HARRIS: Well, like I said retroactively I'm not sure what you do in that case. But in the future, I mean, I would love to see something that's a little more organized looking. I won't say this isn't organized with something that has the appearance of being more organized and protect the correlative because, again, like you say, people in those left out areas are left out really.

BRUCE PRATHER: A lot of oil wells are drilled on squares.

JERRY GRANTHAM: Excuse me?

BRUCE PRATHER: A lot of oil wells are drilled on

squares...you know, 20 acre squares and drill the wells particularly in the west, a lot of those wells are drilled in squares. On oil and not gas.

BUTCH LAMBERT: Okay, anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Lambert.

BUTCH LAMBERT: Do we have any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: I'll second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert.)

BUTCH LAMBERT: Opposed, say no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved. The next item is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530193, docket number VGOB-09-0616-2548.

All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range Resources-Pine Mountain, Inc. Mr. Chairman, once we begin, I can explain the multiple Exhibit Bs.

BUTCH LAMBERT: Okay.

TIM SCOTT: I know you're going what the Devil has he done, but I can explain that or Mr. Horn will.

BUTCH LAMBERT: I'm just looking...our synopsis says this should be located on the G. B. Lambert tract.

TIM SCOTT: Yes.

BUTCH LAMBERT: Mr. Harris, would you take over as Chairman of this one? This is some of my kin people. I think I ought to excuse myself from this one.

BILL HARRIS: Yeah, I'd be happy to do that. You've already called the item?

BUTCH LAMBERT: Yes.

BILL HARRIS: With...I don't know if we've asked everyone to come forward and introduce themselves. But any one who wants to make a statement, please do so.

TIM SCOTT: Okay.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn with Range Resources-Pine Mountain, Inc., land manager and one of my job descriptions is get wells permitted and drilled.

Q. So, you participated in the preparation of this application?

A. Yes, I did.

Q. Now, with regard to this particular application, we filed our application, is that correct?

A. Right.

Q. And then filed...revised our application in June, is that correct?

A. That's correct.

Q. Is that because we left an individual off of Exhibit B, is that right?

A. For two reasons, we changed our Exhibit B. We were notifying Larry Cline with Alpha and he has been retired for a long time. So, we changed it to notify Steve Smith with Alpha.

Q. And we also included Lambert Land, is that correct?

A. Lambert Land, yes, that's correct.

Q. Now, we did a second revised Exhibit

because apparently my office decided that George Hiflen was the Director of Affairs?

A. Right.

Q. You don't know which affairs. We did that simply to correct the titles of these individuals. Although, no new notice was really required, is that correct?

A. That's right.

Q. So, at this point, we have provided to Mr. Asbury proofs of all of the mailing that we've done, is that right?

A. That's correct.

Q. Okay. Now, with regard to the reciprocal wells, who operates these wells?

A. Range Resources-Pine Mountain, Inc.

Q. And Range Resources-Pine Mountain, Inc. also participates in these wells, that right?

A. That's correct. Uh-huh.

Q. And, again, we've indicated that we have provided to Mr. Asbury proofs of our mailing, is that right?

A. That's right.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: You may continue.

TIM SCOTT: Thank you.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, again, would you please state your name, by whom you're employed and your job description?

A. Jerry Grantham. I'm employed by Range Resources-Pine Mountain and I've Vice President.

Q. And do you also participate in the preparation of this application? Is that correct?

A. Yes, I did.

Q. And would you please tell the Board why we're seeking a well location exception today?

A. We're seeking this location exception because really there is no other location for this well. This is on an existing coalbed methane well site. So, what we've done and what we'd like to do when we can is drill second wells on the locations. There are a lot of reasons to do that. We like it because the road and infrastructure is there. I think it's good that we aren't disturbing more ground and most of the time I think the people were living

out in those areas like that too. You look at this and say, okay, could this well be moved to the northwest. You see this is Route 63 going right through here. I know this is probably an old topo, but there is more houses along here. There's actually a business located to the northeast of us. If we move the location up to a legal spot (A) I don't think we could physically find a location and (B) it's right beside a business in that area. We also looked at moving it further to the northwest on an abandoned strip job. The problem we get into there is when we do that we leave a nice we leave a nice big junk of stranded acreage right in the middle between them. So, we looked at this and said, well, it probably makes sense where it is. It's on an existing location with another coalbed well and it makes sense to go in and request an exception for this well.

Q. What's your proposed depth for this well?

A. This well is proposed to a depth of 6184 feet.

Q. And what would be the potential loss of reserves if the application is not approved?

A. 350 million cubic feet of gas.

Q. And then in your opinion, would the granting of this application be in the best interest of protecting correlative rights, the prevention of waste and

promote conservation?

A. Yes.

TIM SCOTT: That's all I have for Mr. Grantham.

BILL HARRIS: Thank you. Board members,
questions?

(No audible response.)

BILL HARRIS: I do have one about the correlative rights again. If you'll look at your plat...I say it again. But, the one immediately below...well, either way. Now, how did we say we we're going to do the overlapping areas? Was that---?

PHIL HORN: Double pay.

BILL HARRIS: We're going to double pay?

JERRY GRANTHAM: This plat I see...I think I see where you're going is, we don't show the shading on the green area to the well to the south. That would be double paid. We're gong to pay on the full 1200 or the full 112 acre unit for each well. So, the area that's overlapping between the two, they get paid on each well.

BILL HARRIS: Okay. Based on their percent of ownership---?

JERRY GRANTHAM: Their percent of ownership in the well. Yeah, that's correct.

BILL HARRIS: ---within that circle? Okay, fine.

Thank you.

BRUCE PRATHER: I have a question.

BILL HARRIS: Yes, Mr. PRATHER.

BRUCE PRATHER: Jerry, on your V-530192, has that well never been drilled?

PHIL HORN: We've going...we have it...it's on a hearing for later on today getting an exception. No, it's a permitted well.

BRUCE PRATHER: Okay. I was just thinking, you know, you don't need to red circle if that well has not been drilled.

PHIL HORN: Well, if we get to it at 6:30 tonight, we'll get it today.

BRUCE PRATHER: All right.

BILL HARRIS: Other questions?

(No audible response.)

BILL HARRIS: Mr. Scott, do you have anything further?

TIM SCOTT: No, sir. That's all.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Do we have a second?

BRUCE PRATHER: I'll second it.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor of a pool, just say I.

(All members signify by saying I, except Butch Lambert.)

BUTCH LAMBERT: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you.

TIM SCOTT: Thank you.

BILL HARRIS: Mr. Chairman, I turn the meeting to you.

BUTCH LAMBERT: Thank you, Mr. Harris. Next we'll be calling item thirty-two. It's a petition from CNX Gas Company, LLC for pooling of coalbed methane unit K-3, docket number VGOB-09-0721-2550. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty. Seeing no others---.

(Laughs.)

COURT REPORTER: She was sworn in earlier.

BUTCH LAMBERT: Oh, she was.

MARK SWARTZ: Yeah.

BUTCH LAMBERT: Okay. All right.

SHARON PIGEON: It was a day or two ago it seems.

BUTCH LAMBERT: Yeah, it seems like forever.

Yeah, seeing no others, Mr. Swartz, you may proceed.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, we're going to start in a little bit with some of your job duties and so forth since they're a little different this time around. You need to stay your name for us again?

A. Anita Duty.

Q. You know why....you're still under oath?

A. Yes.

Q. Who's your employer?

A. CNX Land Resources.

Q. What do you do for them with regard to pooling hearings and petitions?

A. I'm the pooling supervisor.

Q. And with regard to this application concerning the pooling of unit K-3, did you either prepare the notice, the application and the exhibits that are included or supervised their preparation?

A. Yes.

Q. Did you sign the notice of hearing and sign the application?

A. Yes.

Q. What did you do to tell people that we were going to have a hearing today?

A. We mailed by certified mail, return receipt requested on June the 19th, 2009 and published in the Bluefield Daily Telegraph on June the 29th.

Q. And have you provided the Director with copies of your certificates with regard to mailing and the certificate that you received from the newspaper?

A. No, but I will.

Q. You're about to?

A. Yes.

Q. Do you have them with you today?

A. Yes.

Q. Okay. Do you wish to dismiss any respondents?

A. No.

Q. Okay. Do you wish to add any?

A. No.

Q. Who is the applicant?

A. CNX Gas Company.

Q. Is CNX Gas Company, LLC a Virginia Limited Liability Company?

A. Yes.

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

A. Yes.

Q. Does it have a blanket bond on file?

A. Yes.

Q. Has it registered with the Department of Mines, Minerals and Energy?

A. Yes.

Q. And is there a request in the application that if the pooling application is approved that the operator CNX...or the applicant CNX Gas Company, LLC be actually appointed as the Board's operator?

A. Yes.

Q. How many...what field is this application in?

A. Oakwood.

Q. How many acres in the unit?

A. 80.

Q. There's a plat attached here and it shows that it's a...even 80, correct?

A. Yes.

Q. And it shows a well CBM K-3, which is just slightly to the west of the drilling window and that appears that it has already been drilled, correct?

A. Yes.

Q. And then it also shows a proposed location in the window in the...what would be the southeast corner of the window?

A. Yes.

Q. Does it...has it developed that there is a problem with the second well in this unit in that location?

A. Yes.

Q. What's the problem?

A. There are mine projections there and there's steep terrain and we will not be drilling that well.

Q. Okay. It's over the VP3 mine, I think.

A. Yes.

Q. And is it over a portion of the existing mine works, I think, isn't it, on your map or is it projected?

A. Yes, it is.

Q. It's existing?

A. It is existing, yes.

Q. Okay. So, with regard to the testimony that you're going to present to the Board today with regard to wells and well costs, the pooling application is only going to propose one well, the well that's already been drilled and the costs in the second well will not be

included today?

A. That's correct.

Q. Okay. What...what activities or efforts have you been successful in? How much of the unit have you been able to acquire and what do you need to pool?

A. We have a lease, 95.0125% of the coal interest. 97.5063% of the oil and gas interest. We're seeking to pool 4.9875% of the coal and 2.4938% of the oil and gas.

Q. When you offered leasing agreements and were successful, what were the terms that you were offering folks that you were able to lease in this unit and others?

A. Five dollars an acre for a five year paid up term and one-eighth royalty.

Q. And are you recommending those terms to the Board in the event that this application is approved and the order incorporates lease terms and the deemed to have been leased provision?

A. Yes.

Q. You've provided the Board here, I think, with a schedule E concerning escrow requirements, correct

A. Yes.

Q. And in that regard, what are the tracts that require escrow?

A. Tracts 3, 5 and 6.

Q. Okay. And the reason is conflicts in all three tracts?

A. Yes.

Q. We don't have any unknowns or unlocateables that we need to worry about?

A. NO.

Q. And there are no split agreements at least at this point that we're aware of, is that correct?

A. That's correct.

Q. Is it your opinion that drilling a frac well...strike that, is this a frac well?

A. Yes.

Q. Is it your opinion that drilling a frac well in this unit as indicated on the plat is a reasonable way to produce the coalbed methane resource from within and under the unit?

A. Yes.

Q. And with regard to that well, the one that's being drilled, have you provided the Board with a separate cost estimate?

A. Yes.

Q. And what's the estimate with regard to the K-3 well?

A. \$319,362.85.

Q. And the depth for that well?

A. 2272.

Q. And what was the permit number?

A. 10192.

Q. And is it your further opinion that if you combine the leasing efforts that you've been successful with, the acquisition efforts that you've been successful with with a pooling order pooling the folks listed on Exhibit B-3 that the correlative rights and claims of all parties would be honored and protected?

A. Yes.

MARK SWARTZ: I think that's all I had, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Swartz?

MARK SWARTZ: I do not.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert and Katie Dye.)

BUTCH LAMBERT: Opposed, say no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: Calling item thirty-three, a petition from CNX Gas Company, LLC for pooling of coalbed methane unit L-3, docket number VGOB-09-0721-2551. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you're still under oath.

A. Yes.

Q. Do you want to give us your name again?

A. Anita Duty.

Q. Okay. Who are you employed by?

A. CNX Land Resources.

MARK SWARTZ: Mr. Chairman, I would request that Anita's testimony with regard to CNX Gas Company, LLC and the details of its registration with regard to standard lease terms and with regard to the employment be incorporated.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

Q. This is a pooling application, correct?

A. Yes.

Q. What field?

A. Oakwood.

Q. What size is the unit?

A. 80 acres.

Q. And is a...are the wells or well, because we'll get to that in a minute, projected to be a frac or frac wells?

A. Yes.

Q. Do we have some revised exhibits with regard to this unit?

A. Yes.

Q. And just taking a quick look at the

revisions, are the revisions essentially driven by the fact that between the time you filed the pooling application and today leasing efforts were ongoing and were, in fact, successful?

A. Yes.

Q. Okay. So, we've got an Exhibit B-2, correct?

A. Yes.

Q. And is that Exhibit B-2 intended to identify the list of people that were listed in the original notice of hearing that you want to dismiss today because you've obtained leases from them?

A. Yes.

Q. And then if we go to Exhibit B-3, would it be true that you've revised B-3 when you compare the original exhibit to the one that you've tendered today to delete the names of the folks that you've obtained leases from because you don't need to pool them?

A. That's right.

Q. Okay. Then going...continuing through the revised exhibit. I guess it's in the front, we've got an Exhibit A, page two, correct?

A. Yes.

Q. Because percentages have changed?

A. Yes.

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

A. We have leased 92.5469% of the coal, oil and gas interest and 7...we are seeking to pool 7.4531% of the coal, oil and gas.

Q. What did you do to notify the people that were listed in the original application that there would be a hearing today?

A. We mailed by certified mail, return receipt requested on June the 19th, 2009 and published in the Bluefield Daily Telegraph on June the 29th.

Q. And do you have certificates with regard to mailing and proof of publication with you today to give to the Director?

A. Yes.

Q. Okay. We've talked about Exhibit B-2 and dismissals. Is there anybody else that you want to dismiss that wasn't listed on B-2?

A. No.

Q. Is there anybody that you want to add as a respondent today?

A. No.

Q. Again, looking at the plat here, we've got a well which is located in the very northwest corner of this 80 acre unit that looks like it has been drilled, correct?

A. Yes.

Q. And now we've got a proposed well down at the bottom just outside of the window, which is well... proposed well L-3A, is that correct?

A. Yes.

Q. As we saw in the prior application, is there a problem with the second well location in terms of existing either surface or below surface or below surface activities?

A. Yes. There's actually a refuse area.

Q. Which is shown sort of on the map?

A. Yes.

Q. The plat? So, south of that line where it says refuse area, there is a large refuse area here?

A. Yes.

Q. What else is going on in this unit?

A. And the VP3 mine works are also underneath the unit.

Q. Okay. And those VP3 mine works, if I'm not mistaken, essentially in the area within the unit just to the east of the drilling window there's an entry there,

correct?

A. Yes. Yes.

Q. and then it goes...it goes west almost to the proposed well?

A. Yes.

Q. As things stand today, are you indicating to the Board that you are indicating to the Board that you are withdrawing the request that this pooling application allow you to drill L-3A?

A. That's right.

Q. Okay. And so you're seeking to pool this unit and recover the costs only of the L-3 well?

A. Yes.

Q. Have you provided the Board with a cost estimate for the L-3 well?

A. It's \$311,931.34.

Q. Okay. And is that a frac well?

A. Yes.

Q. Okay. And it's permit number?

A. 10209.

Q. And its depth?

A. 2235.

Q. As I look through your exhibits, I see apparently there is no escrow required?

A. No.

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

A. No.

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

A. Yes.

Q. Is it your further opinion that if we would combine the lease and acquisition and the interest that you've been able to acquire in this unit with a pooling order pooling the folks who remain unleased, which who are listed on the new or revised Exhibit B-3 that the correlative rights of all owners and claimants will be protected?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman, let me aks about this refuse area. What...I'm not sure if I understand what that is and what precludes our drilling or your drilling in that type of area. So, when we say---

MARK SWARTZ: I could answer that question.

BILL HARRIS: Yes. Whomever.

MARK SWARTZ: I probably need to be under oath though if I'm going to testify.

(Mark Swartz is duly sworn.)

MARK SWARTZ: It's associated with the coal mining and you can't have a well in an area that's traveled...that's permitted for refuse in a mine area. You just...we couldn't put a well there.

BILL HARRIS: What goes in a refuse area? I mean, those---.

MARY QUILLEN: It's waste.

BILL HARRIS: Well, I know it's waste, but I'm saying is this a pit that that's in or---.

MARK SWARTZ: It's usually mountain that you're building.

DAVID ASBURY: This is a val...it would be a valley of fields.

BILL HARRIS: Sort of like a little hollow---.

MARK SWARTZ: Yeah, but you're filling it...you're building something. Right.

BRUCE PRATHER: The refuse area is still under bond then?

MARK SWARTZ: I believe it is. I mean, it's...the map...although, you didn't bring that map. We had a map of the refuse area, but we don't have one on hand.

BUTCH LAMBERT: Is it VP3?

MARK SWARTZ: It's VP3, yes.

BUTCH LAMBERT: Yes, it's still under bond.

BRUCE PRATHER: So, you can't drill there.

MARK SWARTZ: Another problem that we also have is in the northwest corner. We've got another mining company up there, and I think it's Jewell, that has got some problems up there as well. So, this unit is pretty well occupied with mining activity, which is why we have that weird location and we just kept it in there. There's usually a lot of going on when that happens.

BILL HARRIS: I understand. But I just...it was just my---

MARK SWARTZ: It's a permitted activity and you're building a structure, which is hopefully going to last. There's usually a lot of travel and construction associated with it and you just...you just could not put a...safely put a well there. That's...that's the problem.

BUTCH LAMBERT: Any further questions?

DAVID ASBURY: I've got a question, Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: To your knowledge, there's no...this isn't in an impoundment or MSHA class impoundment structure? It's only a refuse.

MARK SWARTZ: I couldn't answer that question.
Jerry, do you know?

JERRY : I don't think so.

DAVID ASBURY: No impoundment there is there,
Jerry?

JERRY : I don't think so, David, but I
couldn't say for a 100%.

BUTCH LAMBERT: Yeah, it's just...if it the VP3
it's only a dry field. Any further questions from the
Board?

(No audible response.)

BUTCH LAMBERT: Any further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any
further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying
yes.

(All members signify by saying yes, except Butch
Lambert and Katie Dye.)

BUTCH LAMBERT: Opposed, say no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved. The next item is thirty-four. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit AX-91. This is docket number VGOB-09-0721-2552. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty for CNX.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. I'd like to incorporate Anita's testimony with regard to the operator...the applicant and operator, with regard to her employment and with regard to standard lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us again.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. Did you either prepare or caused to be

prepared the notice of hearing, application and exhibits for this unit?

A. Yes.

Q. Did you sign the notice and the application?

A. Yes.

Q. What kind of unit is this?

A. Nora 58.78 acre unit.

Q. Okay. And is there one well proposed here?

A. Yes.

Q. Is it a frac well?

A. Yes.

Q. And it's located in the window, correct?

A. Yes.

Q. What did you do to notify people that we're going to have a hearing?

A. Mailed by certified mail, return receipt requested on June the 19th, 2009 and published in the Bluefield Daily Telegraph on June the 30th, 2009.

Q. Okay. And do you have your certificates with regard to mailing and your proof of publication to give to the Director at the conclusion of this hearing?

A. Yes.

Q. Okay. Do you want to add any respondents?

A. NO.

Q. Do you want to dismiss any?

A. No.

Q. Okay. Have you provided a well cost estimate?

A. Yes. It is \$284,120.37.

Q. To a proposed depth of---

A. 1,876 feet.

Q. And what's the permit number?

A. 9872.

Q. Okay. What interest have you been able to acquire and what interest are you seeking to pool?

A. We have leased 99.6938% of the coal, oil and gas claim and we are seeking to pool 0.3062% of the coal, oil and gas claim.

Q. There is no escrow required, is that correct?

A. That's right.

Q. And, obviously, no splits?

A. No.

Q. Is it your opinion that drilling a frac well in the location indicated on the...within the window on the location indicated on the plat as a reasonable way to develop the coalbed methane from this unit?

A. Yes.

Q. Is it your further opinion that if you combine the interests that you've been able to acquire by lease or acquisition with a pooling order, the correlative rights of all owners and claimants to the coalbed methane in this unit would be protected?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Did you want to incorporate her prior testimony?

MARK SWARTZ: I didn't do that? Yes, I would love to do that. I would like incorporate Anita's testimony with regard to the operator and applicant, her employment and the standard lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY: I think you did.

MARK SWARTZ: I think I did too, but, you know, I don't want to argue with the lawyer.

(Laughs.)

SHARON PIGEON: Not and live.

(Laughs.)

SHARON PIGEON: Did we get that on the record?

BUTCH LAMBERT: Questions from the Board?

(Off record discussion.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BILL HARRIS: I have a motion and a second. Any further discussion

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert and Katie Dye.)

BUTCH LAMBERT: Opposed, say no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The item is thirty-five. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit BK-109, docket number VGOB-09-0721-2553. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty for CNX.

And while Anita is passing out some revised exhibits, if I could ask...I'd like to ask Mr. Chairman that we incorporate the...her prior testimony concerning the applicant and operator, her employment and standard lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to give us your name again.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. Okay. Let's start with the changes, okay.

Is it safe to assume that the reason we have revised exhibits is because between filing and today the applicant was able to lease some more people?

A. Yes.

Q. Okay. Have you listed the people that you've obtained leases from in Exhibit B-2?

A. Yes.

Q. And is it your request that those folks identified on Exhibit B-2 be dismissed as respondents?

A. Yes.

Q. And then if we continue through the packet here we get to an Exhibit B-3, correct?

A. Yes.

Q. And is the one that shows in the lower right hand corner of 6/19/09 that would be the new one?

A. Yes.

Q. And is the difference between the new one and the one that was filed with the application simply to remove the names of the folks that we're dismissing?

A. Yes.

Q. Okay. And then, obviously, leasing some more folks would have changed the percentages, correct?

A. Yes.

Q. And have you provided the Board I guess it would be the first page in the revised exhibits with what's happened to the percentages?

A. I have.

Q. Okay. Would you tell the Board what the interests are that the operator or the applicant has been able to acquire and what it is there are outstanding that need to be pooled?

A. We have leased 99.002004% of the coal, oil and gas claim. We are seeking to pool 0.997996% of the

coal, oil and gas claim.

Q. Okay. In addition to dismissing the folks identified in Exhibit B-2, is there anybody else you want to dismiss today?

A. No.

Q. Do you need to add anybody as a respondent?

A. No.

Q. Okay. What did you do to notify not only the people that we've asked to dismiss today, but just in general everybody on the notice that there was going to be a hearing today?

A. We mailed certified mail, return receipt requested on June the 19th, 2009. We published in the Bluefield Daily Telegraph on June the 30th, 2009.

Q. Okay. And do you have certificates with regard to mailing and proof with regard to publication that you can file with the Director after the hearing?

A. Yes.

Q. This is what kind of...in what field is this unit?

A. Middle Ridge.

Q. Okay. And how many acres?

A. 58.74.

Q. And there's a plat attached, correct?

A. Yes.

Q. And does that plat indicate two wells?

A. Yes.

Q. Are they both in the drilling window?

A. Yes.

Q. And have we carefully measured to make sure there are more than 600 feet apart?

A. Yes.

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

A. Yes.

Q. First, what is the total?

A. The total is \$585,017.58.

Q. Okay. And taking them in either order, how do these breakout per well?

A. For well BK-109, \$294,555.11. Well, BK-109A \$290,462.47.

Q. Okay. You don't have permits for either of these wells?

A. No.

Q. The proposed or estimated depth for BK-109 is what?

A. 2,624 feet.

Q. Okay. And the estimated depth for BK-109A

as well?

A. 2,636 feet.

Q. Okay. Are there conflicts that require escrow?

A. Yes, for Tract 2.

Q. Okay. Is there also a conflicting title issue involving some of the folks in Tract 2?

A. Yes.

Q. Okay. We also have some unknowns in Tract 2?

A. Yes.

Q. And do we have another tract that needs to be escrowed as well?

A. No.

Q. Okay. I don't know why I have 11. Did I miss something? I was showing 11, but maybe not.

A. Yes, there are.

Q. Okay. Even though Exhibit E doesn't show that, Exhibit B-3 when we look at the people in Tract 11 there are some unknowns in Tract 11?

A. Yes, there is.

Q. So, Tract 11 would also require escrow?

A. Yes.

Q. And you're going to submit a revised

Exhibit E to reflect that?

A. Yes...yes, I will.

Q. Okay. Are there any split agreements in this unit?

A. No

Q. None that we're aware of anyway, right?

A. Right.

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

A. Yes.

Q. Is it your further opinion that if you combine the interest that the applicant has been able to acquire by lease or purchase with a pooling order pooling the folks that remain as respondents after dismissing those identified in Exhibit B-2, the correlative rights and claims of all owners and claimants would be protected?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

DAVID ASBURY: Mr. Chairman, could I ask a question?

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: I'm sorry. As I am reading your Exhibit B-3, is it reflecting that some of these individuals own one portion of 65,340 each part?

MARK SWARTZ: Right.

ANITA DUTY: Yes. There was...that tract had a partition suit where a lot of that was cleaned up. Somehow they missed that one. So...yeah, that is true.

DAVID ASBURY: Thank you.

MARK SWARTZ: Usually, when you see something that weird, it's true. I'm serious.

(Laughs.)

ANITA DUTY: You should see our spreadsheet. It looks really good.

MARK SWARTZ: Fair enough.

DAVID ASBURY: Bless your accountants. Our prayer is with them.

MARK SWARTZ: That's why we have the...it has to add up to the five dollar rule, I think.

ANITA DUTY: It's twenty-five.

MARK SWARTZ: Or twenty-five.

ANITA DUTY: Yeah.

MARK SWARTZ: I knew it was something.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert and Katie Dye.)

BUTCH LAMBERT: Opposed, say no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz.

MARK SWARTZ: Thank you all very much.

BUTCH LAMBERT: The next item is thirty-seven. A petition from EQT Production for pooling of horizontal conventional drilling unit VH-531094, docket number VGOB-09-0721-2555. All parties wishing to testify, please come forward. Ladies and gentlemen, just for those that are waiting, a piece of information, we're going to try to get through item number forty this afternoon and then we'll be going into closed session. So, if you have anything beyond forty, we probably won't get to that today.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita

Barrett on behalf of EQT.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you'd again state your name for the record, who you're employed by and in what capacity?

A. My name is Rita Barrett. I'm employed by EQT Production Company in Big Stone Gap, Virginia as regional land manager.

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

A. Yes, they do.

Q. And you're familiar with Equitable's application seeking to pool any of the unleased interest in the unit for well number VH-531094, which was dated June the 19th, 2009?

A. I am.

Q. Now, does Equitable own drilling rights in the unit here?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents and an

attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What percentage of the...this is a horizontal conventional well that we're pooling, correct?

A. That's correct.

Q. And what percentage of the gas estate is under lease to Equitable at this time?

A. 99.954%.

Q. Are all unleased parties set out in Exhibit B-3?

A. Yes.

Q. So, what is the interest in the unit that remains unleased?

A. .004583%.

Q. And that's represented by the interest owned by the unknown heirs of Tim Stanley?

A. That's correct.

Q. And that's Tract 12?

A. That's correct.

Q. And did we make all reasonable and diligent efforts to locate those unknown heirs, in your opinion?

A. We did.

Q. And are you requesting the Board to force

pool all unleased interest 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. Could you advise the Board as to what those are?

A. Five dollar...twenty-five dollar paid up, five year lease and one-eighth royalty.

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

A. Yes.

JIM KAISER: Now, Mr. Chairman, at this time, as to the statutory election options afforded any unleased parties, we'd ask that the Board consider incorporating the testimony taken earlier today in...2538 was the item number.

BUTCH LAMBERT: Accepted.

JIM KAISER: Thank you.

Q. Ms. Barrett, the Board does need to establish an escrow account for any proceeds attributable to Tract 12, is that correct?

A. That's correct.

Q. Who should be named the operator under any force pooling order?

A. EQT Production Company.

Q. What's the total depth of this proposed well?

A. It is 8,994 including the lateral.

Q. And the estimated reserves over the life of the unit?

A. 900 million cubic feet.

Q. Now, you're familiar with the well costs?

A. I am.

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 both the dry hole costs and completed well costs for this well?

A. Dry hole costs are \$566,960 and completed well costs are a \$1,214,984.

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,---?

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have question.

BUTCH LAMBERT: Mr. PRATHER.

BRUCE PRATHER: Is this a Roaring Fork well? I think it is.

RITA BARRETT: Yes. Portions of it will be in the Roaring Fork AMI. That's correct.

DAVID ASBURY: Is this a horizontal well in the coals or conventional horizontal?

JIM KAISER: Conventional.

RITA BARRETT: This is conventional.

DAVID ASBURY: Paragraph D in this where it talks about Pennsylvania H. Coals...I guess, that's just a common description?

JIM KAISER: Yeah, that shouldn't be in there.

RITA BARRETT: That shouldn't been in there.

JIM KAISER: It should be test for oil and gas from all formations including, but not limited to. Thank you.

DAVID ASBURY: We can revise that.

RITA BARRETT: Do you need us to provide you a correction on that? We'll be happy to.

DAVID ASBURY: Yes.

RITA BARRETT: Okay.

BUTCH LAMBERT: Ms. Barrett, on Exhibit B-3 and Exhibit E I'm I reading this wrong when you've got interest within the unit and you've got .00458%, but down below that on a total you've got .004583%?

RITA BARRETT: That's a typo, Mr. Chairman. It should be .004583%.

JIM KAISER: Somebody just carried it out one further decimal and one place than they did the other.

RITA BARRETT: Yeah, that's what happened.

BUTCH LAMBERT: Okay. Thank you. Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted with the correction to the page regarding the formations that could be produced from and Exhibit B-3 and E on the decimal.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve with the revised Exhibits.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert and Bruce PRATHER.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: One abstention, Mr. PRATHER. Thank you, Mr. Kaiser. It's approved. Calling item thirty-eight. A petition from EQT Production Company for pooling of coalbed methane unit VC-537891. This is docket number VGOB-09-0721-2556. All parties wishing to testify, please

come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Rita Barrett.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking to pool any unleased interest in the unit for EQT well VC-537891 dated June the 19th, 2009?

A. I am.

Q. Does Equitable own drilling rights in that unit?

A. Yes, we do.

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

A. Yes.

Q. What's the interest under lease to Equitable in the gas estate in the unit?

A. 97.53%.

Q. And in the coal estate?

A. 100%.

Q. Are all unleased parties set out at B-3?

A. They are.

Q. And so what remains unleased is 2.47% of the gas estate?

A. That's correct.

Q. We don't have any unknowns or unlocateables in this unit?

A. Yes, we do.

Q. Oh, we do. Oh, yes, Tract 6.

A. Yes.

Q. Do you want to explain that?

A. If you guys want to look at the plat, Tract 6 here, we don't have anyone who claims that. We've worked with Mr. Dale Rasnake.

(Mr. Harris raises his hand.)

A. You do. Okay, Mr. Harris wants it.

JIM KAISER: He's retired. Let's give it to him.

SHARON PIGEON: You're going to have recuse---

BUTCH LAMBERT: We might have conflicting claims.

BILL HARRIS: I'm sorry.

A. A while back, I had this on the docket and Mr. Dale Rasnake actually showed up at that hearing. We

talked about this. He has gone out with the surveyors on several occasions and they're trying to establish the lines for Tract 6. We don't have a coal company that claims it. At the time...at this time, Mr. Rasnake is agreeable for this to be shown as unknown and unlocateable until he obtains a recorded instrument showing that he does, in fact, own it. But we...right now it's unknown and unlocateable. We don't know who owns it.

Q. On the gas side. On the coal side---

A. That's correct. On the gas side.

Q. ---it's Ryan Grizzle. Okay, so, obviously, we've made efforts to determine who owns that and are still waiting on some sort of evidence from him as to the ownership of the gas.

A. Yes. And the surveyors have been on the ground three or four times on that now and they think that the line is depicted is the correct line.

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

A. Yes.

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

A. Yes.

Q. Again, advise the Board as to what those are?

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

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

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask permission to incorporate the statutory election option testimony taken first in item 2538 this morning.

BUTCH LAMBERT: Accepted.

Q. Lets's see, in this particular unit the Board does need to establish an escrow account, correct?

A. Yes. Tracts 2, 3, 4, 5 and 6.

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

A. EQT Production Company.

Q. The total depth of this proposed well?

A. 1,716 feet.

Q. Estimated reserves over the life of the unit?

A. 330 million cubic feet.

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 both the dry hole costs and completed well costs for this well?

A. Dry hole costs are a \$136,563. Completed well costs are \$357,893.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert.)

BUTCH LAMBERT: Opposed, say no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is thirty-nine. A petition from EQT Production Company for pooling of coalbed methane unit VC-531259, docket number VGOB-09-0721-2557. All parties wishing to testify, please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Rita Barrett.

BUTCH LAMBERT: You proceed.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed in this case seeking to pool any unleased interest in Equitable well VC-531259 dated June the 19th, 2009?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What's the percentage under lease to Equitable in the gas estate?

A. A 100%.

Q. And what's the percentage of the coal

estate under lease to Equitable?

A. 99.99%.

Q. Are all unleased parties set out at B-3?

A. Yes.

Q. So, 0.01% of the estate remains unleased?

A. That's correct.

Q. And that's represented by Tract 3 in the unknown H. H. Viers Heirs?

A. That's correct.

Q. Were reasonable and diligent efforts made, obviously, to find them because you sure didn't want to pool this one for .01%, did you?

A. Reasonable efforts were...we tried to find. We used every way we could to try to find them, yes.

Q. And we have pooled the H. H. Viers Heirs before?

A. We have.

Q. Yeah. 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. I am.

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

A. Twenty-five dollar bonus for five year paid up term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, I'd ask that we be allowed to incorporate the statutory election option testimony taken first in item 2538 earlier today.

BUTCH LAMBERT: Accepted.

Q. In this particular unit, the Board will need to establish an escrow account for any proceeds---?

A. Tract 3.

Q. ---attributable to Tract 3, is that correct?

A. That's correct.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,372 feet.

Q. The estimated reserves over the life of the unit?

A. 330 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

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

A. Yes.

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

A. The dry hole costs are \$122,257. Completed well costs are \$410,970.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. It does.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

DAVID ASBURY: Mr. Chairman---

SHARON PIGEON: You're testifying that Tract 3 for escrow. Unless I've lost Tract where we are, escrow is for Tract 4.

RITA BARRETT: We're escrowing the coal on Tract 3.

JIM KAISER: The coal estate, Tract 3. It should say, "Heirs of H. H. Viers.", if I'm pronouncing that right.

BILL HARRIS: 4 on that---

MARY QUILLEN: Yeah, on B-3 it says Tract 4.

DAVID ASBURY: On E it says Tract 4 as well.

MARY QUILLEN: Uh-huh.

RITA BARRETT: That should be corrected to Tract 3. I apologize.

SHARON PIGEON: Arguing with me again. Here we go.

BILL HARRIS: Is that Exhibit E?

RITA BARRETT: Correct.

MARY QUILLEN: And B-3.

BILL HARRIS: Both should say 4?

RITA BARRETT: It should be Tract 3.

BILL HARRIS: Both should say 3.

JIM KAISER: Well, B-3 should say 3.

RITA BARRETT: And E should say 3.

JIM KAISER: So, that needs to be corrected. E should say just 3, coal estate. All of that other stuff shouldn't be in there.

RITA BARRETT: Right.

JIM KAISER: 4 is both sides.

RITA BARRETT: Well, E is a conflicting claim between Barbara Limburger and H. H. Viers. She owns the gas. She's leased. She conflicting claims to the coal CBM.

JIM KAISER: Okay, I'm sorry.

SHARON PIGEON: Which tract should that be?

JIM KAISER: It should just state Tract 3.

RITA BARRETT: It should say Tract 3.

JIM KAISER: Both of them.

RITA BARRETT: And I'll correct that. I apologize.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted with the revised B-3 and E to reflect

that it's Tract 3 and not Tract 4.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve with those revisions stated.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

BUTCH LAMBERT: The next item is item forty. A petition from EQT Production Company for a well location exception for proposed well V-504778, docket number VGOB-09-0721-2558. All parties wishing to testify, please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Rita Barrett. We've got several exhibits for this hearing.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, do your responsibilities with EQT include the land involved here and in the surrounding area?

A. Yes.

Q. And are you familiar with the application that we filed seeking a location exception for well V-547778?

A. I am.

Q. Have all interested parties been notified as required by Section 4B of the Virginia Gas and Oil Board regulations?

A. Yes.

Q. Could you indicate for the Board the ownership of the oil and gas underlying this unit?

A. It's a 100% leased and it is Penn Virginia and Range Resources.

Q. Okay. And we're seeking an exception from one well, is that correct?

A. Yes.

Q. And that's a proposed well actually, isn't

it?

A. (No audible response.)

Q. And would Equitable have the right to operate that reciprocal well?

A. Yes.

Q. Are there any correlative rights issues?

A. No.

Q. Okay. Now, in conjunction with the Exhibits that you prepared, could you explain to the Board why we're seeking this exception?

A. Yes. It's the only location we could obtain from Penn Virginia due to the Falcon Four Deep Mine. Humphrey is a subcontracted deep mine there and the existing coal reserves.

Q. And do your exhibits depict that?

A. Yes.

Q. So, this location is...exception is being sought entirely at the request of the coal owner?

A. That's correct.

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

A. 400 million cubic feet.

Q. What's the total depth of the proposed

well?

A. Total depth is 5,801 feet.

Q. And are you requesting that this location exception cover conventional gas reserves to include the designated formations as listed in the application from the surface to total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-504778?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

DAVID ASBURY: Just a comment, Mr. Chairman. I'd encourage you to work with the coal operator. It looks like the mine projections here are just projections at this time. They're requirements is going to be a 100 X 100 square foot coal barrier protection. They...at this stage, and in advance, they can change this so that that barrier protection doesn't come into question with their main line operations.

BUTCH LAMBERT: That would be my concern as well. You know, we're right on the edge of a projected set of works. I won't be surprised if Penn Virginia even allowed that at this point.

RITA BARRETT: That's where they wanted it.

DAVID ASBURY: What they can do...they can...they will drop an entry...a return entry and give you that 10,000 square foot barrier protection. But it's real important that communication goes so that the planning engineers understand that well is going to be there.

BUTCH LAMBERT: Well, not only from the projections we have shown. But from the area that there are no projections that adjacent to the right of that---

DAVID ASBURY: Correct.

BUTCH LAMBERT: ---and what would happen in that area if it's proposed to be mined.

DAVID ASBURY: There would be issues between the coal operator and the mine safety and health.

BUTCH LAMBERT: I guess, what we're saying is we encourage you to make sure that you work real close because this is probably one of the most dangerous positions we have ever seen for the drilling of a well.

RITA BARRETT: Absolutely. And we...we recently had a similar situation where we had emails, we communicated

with the coal company and we let DGO know that we were out there spudding this well and in advance we told them the day we were going to spud it and what our operations were and kept the communication line open between drilling, Mr. Asbury and the coal companies.

BUTCH LAMBERT: Let me ask you this question, Ms. Barrett, if you know it. What is the projection for the drilling of that well? A projected date?

RITA BARRETT: I don't know the projected date, but I can tell you we wouldn't be here today if we weren't going to drill it.

BUTCH LAMBERT: I'm just thinking back to a case that we've had a few months ago where we had a very similar situation and the well wasn't drilled for a while and mining progressed and then the well was drilled into an active work when there was no communications. So---

RITA BARRETT: I understand that. We'll take every precaution for that not to happen. We'll communicate with Mr. Asbury, our drilling department and the coal companies.

BUTCH LAMBERT: Okay. Just a precaution.

RITA BARRETT: I understand. We don't want to get anybody hurt.

BUTCH LAMBERT: Exactly. Any other questions from

the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert and Bruce PRATHER.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: One abstention, Mr. PRATHER. Thank you, Mr. Kaiser. It's approved.

RITA BARRETT: Thank you.

BUTCH LAMBERT: At this time, the Board is going to enter into closed session. I would ask Ms. Quillen to read the motion, please.

TIM SCOTT: Mr. Chairman, are you all sure you

don't have just two that I can get in before I have to take off. Five minutes, I'll get it done. I promise you.

BUTCH LAMBERT: You'll probably owe us a big one.

TIM SCOTT: I do. I'm withdrawing one and continuing one. So, that helps.

JIM KAISER: And it's not 4:00 o'clock.

SHARON PIGEON: 4:00 o'clock had nothing to do with it.

JIM KAISER: OH, I thought you said you were going into executive session at 4:00. I'm sorry.

SHARON PIGEON: No, at forty.

JIM KAISER: Oh, forty.

SHARON PIGEON: At number forty. Your number forty.

BUTCH LAMBERT: Okay, Mr. Scott, we'll hear your two.

TIM SCOTT: Thank you, sir. What we're going to do is to try to move this production along is we're going to number forty-nine and fifty-two are the same unit. So, the testimony will be the same. So, that's just one. It's like ten items on the grocery counter. Then the last one we're going to do is number fifty-eight, which is a well location exception.

BUTCH LAMBERT: Okay. So, we're going to do---?

TIM SCOTT: Forty-nine and fifty-two are the same unit and then number fifty-eight. We can fly through those.

SHARON PIGEON: Well, it's actually three you're wanting to do, is that correct?

TIM SCOTT: Well---.

SHARON PIGEON: Consider yourself under oath, Timothy.

TIM SCOTT: I didn't swear.

SHARON PIGEON: You're going to when I start counting.

BUTCH LAMBERT: So, Mr. Scott, forty-nine and fifty-two, are you asking to combine those two?

TIM SCOTT: Yes, sir, please.

BUTCH LAMBERT: Okay. Okay, we're calling item forty-nine. A petition from Range Resources-Pine Mountain, Inc. for pooling of conventional horizontal gas unit VH-530196, docket number VGOB-09-0721-2563 and also calling item fifty-two, a petition from Range Resources-Pine Mountain, Inc. for pooling of conventional horizontal gas unit VH-530139, docket number VGOB-09-0721-2566. The parties wishing to testify, please come forward.

TIM SCOTT: Thank you, Mr. Chairman. Tim Scott, Jerry Grantham and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed.

TIM SCOTT: Thank you. I would ask that Mr. Horn's and Mr. Grantham's testimony regarding their job occupation, by whom they're employed and their names be incorporated by reference, please.

BUTCH LAMBERT: Accepted.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, would you...are you familiar with these applications?

A. Yes, I am.

Q. And these are 320 acre provisional units, is that correct?

A. Right. The same unit.

Q. And Range Resources has drilling rights in these units, is that correct?

A. That's correct.

Q. And we're not going to dismiss anybody today, is that correct?

A. That's correct.

Q. But the people who are unleased, you've tried to reach an agreement with those folks, have you not?

A. Yes, we have.

Q. And what percentage of the unit does Range Resources-Pine Mountain currently have under lease in both of these wells?

A. 99.91%.

Q. And how were the parties notified of this hearing today?

A. By certified mail.

Q. And we also published, is that right?

A. By publication in the Dickenson Star on July the 1st.

Q. Okay. We don't have any unknowns, is that right?

A. That's correct.

Q. So, we don't have an escrow requirement, is that right?

A. That's correct.

Q. Okay. And we filed our proofs of publication and affidavits of mailing with Mr. Asbury?

A. Yes, you have.

Q. Okay. Range Resources is authorized to

conduct business in the Commonwealth, is that correct?

A. Yes, we are.

Q. And you have a blanket bond on file?

A. Right.

Q. And if you were to reach an agreement with the parties listed on Exhibit B-3, what lease terms would you offer?

A. Twenty-five dollars per acre for a five year paid up lease that provides a one-eighth royalty.

Q. And do you believe this to be fair and reasonable consideration or compensation for a lease in this area, is that right?

A. Yes, I do.

Q. Okay. What percentage of the oil and gas estate is Range Resources seeking to pool here?

A. .9%.

Q. And, again, we've said there's no escrow requirement, right?

A. That's correct.

Q. Now, if...you're asking the Board pool those parties, right, the unleased parties?

A. Right.

Q. Now, if they were to grant our petition today, our application, and an order were entered, were

would the correspondence be sent regarding any elections made under the pooling order?

A. To Phil Horn at Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. And that would be for all communications, is that right?

A. That's correct.

Q. Okay.

TIM SCOTT: That's all I have for Mr. Horn.

BUTCH LAMBERT: At this time, I'm going to ask Mr. Harris if he will take over as Chair. I notice both of these involve Lambert Land, LLC. I'll recuse myself.

BILL HARRIS: Okay. Thank you. Are there any questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

TIM SCOTT: Thank you.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, you're familiar with this application, is that correct?

A. Yes, I am.

Q. What's the projected depth for VH-530139?

A. Our projected depth is 8350.

Q. And what about 196?

A. Is 9,080 feet.

Q. What are the estimated reserves for each of these units?

A. 1 bcf.

Q. Okay. You're familiar with the well costs, are you not?

A. Yes.

Q. You've participated in the preparation of both AFEs, is that right?

A. Yes.

Q. And what's the estimated dry hole costs for 139?

A. The dry hole costs for 139 is \$720,594.

Q. And for 196?

A. \$825,492.

Q. What about the estimated...what about the estimated completed well costs for 139?

A. It is \$1,380,307.

Q. And for 196?

A. \$1,496,926.

Q. Do you consider these costs to be

reasonable?

A. Yes.

Q. Okay. Does this AFE...do the AFEs include a charge for supervision?

A. Yes, they do.

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

A. Yes, it would.

TIM SCOTT: That's all I have for Mr. Grantham.

BILL HARRIS: Questions from Board members?

KATIE DYE: Mr. Chairman.

BILL HARRIS: Yes, Mrs. Dye.

KATIE DYE: I notice a discrepancy in like your depth under cost and production. You have it as 9321 and then on the application it's 8350.

JERRY GRANTHAM: We've revised that AFE...the revised AFE is to move up hole and actually drill horizontally in the Big Lime, which is shallower than the original application.

KATIE DYE: Thank you.

TIM SCOTT: So, we'd ask that the testimony today conform to the pleadings.

SHARON PIGEON: Do we have the revised AFE?

TIM SCOTT: Yes, it is.

PHIL HORN: The AFE is correct.

TIM SCOTT: The AFE is correct.

PHIL HORN: The application of depth is incorrect.

TIM SCOTT: Yes. And to be honest with you, Ms. Pigeon, the costs actually went down on the AFE from the original application. So, it's better for anybody who intends to participate.

SHARON PIGEON: Thank you.

BILL HARRIS: Other questions?

(No audible response.)

BILL HARRIS: You may continue.

TIM SCOTT: That's all I have.

BILL HARRIS: Do we have a motion on this item?

KATIE DYE: Motion to approve.

BILL HARRIS: Do we have a second?

BRUCE PRATHER: Second.

MARY QUILLEN: The---.

BILL HARRIS: Yes, questions.

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

BILL HARRIS: Sure.

MARY QUILLEN: We are approving the number fifty-two, correct?

BILL HARRIS: That's under consideration. It hasn't been approved yet. Fifty-two?

MARY QUILLEN: Yeah.

BILL HARRIS: Forty-nine and fifty-two are together. Does your motion include both forty-nine...items forty-nine and fifty-two? Mr. PRATHER, your second applies to both of those?

(No audible response.)

BILL HARRIS: Yes, okay. Yes. Any other questions or discussions before we vote?

(No audible response.)

BILL HARRIS: All in favor of the petition for approval...I'm sorry, for approval of that petition, say I.

(All members signify by saying I, except Butch Lambert.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Fine. The petition passed.

TIM SCOTT: Thank you.

BILL HARRIS: Mr. Chairman, I'll return it to you.

BUTCH LAMBERT: Thank you, Mr. Harris. At this time, we'll be calling item number fifty-eight. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional gas well V-530110,,

docket number VGOB-09-0721-2572. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Okay. Thank you, Mr. Chairman.

PHIL HORN: I've got the wrong file. Excuse me.

TIM SCOTT: I'd ask that...again, that testimony regarding job descriptions and employment be incorporated by reference from our earlier---

BUTCH LAMBERT: It's accepted.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?

A. Yes, I am.

Q. And you're familiar with the ownership of the oil and gas in this unit, is that right?

A. That's correct.

Q. And the oil and gas owner is correctly shown on Exhibit B, is that correct?

A. Yes.

Q. Okay. Who operates reciprocal well V-530098?

A. Range Resources, Pine Mountain, Inc.

Q. And you're both an operator and an owner, is that correct?

A. That's correct.

Q. Okay. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail and also by publication in the Dickenson Star on July the 1st.

Q. And we have unknowns in this unit, is that correct?

A. Yes, we do.

Q. Now, we've provided a second revised...or revised Exhibit B, again, to correctly show who our Mr. Smith and George Heflin--?

A. That's correct.

Q. ---not being Director of Affairs, right?

A. That's correct.

Q. All right. And that's been provided to Mr. Asbury, is that right?

A. That's right.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue.

TIM SCOTT: Thank you.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, are you familiar with this application?

A. Yes, I am.

Q. And you participated in the preparation, is that correct?

A. Yes, I did.

Q. Would you please explain to the Board why we're seeking a well location exception today?

A. We're seeking an exception here. As you can see from the diagram it's a very minor exception because of topographic reasons we were able to get a location out on the end of the point there. You can see a spur or a point. Further north, which would move the location north so that it would not have to be an exception, would be on a very steep terrain above some houses. To get beyond that, we'd have to go all the way probably to the bottom and up the

other side and then, again, leave quite a large gap of undeveloped acreage in between. SO, we felt like the exception was probably the best way to go. Effectively, we couldn't get a legal location here because of terrain issues.

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

A. This well is proposed to go to 5751 feet.

Q. And what would be the loss of reserves if this application were not approved?

A. 400 million cubic feet.

Q. And then in your opinion, would you...would the granting of this application be in the best interest of protecting correlative rights, prevention of waste and promote conservation?

A. Yes.

TIM SCOTT: That's all I have for Mr. Grantham.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any

further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved.

TIM SCOTT: Mr. Chairman, we're going to withdraw item number forty-seven. That's docket number 09-0721-2561, so it won't be on the...you won't have to publish that one again.

SHARON PIGEON: 2561?

TIM SCOTT: Yes, ma'am. VH-530148. Thank you for your consideration.

JERRY GRANTHAM: Yeah, thank you very much.

PHIL HORN: Thank you very much.

TIM SCOTT: Thank you.

BUTCH LAMBERT: Gentlemen, thank you. At this time, I'll ask Ms. Quillen to read the motion to enter into close session.

MARY QUILLEN: Mr. Chairman, pursuant to Section

2.2-3711(A)729 of the Code of Virginia, I move that the Virginia Gas and Oil Board convene a closed session for (1) consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel; and (2) discussion of the aware of a public contract involving the expenditures of...expenditure of public funds, namely, the Board's outstanding request for proposals for an audit of the Board's escrow account.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Okay. At this time, we're into closed session.

(Closed session.)

BUTCH LAMBERT: Okay, we're back on record. I would ask Board member Quillen to read the certification that the business that was conducted in closed session was only about business that we set out to do in our motion.

MARY QUILLEN: Whereas, the Board has convened a closed meeting on this date of July the 21st, 2009.

Pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act and, whereas, Section 2.2-37112(D) of the Virginia Code requires a certification by the Board that such closed meetings was conducted in conformity with Virginia Law. Now, therefore, the Virginia Gas and Oil Board hereby certifies that to the best of each members' knowledge only public business matters lawfully exempted from open meeting requirements by Virginia Law were discussed in the closed meeting to which this certification applies and only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board. We will take a recorded vote by name. Mr. PRATHER.

BRUCE PRATHER: Yes.

MARY QUILLEN: Mrs. Dye.

KATIE DYE: Yes.

MARY QUILLEN: Mr. Lambert.

BUTCH LAMBERT: Yes.

MARY QUILLEN: Mr. Harris.

BILL HARRIS: Yes.

MARY QUILLEN: Mary Quillen, yes.

BUTCH LAMBERT: Thank you. I guess back on record, has everyone had a chance to look at the minutes

from last month's meeting. Are there any suggested changes?

(No audible response.)

BUTCH LAMBERT: Do we have a motion to accept those minutes?

BILL HARRIS: Motion that we accept the minutes as presented.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. All in favor, signify by saying yes.

(All members signify by saying yes, except Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you. Hearing no other business, this meeting will be adjourned.

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 in this the 14th day of August, 2009.

NOTARY PUBLIC

My commission expires: August 31, 2009.