

IN THE COUNTY OF RUSSELL

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

JANUARY 19, 2010

APPEARANCES:

BOARD MEMBERS:

PEGGY BARBER - PUBLIC MEMBER
MARY QUILLEN - PUBLIC MEMBER
DONNIE RATLIFF - COAL REPRESENTATIVE
BRUCE PRATHER - OIL REPRESENTATIVE
BILL HARRIS - PUBLIC MEMBER

CHAIRMAN:

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

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

DIANE DAVIS - STAFF MEMBER OF THE DGO

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<u>AGENDA AND DOCKET NUMBERS:</u>	<u>INDEX</u> <u>UNIT</u>	<u>PAGE</u>
1) Public Comments		4
2) 00-0321-0779-02	Q-43	55
3) 00-0321-0780-02	Q-44	64
4) 00-0321-0781-02	R-43	73
5) 00-0321-0782-01	R-44	77
6) 00-0321-0784-01	S-44	83
7) VGOB-08-0819-2301		87
8) VGOB-09-1215-2656	V-502747	111
9) VGOB-09-1215-2659	RR 2659	118
10) VGOB-09-1215-2660	V-530248	124
11) VGOB-10-0119-2661	I12CV	130
12) VGOB-10-0119-2662	VC-537199	CONT.
13) VGOB-10-0119-2663	VC-531328	152
14) VGOB-10-0119-2664 WITHDRAWN	VC-536324	
15) VGOB-10-0119-2665	VH-531093	162
16) VGOB-09-1117-2627-01	VCI-537337	168
17) VGOB-09-0818-2580-01	VC-536529	173
18) VGOB-07-1218-2100-01	VC-536517	48
19) VGOB-94-0816-0467-01	VC-702966	CONT.
20) VGOB-10-0119-2666	RR-2666	180
21) VGOB-10-0119-2668	VH-530251	186
22) VGOB-10-0119-2669	VH-530252	195
23) Update from First Bank & Trust		201
24) Consider closing costs and audit		Pass

BUTCH LAMBERT: Good morning, ladies and gentlemen. It's now 9:00 o'clock and time to...time for us to begin. I'd like to begin this morning by saying if you do have pagers, cell phones or other communication devices, please turn those off or put them on vibrate. We'd appreciate that very much. These proceedings are being recorded and those interfere with our recording. At this time, I'll ask the Board members to please introduce themselves beginning with Ms. Barber.

PEGGY BARBER: Good morning. My name is Peggy Barber and I'm a public member from Tazewell County.

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

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

BUTCH LAMBERT: And I'm Butch Lambert with the Department of Mines, Minerals and Energy.

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

BILL HARRIS: I'm Bill Harris, a public member from Wise County.

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

DAVID ASBURY: I'm David Asbury, principal

executive to the staff of the Board and the Director of the Division of Gas and Oil.

DIANE DAVIS: Diane Davis with the Division of Gas and Oil.

BUTCH LAMBERT: Thank you. I'd like to begin this morning with public comment. We'll begin with Catherine Jewell.

CATHERINE JEWELL: Good morning. At the December, 2009 meeting Chairman Lambert changed the order of the docket to allow for two important items on the agenda to be considered before the public was allowed to comment. These items were thirty-eight. "The Board on its own motion will discuss the awarding of the RFP relative to the audit of the Board's escrow account." Item two, "The Board will consider recommendations for standard of clear language for royalty payments." Anyway, as a result of this, the public was denied their opportunity to comment on these items prior to the Board's action.

The RFP that was issued by this Board stated under six, "The Award". "The Gas and Oil Board shall engage in individual discussions with two or more offers deemed fully qualified, responsible and suitable on the basis on the initial responses and with the emphasis on professional competence to provide the required services." This did not

happen. I don't believe there was any discussion of the Board prior to the December vote, nor am I aware of any ranking by the Board members.

The DGO and DMME disqualified two proposals, one of Mary Ellen Denomy, an accounting associates, removing these proposals from that that was considered by the Board. The alleged grounds for disqualification was that neither had registered with the EVA. Interestingly, the RFP did not list the EVA requirement under III(B) "Service Requirements" or V "Proposal preparation and submission requirements", which is the two sections an offeror would turn to in preparing his proposal. The EVA requirement is noted on the last page, that is page 26 of attachment C. Reference to attachment c is made only under VII "Terms and Conditions". It states: "Contractor shall during the period of this agreement abide the terms and conditions as detailed in attachment C. The two Offerors that were disqualified had in fact, submitted bids before...bids when the RFP went out the first time. Both were considered qualified and their proposals were considered during that period, even though the EVA requirements were also in the RFP. Interestingly, this Board after independently choosing Denomy for the contract, changed its mind and decided that since there was such a wide gap between the costs estimates of the three

companies submitting the bids (\$101,600) that the scope of the work must not have been clearly understood.

The Board after several closed door sessions, decided to revise and reissue the RFP. Now five bids were received for the second go around. These were Mary Ellen Denomy, Account Associates, Robinson Farmer and Cox, Joachim Group and Goodman and Company.

Both Accounting Associates and Robinson Farmer and Cox substantially increased their costs estimate. After disqualifying Denomy and Accounting Associates, the difference between the lowest and the highest bid was \$91,330. Almost as large as the first gap. The Goodman Company submitted a single cost estimate with no breakdowns, nor did this company submit any detail with respect to how the audit would be conducted. Both being clearly stated requirements for submission, yet the Goodman company was not disqualified.

The December vote was taken...was not taken before the full board. If my recollection is correct, only the oil and gas representative, Mr. Prather, the coal representative, Mr. Ratliff, and one public member, Mrs. Dye and the Chairman, Mr. Lambert, were present to vote. Again, there was no discussion of the merits of the proposals or why only three of the five were being considered. I believe

Mr. Ratliff quickly made a motion to aware the proposal to Robinson, Farmer and Cox. Prather, Ratliff and Lambert voted for Robinson, Farmer, and Cox and Dye voted against it.

Robinson, Farmer & Cox conducted a bank statement audit for the first time in 1999. They noted in their proposal that the estimate (\$27,040)...in this proposal that the estimate (\$27,040) did not include the amount necessary to perform a detailed audit of the sub-accounts. This estimate was for the same work which was estimated in the RFP for \$13,570. As to conducting part B, auditing of the thirty-five randomly selected sub-accounts, Robinson, Farmer & Cox failed to provide a procedure by which they plan to audit the sub-accounts and the estimate of the cost. It is not clear how they came up with the 8,000 to 12,500 hours to complete the audit of the thirty-five sub-accounts. However, I would imagine it would probably require quite a bit of time just to understand the complexities of payments for gas royalties, carried interest, and participating interests and to set up a program to input the data.

There was only one Offeror that had petroleum experience and that was Mary Ellen Denomy. However, I am confident, that even if Denomy registered with EVA, the DGO/DMME would have found some other way to disqualify her.

It appears that the EVA requirement has been used to intentionally disqualifying her in an arbitrary and capricious manner and contrary to the purpose of the audit or the Virginia Procurement Act. This is not in the best interest of the Board nor the public.

For some time now, members of the public and certain members of this Board have openly call for a forensic audit. For years now individuals that have been forced pooled by the Board have requested a full accounting of disbursements made and questioned the money received. In November, 2008 I presented discrepancies with what was contained in may sub-accounts and what should have been in those accounts. Recently, the Bristol Herald Courier did an extensive investigation of the escrow accounts and reported numerous additional discrepancies and violations. In lieu of this overwhelming justification of the need for a forensic audit, Chairman Lambert and member Ratliff and member Prather voted to approve funding for account reconciliation versus the actual audit outlined in the RFP and that this Board designed. In my book, this is criminal. And again I ask you, have you no shame?

In lieu of this, I shall again request a forensic audit be conducted by a petroleum accountant that is a certified forensic analysis and fraud detector. However,

rather than just limiting part two of the audit of sampling of thirty-five sub-accounts it needs to be expanded. In fact, every sub-account should be audited from the first day of production to the present. Past disbursements should be audited and the gas companies should be required to correct all payments with 15% interest rate. The price of audit should be paid through by the penalties assessed against the gas companies. I am yet to uncover a single penalty assessed by this Board for the failure to comply with Board orders, failure to submit supplemental orders, failure to make payments into escrow or failure to disbursed the correct royalties from escrow. And if this Board is not willing to impose civil penalties then the Sate of Virginia who concocted this scheme and failed to monitor it, should pay for the audit.

The second item moved up before the public comment on December 2009 hearing was to considered recommendations for a standard clear-language for post-production costs. It's not clear exactly when the Board openly voted to consider this item to begin with. This has been couched as providing greater transparency for post-production costs. In typical fashion, Chairman Lambert provided the opportunity for Jerry Grantham to comment on the possibility of providing a breakdown of the post-production costs

currently assigned to transportation. Chairman Lambert must have forgotten that there has been extensive public comments submitted on the legality of charging post-production costs and that six committee meetings were held between July and February to address this. If memory serves, a motion was made and approved at the September 2008 Committee meeting to eliminate post-production charges from the pooling orders. Not surprisingly, this has never been presented to the Board for a fully vote.

Okay, for the third time, I am requesting that the minutes of these hearings be provided in greater detail. Currently, they have been whittled down to the docket number, a brief discussion of the application and the actions taken by the Board. The only way you can figure out what happened is to ask for a transcript. So, I wished that you all would return this to the former reporting standards.

I've done a comparison...before I handed out a comparison of horizontal conventional wells, I've done a comparison of horizontal coalbed methane wells. This is the production for several...on six wells or so over time. I'd just think maybe you should look at it and maybe discuss it and see if all of this is justified. Thank you.

BUTCH LAMBERT: Ronnie Osborne.

RONNIE OSBORNE: I'm Ronnie Osborne. I got three

more little checks. On these checks, do they pay us for the horizontal wells that is in the coal seam? How do we know what is on top of the ground and what is on the ground? Degassing the coal is the wells I'm talking about.

BUTCH LAMBERT: Well, Mr. Osborne, I think that you have promised this Board that you would go meet with Mr. Asbury last month.

RONNIE OSBORNE: I did. I did. I ain't dead yet. I will go meet him when I get everything I need in order.

BUTCH LAMBERT: Well, the questions that you are asking are those that can be answered if you would go meet with Mr. Asbury. That particular...your particular question, Mr. Asbury would be able to answer that.

RONNIE OSBORNE: I did tell you that I would go and I am going to go. I am going to go. I have been digging through some of my paperwork and there's just certain ones that gets my attention. That's the reason that I'm asking. They're...are there separate paperwork on the degassing of the coal than the wells on top of the ground? That's all I'm asking. Different permits or different paperwork or---?

BUTCH LAMBERT: I'm not sure that I understand your question.

RONNIE OSBORNE: Well, the degassing of the wells, once it's in the coal seams---?

BUTCH LAMBERT: Oh, you're talking about---.

RONNIE OSBORNE: Degassing the coal.

BUTCH LAMBERT: Okay. Versus?

RONNIE OSBORNE: The wells on top of the ground.

BUTCH LAMBERT: Okay.

RONNIE OSBORNE: Are there a difference in the permits or are there different paperwork or---?

BUTCH LAMBERT: Well, again, if you'll take that question to Mr. Asbury and meet with him he'll be happy to set down and work those...work that out with you.

RONNIE OSBORNE: I sure will. But I did say I would go and I will go. I just need to dig through some of my paperwork. I've got---.

BUTCH LAMBERT: Okay.

RONNIE OSBORNE: ---one bunch of numbers here with no money. A bunch of runoffs with no money. It didn't...it didn't...it evidently didn't produce none and I got three little bitty ones. If they keep it up in about thirty years I might be able to buy me a pair of blue jeans.

BUTCH LAMBERT: Thank you, Mr. Osborne. I think, Mr. Osborne, Mr. Asbury has some information for you from your last questions.

RONNIE OSBORNE: Okay. I think these were some questions you asked last month and Mr. Asbury put...I almost

forgot, but Mr. Asbury put a spreadsheet together.

DAVID ASBURY: Mr. Osborne in lieu of our meeting and in preparation for that meeting, I've looked at the Board orders which we think you're a part of and you're listed in the Board orders themselves. That includes all of the units that you mentioned before, T-36, S-36, S-37, U-36, T-37, CBM S-35 and T-35. We've taken the time to review each of these units and there are five or six wells in each of these units. This is one unit that may have five or six wells. In the analysis of this, we have tracked the production from each well into these units and the payments. The spreadsheet that you have before you on the lefthand side shows each unit beginning market value and pay outs and payments into the units and pay outs into the units and pay outs from the units over time. And as you know, you're a portion of the units, you're not the whole unit. On the right hand side, we've identified the last order IDs are what the Board has approved. We've identified the tracts that lists you as a partial owner for each tract. For instance, in T-36 up at the top, it shows you as being a portion owner in Tracts 2A, 2B, 2E, 2F, 2H, 3A, 3A-1, 3A-2, 3B and 3C. In all of those tracts, there are 30.78 acres escrowed and the fractional acreage that we show you in each tract as owning 1/100th part of 9.48 acres, 1.03 acres, 2.03

acres and 0.87 acres. So, if you look at this, this identified your individual ownership of the tracts and dollars that are in escrow for each of these units at this time. In the very last column, it shows you the percent of escrow that's currently in there for you and the money is done. So, this tracks the things that we know. We will be also willing to provide you copies of each one of these docket numbers and can help you with the calculation for the values that may be in escrow for you. So, lieu of a meeting and in preparation of that, this was a summary spreadsheet. Also, I know other members of your family that we met with in Bluefield about this time last year, this same information would apply to them with the exception of their proportionate acreage share. They would own either more or less or maybe event he same of the acreage that you own like the 1/100th, they may own 1/50th of or even maybe 1/160th part. But anyway, I hope this information is helpful to you for your review and this brings the current status through...and this is through October of 2009.

RONNIE OSBORNE: This \$8.78 is for the twenty some years they been drilling, that's what I'm entitled to, \$8.78?

DAVID ASBURY: No. The \$8.78---?

RONNIE OSBORNE: That's what he says. "Attempted

disbursement in March, 2006 \$8.78."

DAVID ASBURY: That's correct. That was a 2006 disbursement attempt for your proportionate share of 1/110th part of 1.68 acres. So, you would have to---

RONNIE OSBORNE: 1.68...where does that...up here it has got 30.78 acres. Then it has got a portion of 3 and 4. I don't know what that 24,000 means. But 30.78 we've got a portion of 43 acres and a portion of 15 acres more or less.

DAVID ASBURY: Right.

RONNIE OSBORNE: But right here it says, "Attempted disbursement in March of 2006 \$8.78."

DAVID ASBURY: That's correct. That was for your proportionate share of those two tracts...well, there's three tracts in that particular order. And if you take 1/110th of 1.68 acres that gives you a percentage and you multiple that by the acreage that was being escrowed for that account. In March, 2006 there was \$6,852 in that unit account. So, if you take that 1/110th of 1.68 acres times \$6,852 you arrive at that disbursement of \$8.76.

RONNIE OSBORNE: Well, this is going to match up with the paperwork that I've got with the little checks that I've got, right?

DAVID ASBURY: I can't...I don't know what little

checks you're talking about. But this is...this is what we have...that the Board has in escrow for you as of October, 2009.

RONNIE OSBORNE: \$8.78?

DAVID ASBURY: No. No, if you start at the very top roll of Tract T-36 and you look at the ending market value which was at October \$274,618, you own .3961% of that. So, you can figure out the dollar amounts. I didn't calculate those. And like in the next roll, S-36, in October, there was \$359,145. You own 1% of that...1.003%. Now, understand that you have other family members and these---

RONNIE OSBORNE: I know that. I know that.

DAVID ASBURY: ---accounts are dynamic. So, as these disbursements are made this value will go up or down.

RONNIE OSBORNE: Well, the ones...the ones that is entitled to the same amount that I am, how come one of them got \$5 and something and I got \$.19. I mean, it's the same percentage. The same percentage.

DAVID ASBURY: I'm not sure...I'm not sure that the percentage is calculated---

RONNIE OSBORNE: And over here it says, "Attempted disbursement in March of 2006 \$8.78."

DAVID ASBURY: Yes, sir.

RONNIE OSBORNE: That's what I don't understand.

DAVID ASBURY: Well, again, I can help you with how
is done from the escrow.

RONNIE OSBORNE: Well, okay.

DAVID ASBURY: The State of Virginia in its statute
protects individual gas owners by providing for their
acreage proportionate share of a unit. This shows your
acreage proportionate share in each of the units.

RONNIE OSBORNE: Well, on the 43 acres, does that
mean that some other 80 acre is into that 40 some acres?

DAVID ASBURY: There's a possibility that your 43
acres could be divided and be a part of more than one unit.
It could be a part of three or four units.

RONNIE OSBORNE: The 15 acres goes for the same
thing.

DAVID ASBURY: And you and I can look at a map...a
unit map and determine what portion of your 43 acres would
be in what unit.

RONNIE OSBORNE: Well, now, you're talking about
all of this here is on top of the ground wells. You haven't
shown me nothing on the underground wells or in the coal
seams. The ones that I'm talking about right in the coal
seam, degassing the coal.

DAVID ASBURY: Well, part of these are part of...

they have gone on single units to gob units.

RONNIE OSBORNE: No, I'm talking about underground, horizontal.

DAVID ASBURY: I'm hearing. But none of these are horizontal units.

RONNIE OSBORNE: This is all on top of the ground, right?

DAVID ASBURY: These are the wells---

RONNIE OSBORNE: Okay.

DAVID ASBURY: ---that are at the surface that you're a part of.

RONNIE OSBORNE: Okay.

DAVID ASBURY: And if you have other horizontal wells, I would...like Mr. Lambert said, I'll be glad to work with you. We did a lot of work to compile this for our meeting. We'll try to help you work through this as best we can.

RONNIE OSBORNE: Well, the reason I ask, I had a boss and another boy last month with me at this meeting that was going to mention about the horizontal wells that we've saw. That's the reason that I'm asking about the horizontal wells...about the horizontal wells underground. They are connected the (inaudible). They have been drilled. That's the reason I'm asking. You know, I need to...before I want

any money turned loose I want to make sure that all of my money is there to start with.

DAVID ASBURY: We want to make sure of that as well.

RONNIE OSBORNE: Thank you.

BUTCH LAMBERT: Shirley Osborne.

SHIRLEY KEEN: I'm Shirley Keen. I was an Osborne. I'm in the same heirship as Ronnie. We have family members the same amount of heirs checks not the same. Guster Clifton ...Mrs. Duty told us back in April when my uncle Joe Horn signed a split agreement, Joe asked why Guster Clifton had more money coming than he had because he's the same heir. Mrs. Duty tells us that Guster Clifton had a well by himself. Guster Clifton is our family. Our mother has the same heirship as Guster Clifton. He should get the same amount as our mother gets. Guster Clifton owns 1 acre of land and the gas was disbursed from that or excepted from that before he bought the land. The discrepancies that is in these checks, Mike Osborne gets a check for \$5 something and Ronnie gets a check for \$.19. There is a problem that needs to be fixed. Everybody, the same heirs, the way I would figure things they get the same amount of money. Somebody needs to oversee this. I mean, you don't just write a check for somebody for \$5 and then you write

somebody else a check for \$.19 when they're the same heirs. There's a problem. We've been talking about this month after month after month. We've got spreadsheets that wells has pumped for months. Nothing has went into the account. But money has come out of our part. We need it fixed and we need it fixed now because when I sign something...every dime of my money will be there. This Board is forcing us to put this money in there and this Board need s to see that that money is there. These gas companies are not going to...I mean, you're trusting them to be honest and it's not. It needs to be fixed. That's why we are so upset. When you've got gas pumping...well, we've been coming since way back in the '90s and Ronnie gets a \$.19 check. He won't be able to buy a pair of blue jeans for a hundred years, you know. I know there's more gas coming out of there than that. I see these trucks. I live in the area. I see these trucks coming and going everyday. And if it was that little piedly amount they would even be bothering with it. This Board needs to see that the money is right, keep up with it and make sure that our money is where it needs to be. Then when there's a disbursement, we'll have the right amount of money. That's all I have to say. Thank you for your time.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: One of the issues that we found in trying to correct some of the escrow accounts and before disbursements, and one of the key things that holds up a disbursement, is the fact that a large family who has had a sub-divided property hasn't accurately or hasn't recorded all of that probate of a Will or change of the estate with the county courthouse. If the family has changed and the title or heirship and deed proportions have changed and that's recorded in the courthouse and if there is a change, we can work with...we will. Our office will work the families if there's a deed change to make sure that after the family has that information recorded at the courthouse that that information is also shared with the gas operator if there's an escrow account involved. A lot of times the gas companies who are paying into escrow and the Board is unaware that a person is deceased and there has been sub-divided property from a living Will or anything like that. But if we can make sure on the citizens side of this, if we can make sure that our citizens understand their Act to makes sure title and deeds are correct at the courthouse then some of our issues can be solved. We'll be glad to work with you and the family if you've got recorded deeds and things. The payments are based on that. You know, it's based on land deeds and titles. So, if there has been a

change in your title or deed because of subdivision in your family or new heirs or whatever then that's something that the Board, my office and the gas company may not be aware of. We'll be glad to work you to make sure that that's correct and that those payments into escrow and any future royalty payments would be based on that proportionate of heirship deeds and property.

SHIRLEY KEEN: Well, none of ours has been changed. It has been the same from day one.

DAVID ASBURY: Okay.

SHIRLEY KEEN: And one gets a check for \$5 and something and one gets a check for \$.19.

DAVID ASBURY: I don't see the checks.

SHIRLEY KEEN: Well, it's there.

DAVID ASBURY: We'll be---.

SHIRLEY KEEN: It is there. \$.19 and one gets a check for \$5.

RONNIE OSBORNE: I've got...I've got two checks. I've got one outside...I've got both of them outside if he wants to see them.

DAVID ASBURY: We'll be glad to work with you to make sure---.

SHIRLEY KEEN: Patsy Moore, Brenda Justice, Mike Osborne and Jim Osborne. Ronnie was the only one that got a

\$.19 check. Ronnie is the same heirs as Patsy Moore, Brenda Justice and Jim Osborne. Everyone of them. And nothing has been changed...since we've been coming to this Board nothing has been changed. It has been the same.

DAVID ASBURY: And all of those individuals that you mentioned own the same acreage proportionate---?

SHIRLEY KEEN: Yes, sir, they do.

DAVID ASBURY: Okay.

KENNETH OSBORNE: Would you turn the volume up on this a little bit? Nobody can hear in the back back there.

SHIRLEY KEEN: Is it okay if Roy helps me with this?

BUTCH LAMBERT: Well-.

SHIRLEY KEEN: Or can he speak?

BUTCH LAMBERT: He can speak. But what we would like to do is for you folks to come and sit down with Mr. Asbury...we don't...this Board don't know the units that you're talking about. We don't have the information in front of us. Mr. Asbury has that information in his office. Just like I encouraged Mr. Osborne to go and sit down in his office and we can work through each one of these issues with you there. I'm not sure that we will be able...this Board will be able to provide you information on each individual well and unit and...we don't have that information with us.

SHIRLEY KEEN: These spreadsheets right here is where gas has been pumped and nothing has went into the escrow account.

KENNETH OSBORNE: And not only that, the main well has been shutdown.

BUTCH LAMBERT: Could you state your name for the record, please?

KENNETH OSBORNE: Kenneth Osborne, one of the Linkous Horn and O. H. Keen Heirs.

SHIRLEY KEEN: He's on the same heirship as we are.

KENNETH OSBORNE: I mean, we've got wells here that are shutdown and not pumping. The ABCD wells that they've got pumping, they've got deposits and everything and they've got an explanation for why the well was shutdown or why there was not deposits made in...most of these wells, some of them no deposits have been made into them for eight months or nine months. S-35, S-36, T-36, T-37.

DAVID ASBURY: Can I address that?

KENNETH OSBORNE: I mean, these started out on an S-37 well and a couple of years later they come in with these S-37B, C, D, E and we've got gaps here where May, June, July 2008 four wells they pumped with certain wells no deposits made. They've even got a couple of the same months that has got the same amount of the well pumpage but

different figures into the bank...into the escrow.

DAVID ASBURY: May I address, Mr. Chairman?

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Mr. Osborne, and this has been in the paper as well, as far as a number of wells not being paid directly. We have investigated that. What the issue there is is in the beginning when a unit is formed and gas production from coalbed methane is done, those units are paid individually and you individual payments into escrow for single units. As mining occurs underground, there is what's called a sealed gob area from multiple longwall panels that is created for mine development. Once a large area, which can be six, seven or eight longwall panels, it can be fourteen or fifteen hundred or up to three thousand acres. The sealed gob area is brought before the Board and the Board approves that. All of those individual units that once receive payment on a single unit basis are then combined and goes into a gob unit. There are sixteen such gob units that this Board has approved since 1993. There are 420 single units that have stopped receiving individual payments and that are now a part of the single gob unit payments. So, when a single unit may have been receiving month over month payments and once the mining occurs underground and the Board approves a sealed gob unit, which

these...these are. These are part of...I don't have the map in front of me, but I think these are either a part of the old VP5 and 6, which became eight or the Buchanan 1 complex sealed gob unit. The Board in '07 and '08 approved two such gob units and at that point in time the payments into those single gob units or single units...gas units stopped and those payments then were combined and reported and paid into the sealed gob unit. The thing that the statute protects gas owners from is your acreage proportionate share remain the same. You didn't lose any gas acreage at all as those units were combined. Again, I would have to look at a map to make sure...but I'm almost certain that these units that have no payments reporting into them, those payments stopped at the point in time when this Board approved a sealed gob unit. Again, there are 16 such gob units that we have in Buchanan County that had 420 single units that were being paid month over month that would have stopped payments into those single units at the time that those gob units were created and approved by the Board.

SHIRLEY KEEN: Well, but these papers that I've got right here a \$1.48, \$1.47, \$.152, \$1.55---

KENNETH OSBORNE: Why is showing payments going into some single units and not others?

DAVID ASBURY: And there are units, again, that can

be outside of a gob unit that still maintain single unit payment. We also have the case where a single unit may have been split and a portion of the acreage could have been in the gob and that proportionate acreage paid in the gob and the single unit payment that's on the outside continued.

KENNETH OSBORNE: Before the Board approved for a gob unit, the money that was in the escrow account for certain wells T-36, S-36 and S-37, how do they distinguish the difference from that and then these gob units come in because we've asked repeatedly for some type of tracking system to track how much money goes into our escrow accounts. I hate to put it like this, but we've always got a song and a dance about it. We get a read out sheet...we get a read out sheet from the Gas and Oil Board that shows a unit number. It doesn't say A, B, C, D, E or F...I mean, some of them are AAs or CCs. It doesn't show A, B, C, D, E or F unit. It shows one well unit S-36, S-37 and an amount. I mean, how...how are we supposed to determine what our percentage is and especially when before the gob unit...before the Board passed for them to do a gob unit, you know, what distinguishes that money that was in there then to the money combined with that now. I mean, it's---

DAVID ASBURY: Again, these are all things...not to take any additional Board time, but these are all things

that we could answer and work with you to understand how this works.

KENNETH OSBORNE: Well, no disrespect meant. I mean, we've been asking for this for many years and we've never got an answer. Why should we believe all of a sudden we're going to magically get an answer now?

DAVID ASBURY: We'll do our best to work with you to get an answer for you. I can't promise that we can completely satisfy all of your questions, but we'll do our best to provide answers for you at least how it works.

BUTCH LAMBERT: Mr. Asbury, on the monthly escrow report that you provided to the Board members, I quickly thumbed through that and for...especially for T-36 and S-36 it shows a negative income on those wells. If someone looked at that spreadsheet and saw that negative income, could you explain that?

DAVID ASBURY: Those are still units where interest...the fees for the escrow agent in that month exceeded the interest income from the escrow.

BUTCH LAMBERT: Thank you.

SHIRLEY KEEN: Do you mean there's more going out than is coming in?

DAVID ASBURY: There's an element the escrow agent provides the Board's escrow account interest income month

over month. The fees for the escrow come from that income and not from the principal payments in from the gas companies and for that particular month and for some months of last year because the markets were...the financial markets were low, the fee for the escrow agent on a unit by unit basis was more than the monthly income...interest income from the escrow account.

SHIRLEY KEEN: Well, twelve and a half percent of everything that's going out should be going into these accounts.

DAVID ASBURY: It is.

SHIRLEY KEEN: Well, if there's more going out and nothing coming in, how do you...how do you explain that? Twelve and a half percent of nothing is nothing.

DAVID ASBURY: Again, Chairman Lambert was referencing one column which is net interest income. There are payments disbursements. There is net interest income. The net interest income is the balance between the interest income from the balance or the market value of that unit less fees from the escrow agent.

SHIRLEY KEEN: Well, I don't understand twelve and a half percent. We should have twelve and a half percent going into these accounts. If they're still pumping that gas, they're not giving it away.

DAVID ASBURY: Again, we'll be glad to sit and discuss these in detail with you.

KENNETH OSBORNE: Okay. Well, how would S-37 and S-37B well for the month of December '99 to January of 2000 have the same figures but different deposits made? It's the two highlighted there. There's several wells like that.

DAVID ASBURY: Both of these, individual wells S-37B and S-37C, S-37F or G could...are individual wells. They could have different volumes. So, that's why the payment could be different month over month. I'm not saying that's why for that particular case. But that's what could happen.

SHIRLEY KEEN: It shouldn't be zero. If any gas has come out of there, it shouldn't be zero when we're supposed to have twelve and a half percent. I mean, I don't have a lot of education, but I'm not stupid either.

KENNETH OSBORNE: But you're saying these two different wells can produce the same amount for two months, but different amounts to go into the escrow account?

DAVID ASBURY: Again, I...we'd have to look at the individual production for each well and try to get answers for that.

KENNETH OSBORNE: Well, if I just looked at it, I mean, I would think, you know, nobody is reading the meters

and, hey, let's put a figure down and somebody forgot and put the figure down twice. But a lot of us people don't have the education, so, you know, it appears that we will be so stupid that it will just go right over our heard.

DAVID ASBURY: I don't think there's any attempt at all to do that.

RONNIE OSBORNE: You ask for the checks. Right here is two checks if you want to pass them around, the differences in the two checks. I'm Ronnie Osborne. I'd like to ask for the amount of the escrow for SGU-2. SGU-2. We're the same percentage of heirship. That's the reason that I've always said the FBI and the IRS needs to be involved in this. I mean, I'm just an eighth grade educator, but there's something wrong.

(Board members review the checks.)

DAVID ASBURY: VP8 SGU-2, Mr. Osborne, has a balance as of December 31 of \$75,843.67.

RONNIE OSBORNE: How much?

DAVID ASBURY: \$75,843.67. That's as of December the 31st. This confirms my thought that this is part of the VP8 gob unit. There were individual units that were paid from where VP5 and 6 were combined into VP8 and the Board approved VP8 SGU-2, which has multiple wells in it at this time.

RONNIE OSBORNE: VP8 and VP5 didn't mine under us.
Buch 1 was the one that mined under us.

DAVID ASBURY: And there are other gob units for
Buch 1.

RONNIE OSBORNE: Our land is not where VP8 and VP5
is. It's at Buch 1. Well, I mean, are you satisfied with
the checks now? I mean---.

DAVID ASBURY: I'm I satisfied with the checks?

RONNIE OSBORNE: Well, \$.19 and \$5.00---.

DAVID ASBURY: Well, that's something that if you
own 1/110th---.

RONNIE OSBORNE: Well, me and my sister has got the
same amount of heirship as all heirs.

DAVID ASBURY: Right. If you take the fractional
percentage, if you own 110th part of an acre, you have to
take 1/110th part of that acre and---.

RONNIE OSBORNE: Well, I mean, she is entitled to
the same amount as I am or I am in entitled to the same
amount she is. We're both the same heirs to the same one.

DAVID ASBURY: Okay. That's where this title thing
comes in.

RONNIE OSBORNE: Don't we supposed...I mean, me and
her is sisters.

SHARON PIGEON: Mr. Osborne, do you have the same

percentage in the unit? We understand that you inherited the same percentage---?

RONNIE OSBORNE: Uh-huh.

SHIRLEY KEEN: Yes.

SHARON PIGEON: ---but do you have the same percent in each of these units that you're talking about?

RONNIE OSBORNE: Well, we've got the same parents. We've got the same grandmothers and grandparents.

SHARON PIGEON: No, no, no. It's the configuration of the unit on the ground that would determine that.

DAVID ASBURY: Right.

SHARON PIGEON: So, that would---

RONNIE OSBORNE: That means this sister might get a \$10 and something check.

SHARON PIGEON: If more of her land is in the unit.

SHIRLEY KEEN: It's not.

RONNIE OSBORNE: We're entitled to the same amount.

SHARON PIGEON: It's not what she inherited.

RONNIE OSBORNE: We're entitled to the 43 acres and the 15 acres. We're entitled to the same land and the same percentage. There shouldn't be no difference and in no checks.

BILL HARRIS: Sir, have you compared her check stub with your check stub for---?

RONNIE OSBORNE: Yeah. Well, they got a \$27 check.
I didn't get nothing.

BILL HARRIS: Well, no, what I mean is this is
actually listing some wells in some units.

RONNIE OSBORNE: Uh-huh.

BILL HARRIS: Have you compared her list with your
list?

RONNIE OSBORNE: No. We're entitled to the same
amount is what I'm saying. I am her brother.

BILL HARRIS: Yeah. No---.

RONNIE OSBORNE: We're entitled to the 43 acres and
15 acres. We're entitled to...how can you split it up and
say, well, I'm going to give you a part over here in the
corner, but she's going to get hers out of the center?

BILL HARRIS: Is your 43 the same as her...in other
words---?

SHIRLEY KEEN: Yes.

RONNIE OSBORNE: Yes. It's all the same.

SHIRLEY KEEN: That's why we're trying say.

BILL HARRIS: ---you all co-own the same---.

SHIRLEY KEEN: Yes.

RONNIE OSBORNE: Yeah. Yeah.

BILL HARRIS: But I would...I would like to see
maybe her check stub for the same period to see if it's

listing the same wells, yes, like that. If you could look at and compare those.

RONNIE OSBORNE: I've got them.

BILL HARRIS: Because if it's a different amount, it has to show up somewhere in the listing.

RONNIE OSBORNE: Well, if they've got different wells, there's still something wrong because I am entitled to the same 43 acres and the same 100...1/110th percent.

BILL HARRIS: 110th...yeah, 1/110th.

RONNIE OSBORNE: We're entitled to the same thing.

BUTCH LAMBERT: How many wells are in that unit, Mr. Asbury?

DAVID ASBURY: In which one?

BUTCH LAMBERT: The unit that he's referring to.

DAVID ASBURY: I don't...I don't---

BUTCH LAMBERT: SGU...the one you just looked at.

RONNIE OSBORNE: SGU-2.

DAVID ASBURY: SGU-2.

KENNETH OSBORNE: Are you talking about SGU-2 the gob well? Is that what you was referring to a while ago? Short of Sear's catalog. Right here is the map of the wells.

DAVID ASBURY: There's probably several hundred wells.

SHIRLEY KEEN: Well, what we are trying to explain, me and him is brother and sister. Pat is our sister. We inherited this from our mother and it should be the same amount of money.

RONNIE OSBORNE: The same...the same wells and the same amount of money and the same land.

SHIRLEY KEEN: It's the same---

BUTCH LAMBERT: I...I...we hear you. But Ms. Pigeon asked a very relevant question that I don't think you all have understood yet.

RONNIE OSBORNE: Okay.

BUTCH LAMBERT: There could be...and this is why we have to have the maps and that information in front of us. Those units could be split differently and you own different acreage in the same---

SHARON PIGEON: Within the unit.

BUTCH LAMBERT: Within the unit.

RONNIE OSBORNE: She owns different acreage than I do?

SHARON PIGEON: Within the unit.

BUTCH LAMBERT: Within the unit.

SHARON PIGEON: Not what you inherited, but within a separate unit. You may own larger and she may own larger.

RONNIE OSBORNE: No.

SHIRLEY KEEN: No, it's the same.

RONNIE OSBORNE: It's all the same.

SHARON PIGEON: It's highly unlikely to be the same based on---.

RONNIE OSBORNE: It is the same.

SHARON PIGEON: ---based on the configuration of the unit itself. We understand you're inherited the same amount. That isn't the same issue.

BUTCH LAMBERT: Mr. Asbury.

SHIRLEY KEEN: I don't see how it could be any different.

BUTCH LAMBERT: Can we...can we...again, I'm going to ask if you would please...Ronnie, I'm not sure why you won't do this.

RONNIE OSBORNE: I'm going to.

BUTCH LAMBERT: But if you will go and sit down and look---.

RONNIE OSBORNE: I told you...I've been talking to the FBI---.

BUTCH LAMBERT: ---at the information with Mr. Asbury, maybe we can work through this with you.

RONNIE OSBORNE: I've been talking to the FBI and I've been digging my paperwork---.

BUTCH LAMBERT: We're not going to be able to give

you an answer here today. We just can't do it.

RONNIE OSBORNE: ---is the reason I ain't been there just yet.

BUTCH LAMBERT: Well---.

RONNIE OSBORNE: Because me and my sisters is entitled to the same amount. It's the same acreage and the same wells. I don't understand how you can say we're not entitled to the same thing.

SHARON PIGEON: Mr. Osborne, the check stubs that are attached to these checks are all on different wells. They don't match up to each other.

RONNIE OSBORNE: Well, that's what I'm saying. They're supposed to.

PEGGY BARBER: Well, then that's the issue and not the amount.

RONNIE OSBORNE: Well, I mean---.

PEGGY BARBER: Because if you look at the itemization underneath each of those checks, whoever Ms. Moore is---.

RONNIE OSBORNE: That's my sister.

PEGGY BARBER: Okay. Then, their itemizing an entirely different things than what's on your check. So---.

RONNIE OSBORNE: Why?

PEGGY BARBER: Well, I don't know that. But that

to me seems like the first step.

KENNETH OSBORNE: So, would that mean their paperwork is not right again and it's just another let's put us some figures down because nobody regulates this?

PEGGY BARBER: Because you're comparing apple to oranges if you're trying to see, you know, why those checks aren't matching up.

RONNIE OSBORNE: There would be no questions if I had a \$5.01 or she had a \$.19 because we're entitled to the same percentage of the same acreage and the same wells.

PEGGY BARBER: I'm just saying that if you go back to what Mr. Asbury said, you know, there may be a lot of different reasons as to why that's not happening, but that to me would be the starting point to figure out what the problem is because as I said you're comparing four or five different things it looks to me like.

SHIRLEY KEEN: What you're saying is that they're paying him for well and paying her for another, is that what you're saying?

PEGGY BARBER: Somebody is getting paid for gob wells and you're getting...somebody is getting paid for frac wells. They're not alike. So, the check amounts aren't going to be alike.

SHARON PIGEON: Not on those checks. You know, we

don't know what they're paying otherwise. But we just look---

RONNIE OSBORNE: Well, ain't these supposed to go into escrow too? Don't it supposed to go through the Board before they disburse these checks? I thought it was supposed to go through you all before they send us checks. I mean, is that not...is that not right?

BUTCH LAMBERT: Well---

DAVID ASBURY: That could be multiple issues, Mr. Osborne. And, again---

RONNIE OSBORNE: Well, I don't know. I'm just asking.

DAVID ASBURY: And the Board...the multiple of times that you folks have come before the Board, it always leads back to instead of coming to the Board, which doesn't have the right information, is to come to our office and we will work with you and the gas company to answer your questions.

RONNIE OSBORNE: Well, I mean, this here is---

KENNETH OSBORNE: Well, let me---

DAVID ASBURY: And we want to do that.

RONNIE OSBORNE: This is a discrepancy to me. I mean, I don't understand it. I don't understand. Like if I own this table here, me and my brothers and sisters owns

this table, they can't pay me out of this corner and pay her out of this here. They've got to pay both of us out of this corner and pay her out of this here. They've got pay both us out of this corner is what I'm trying to say.

KENNETH OSBORNE: Let me ask just this question. Why doesn't the Board have the right information? I mean, is that not the Board's job is to make sure they main and keep the right information? I'll go back two months or six months, eight months or a year or two years and say, well, we've got to wade through this to figure it out. Shouldn't you have had that information then upon request for us?

DAVID ASBURY: Upon request, yes.

RONNIE OSBORNE: I've asked this before.

KENNETH OSBORNE: Hey, now, we don't want to go there because we've asked this many times. We can go back through the minutes and see how many times we've requested the information? My sister requested some information a couple of weeks ago and so far she got a little read out sheet that we always get of a well number. It doesn't determine A, B, C, D, E, F and G. It just a well S-36 or 37 or whatever. The pump amount, the month it pumped what went into the escrow account. I mean, whose money are we looking at? What figures? Where did they come from? Who regulated it?

BUTCH LAMBERT: Well, we're going to move these proceedings on. What I'm going to do is request that you meet with Mr. Asbury one more time and see if we can explain these issues to you. I'm not sure how we can help you any further than that. We're offering to come and sit down and meet with the Board and Mr. Asbury, the Staff to the Board, and if you folks would like to do that, we're more than happy to sit down, whatever time it takes, to work through each individual well or unit with you. But we...we can't do that at this Board hearing. We just can't do it.

RONNIE OSBORNE: Well, don't they...don't they supposed to go through the Board to disburse money?

BUTCH LAMBERT: Mr. Osborne, we will work with you...Mr. Asbury, will work with you on those questions.

RONNIE OSBORNE: Okay.

DAVID ASBURY: Mr. Chairman, one more thing from this. This is exactly what has happened on the wells where they have not got single payments. This is...this is why as maybe as much as 50% of the single units...again, there are 420 single units that used to receive individual month over month payments that when these 16 gob units were created those single unit payments stopped and the gob unit payments started. I want to say that clearly. We have 16 gob units. This particular one has 36 single units that were paid

individually over time that now are paid as a one payment. If you'll notice there are 6 on this side single units that were split units. Some of it is in the gob and some of it is not in the gob. So, this is why a portion of these units do not receive month over month payments, but they're still in there because payments prior to this gob unit being reported is still a single unit disbursement potential. This is...this what has happened to some of these wells in these unit.

KENNETH OSBORNE: So, then Mr. Asbury if we meet with you---

BUTCH LAMBERT: Thank you, Mr. Asbury.

KENNETH OSBORNE: ---you can show us when and where and how much the single units where the money is at and how much it is as versus when the gob units come in?

DAVID ASBURY: Yes.

KENNETH OSBORNE: Okay.

SHIRLEY KEEN: Thank you.

BUTCH LAMBERT: Juanita Sneeuwaght.

JUANITA SNEEUWAGHT: I appreciate you getting my name right, although it doesn't matter. Good morning. I'll be brief. This does not necessarily pertain to the Board. It's just some comments that I want to make about the industry in particular. I'm saying that number one, I

recognize that the gas companies are not in the charity business. I want to make that clear. They are in the business to make money as most businesses are.

You make comments that you wish to...I'm not here about industry, okay. You make comments that you wish to be good corporate neighbors. Can everybody hear me back here?

SHIRLEY KEEN: I can't even hear you over here.

JUANITA SNEEUWAGHT: You can't hear me?

SHIRLEY KEEN: No.

JUANITA SNEEUWAGHT: Can you hear me now?

BUTCH LAMBERT: See if it's on, Ms. Sneeuwaght. It may not be on.

JUANITA SNEEUWAGHT: Can you hear me now? It's on.

DAVID ASBURY: Give it just a second to...now, try it.

JUANITA SNEEUWAGHT: Give it a second. Okay. I got power here. I like this. Like I said in the beginning, I realize that the gas industry is not in the charity business. You're in the business to make money. But I wanted to make a couple of comments of concern. Also, in the future this may be helpful, that's why I would like you to hear these comments. You, meaning the gas industry, make comments that you wish to be good corporate neighbors. Is that true? You wish to be good corporate neighbors. I hear

that...I hear that all the time. Where were you during the December snowstorm when we were without heat, food, water and in some cases shelter? Where were you when people were taking gas? Where were you when people you were taking gas from sorely needed your help? Could you not have brought in trucks, food and water especially when I see your trucks all over the place? Why was electricity supplied to your wells first when the people did without? When you couldn't readily get the power to your well you found generators to run your equipment and we didn't find any generators? When the precious generators were in short supply to all, you made sure that you got yours.

I was personally without heat and water for twelve days. I faired well compared with most. I'm probably old enough to be your mother...well, with a few exceptions. I'm grieved and disappointed at your lack of concern. You've proven without a doubt that you as persons are lacking in value, dedication and goodwill.

I was called to Long Ridge...wow, wow, was I amazed at the work going on the Long Ridge. That's up in the Nora direction and Brushy Ridge the day before New Year's Eve. The message was that people were desperate for food, water, flashlights and candles. After many...after calling officials I was told they had limited supplies. So,

I went to Walmart and bought my car full of supplies and headed up to Brushy Ridge and Long Ridge. The people were cold, hungry and thirst and to my amazement gas wells were running. Can you explain your total lack of regard for the people? Why did your bottom line take precedents over the welfare of the poor destitute people? I'll ask Mr. Ratliff the same thing. Perhaps you had supplied water or food to other counties, but not in our county and I had given Alpha compliments before about their integrity with the community and that was not forth coming in Dickenson County when we desperately needed it.

DONNIE RATLIFF: It was. It was. Talk to the Board of Supervisors.

JUANITA SNEEUWAGHT: Okay.

DONNIE RATLIFF: We did furnish food, water and generators.

JUANITA SNEEUWAGHT: I will check that out. Thank you. I apologize then.

BUTCH LAMBERT: Ms. Sneeuwaght, let me add to, that I received a call from VOGA asking how they could help in Dickenson County and VOGA informed that they was making a large donation to the Dickenson County Food Bank. So, that might be a place that you want to check as well.

JUANITA SNEEUWAGHT: Okay. Good.

JIM KAISER: They also supplied generators.

DAVID ASBURY: Generators.

JUANITA SNEEUWAGHT: We needed...we needed all of the help that we could get, so did other...so did other counties. I do know that Red Cross came in and fed the people for a time. There were people out in hollows and ridges that could not be reached and these were the people that I went to when I could get out on the road. So, I guess what I'm saying is that since the gas companies could get to the back roads and do whatever they needed to do to the wells it would have been so greatly appreciated and the good corporate neighbor that you want to be we would feel...we would feel better towards you. It's those gestures that make the difference. I just want you to understand this. Does everybody understand that I'm asking for those gestures that make the difference? So, that's all I want to say on that. But if you have made contributions and I don't know about it, then I really, really, really appreciate it.

BUTCH LAMBERT: Mr. Grantham also asked what else could they do in the counties that were affected by the storm? I encouraged Mr. Grantham to have any of his well people or any of the people that were in VOGA that when they were out checking the wells if they would stop in on houses

and just ask people if they needed water or anything and he assured that they would do that.

JUANITA SNEEUWAGHT: Okay. Well, I did that. I got calls later on that people...particularly on the Long Ridge and Brushy people here hungry, they're cold, they're thirsty and they have no water. They were just needing that need. So, I'm just glad to have been able to be of help. But I wish that somebody else had gotten to it first because... anyways. That's all I have. I thank you.

BUTCH LAMBERT: I wished they would have gotten to me too, Ms. Sneeuwaght. I was fourteen days without power and six days without water.

JUANITA SNEEUWAGHT: Wow, shake your hand. Yeah, I did too. I did too. So---.

DAVID ASBURY: Mr. Chairman, one comment.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: I'm aware of more than a couple of dozen instances where our gas operators had people going door to door to check on people in remote areas in Scott, Dickenson, Wise and Buchanan Counties. I'm also aware that Noah Horn Well Drilling supplied multiple numbers of generators to private homes or areas in communities that had no power or water and those type of things. They did it on their freewill. I don't think there was any lack of

neighbor to neighbor help from our gas industry or coal industry during this time. I know of multiple cases where elderly people were checked on more than once when they didn't have power or water and I'm also aware of situations where contractors for gas operators and gas operator well tenders took water and sometimes paid out of their own pocket to provide that for some of our elderly citizens in Southwest Virginia. There has been no lack of care and neighbor to neighbor help as best that they could themselves sometimes being without those resource.

JUANITA SNEEUWAGHT: Would you point them out to me so that I can personally thank them? It's greatly, greatly appreciated that they did help.

DAVID ASBURY: I will.

JUANITA SNEEUWAGHT: And I haven't gotten a word of that. So, I guess my question was the people who called me for help had not received help. So, apparently not everyone got taken care of. But if you'll point them out to me, I would really, really like to shake their hand. There, again, I'm sorry for your misfortune in what went on. I'm a little elderly lady and nobody knocked on my door. Nobody knocked on my door. "Honey, do you need anything?" Fortunately, I'm pretty self-sufficient.

BUTCH LAMBERT: Thank you, Ms. Sneeuwaght.

JUANITA SNEEUWAGHT: Thank you for your time. Thank you for giving me that report that help was extended. I appreciate it.

BUTCH LAMBERT: Are the folks from EQT here for disbursements? Can you all do disbursements? I'd like to move those up on the agenda. Docket items eighteen and nineteen.

LOUISE COMPTON: Chairman Lambert, I got here just a little bit late to get my name on the list. Could I speak just a second?

BUTCH LAMBERT: Could you make it very quick?

LOUISE COMPTON: Of course, I'll make it quick.

BUTCH LAMBERT: Yes, ma'am, please come forward and state your name for the record.

LOUISE COMPTON: I realize you all hurrying in time and all. I do want to---

COURT REPORTER: State your name, ma'am.

LOUISE COMPTON: I'm Louise Compton. You know, I hadn't been present at these meetings for quite some time until last month. I told you about my little checks I got. Well, I want you all to know that I got a letter in the mail this week or sometime between the last meeting and this meeting and I've got over \$1,000 in escrow. I want to speak this time so if it grows that fast by maybe the time that I

come back for the February meeting I'll be doing all right and maybe I'll be able to retire. I had thought I would be able to retire, but you all know...there's some of you in here that knows that social security didn't get a raise this year. Federal employees did. So, it looks as if I'm going to have to stay with my Federal employment even though I'd like to have a chance to retire and if we could get this gas money straightened out and if you all could give me some advice on buying these EQT stocks...do you all own those stocks?

BUTCH LAMBERT: No, ma'am.

LOUISE COMPTON: Well, I thought if I had a little bit of that money I'd just cover myself up in those stocks and stay warm, you know, with all of that energy and not even have to worry about the cold weather. I thank you.

BUTCH LAMBERT: Thank you. At this time, we're calling docket item number eighteen. It's a petition from EQT Production Company for disbursement of funds and authorization of direct payment on a portion of Tract 2, unit VC-536517. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and George Heflin on behalf of EQT Production.

BUTCH LAMBERT: Good morning.

GEORGE HEFLIN: Good morning.

(George Heflin is duly sworn.)

BUTCH LAMBERT: You may proceed when you're ready,
Mr. Kaiser.

JIM KAISER: Sir?

BUTCH LAMBERT: You may proceed.

GEORGE HEFLIN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. George Heflin, regional land director, EQT Production Company.

Q. And you're familiar with the miscellaneous petition we filed seeking the disbursement of escrowed funds on behalf of Bobby C. Rose, Sr. and Range Resources-Pine Mountain?

A. Yes.

Q. Okay. And this has to do with drilling unit number VC-536517?

A. That's correct.

Q. And Mr. Rose and Pine Mountain have signed a royalty split agreement?

A. Yes.

Q. And that is a 75/25 split?

A. That's correct.

Q. Okay. And you have reviewed the reconciliation between the bank and Equitable's records?

A. I have.

Q. Have you found them to be in accordance---?

A. We have.

Q. And have we filed a statement for this disbursement reflecting the 75/25 split?

A. Yes.

Q. And is the owner's percentage in escrow as of 10/31/09 that being the next to the last column on the right is that accurately depicted?

A. It is.

Q. And are you asking that the Board disburse the money that is in escrow as of that date and in accordance with that statement?

A. I do.

Q. And that would not close the account for Tract 2 because we'd still have the unknown heirs of Maude Massey in that unit...in that tract in that unit?

A. That's correct.

Q. Okay. So, we're asking that the interest of Bobby Rose and Pine Mountain in Tract 2 in that unit be disbursed on a 75/25 split as evidenced by the royalty split agreement and as evidenced by the statement that we have here upon order and I'd also ask that the order state that going forward any royalty payments due those parties be paid directly, correct?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Jim, could you give us the date that the reconciliation was based on?

JIM KAISER: 10/31.

BUTCH LAMBERT: It's on there.

SHARON PIGEON: I thought it was, but I just wasn't finding it.

BUTCH LAMBERT: Next to the last column.

SHARON PIGEON: Yeah, there it is. Thanks.

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

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: With this application, we're not seeing like the signature of Bobby Rose.

JIM KAISER: Excuse me?

KATIE DYE: We're not seeing like the signature of the agreement with Bobby Rose and Range Resources.

JIM KAISER: We thought Mr. Rose...is Mr. Rose here. We thought he might be here.

GEORGE HEFLIN: I've got a copy of his W-9s that was signed to give to Mr. Asbury.

KATIE DYE: So, Mr. Asbury has on file a copy of the agreement? I'm I clear here.

DAVID ASBURY: We do not have a copy of the signed agreement at this time that I'm aware of.

KATIE DYE: Well, I just have some concern about, you know, about approving this disbursement when we're not seeing, you know, a signature.

JIM KAISER: We can get you a copy of it.

SHARON PIGEON: Mr. Rose received this package, did he not?

JIM KAISER: Yeah.

GEORGE HEFLIN: Yes.

SHARON PIGEON: That states that he's getting 75%.

JIM KAISER: Yeah. Right.

SHARON PIGEON: So, he had the opportunity to appear if he didn't agree with that.

KATIE DYE: Okay. So, this was---?

JIM KAISER: Yeah, I just have a letter. But I don't have a copy of the agreement either.

SHARON PIGEON: This was sent out certified mail to Mr. Rose?

JIM KAISER: Yes, ma'am. Here is his green card.

KATIE DYE: Well, I just have some concern on behalf of the Board, you know, that we approve these things, but we actually never see the signed agreement. You know, we're approving the disbursement.

JIM KAISER: Well, I think you normally do.

KATIE DYE: Do we?

JIM KAISER: Yeah. You usually see the royalty split agreement.

KATIE DYE: I know early on in the Board when I first came on the Board anything that came before the Board for disbursement we had the signed and notarized agreement.

JIM KAISER: And you normally do. I don't know why it's not in this one. We'll get it for you.

GEORGE HEFLIN: We can get you a copy.

JIM KAISER: But I assure you Mr. Rose got notice of this and he's on Board.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: No, sir. We'd ask that the application...petition for disbursement be approved as submitted and then we'll have a copy of the split agreement sent to Mr. Asbury's attention.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: So moved.

BUTCH LAMBERT: I have a motion. Do I have a second?

BRUCE PRATHER: Second.

BUTCH LAMBERT: Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved with the condition that you supply the agreement to Mr. Asbury. Thank you.

JIM KAISER: Mr. Chairman, I guess you're going to call number nineteen next.

BUTCH LAMBERT: Yes, sir.

JIM KAISER: And that involves a Mr. Leonard

Powers. Mr. Powers sent us a letter and he's actually over in Federal Court in Abingdon today in an arbitration, which Mr. Heflin is with me instead of Ms. Barrett. She's involved in that. He, along with Range-Pine Mountain, has asked that we continue that matter until March.

BUTCH LAMBERT: Okay.

JIM KAISER: So, that the arbitration is taken care of and he can be here if he needs to be.

BUTCH LAMBERT: Okay. Docket item nineteen, a petition from EQT Production Company for disbursement of funds and authorization of direct payment on a portion of Tract 2, unit VC-702966 will be continued until March.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item on the docket is item number two. The Board in compliance with Section 45.1-361.22.5 received an executed a royalty split agreement from the Erma Horn and James McGuire Land Trust conflicting owners in unit Q-43. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: Good morning.

BUTCH LAMBERT: You may proceed whenever you're ready, Mr. Swartz.

MARK SWARTZ: I think we need Anita under oath.

(Anita Duty is duly sworn.)

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what do you do for them?

A. Pooling supervisor.

Q. We're here today with regard to Q-43 because there has been a split agreement, is that correct?

A. Yes.

Q. And what work did you do with regard to analyzing the royalty payments that the operator had made and the deposits that the bank and booked?

A. We compared them to make sure that the bank had received all of the payments that we had sent and they were in balance.

Q. Okay. And did you have the actual deposit

records or copies of the deposit records from the bank?

A. Yes.

Q. And then you had the payment detail from your company, correct?

A. Yes, that's right.

Q. Did you make that comparison as of a specific date?

A. It was October 31, 2009.

Q. Okay. And as of that date, what was the total amount that was in the escrow account?

A. \$65,193.08.

Q. The disbursement request that you're making today is going to leave money remaining in that account, correct?

A. It will.

Q. So, the account needs to remain open?

A. Yes.

Q. And in addition, this request that we're making for disbursements today pertains to Tracts 1B and 1C, is that correct?

A. Yes.

Q. But you do not have...or have not obtained split agreements from everybody in both of those tracts, correct?

A. That's right.

Q. So, in addition to maintaining an escrow account for this unit, Tracts 1B and 1C will still have a portion in that escrow...that larger escrow account, is that correct?

A. Yes.

Q. Okay. Have you prepared a spreadsheet with regard to the two tracts to give direct to the escrow agent as to what the percentage are that the escrow agent should use in making the disbursements?

A. I have.

Q. Is the agreement between the parties that we're asking for a disbursement to be made to, is that a written agreement?

A. Yes.

Q. Have you reviewed it?

A. I have.

Q. And is it a 50/50 split agreement?

A. Yes.

Q. Okay. And on the exhibit that you've prepared what...if the disbursement had occurred on October 31, '09 what amount of money would the James McGuire Trust coal interest...what amount would they have received?

A. \$11,577.20.

Q. Okay. And if we add up all of the dollars in the last column on the...in yellow with regard to Tract 1B, would we get an equal amount \$11,577.20 payable to the Cantrell Heirs for the oil and gas interest?

A. Yes.

Q. Okay. The total percentage that the escrow agent should use to pay out of the escrow account when the disbursement is made for the James M. McGuire Trust Coal interest is what percent?

A. 17.75832%.

Q. Okay. And then for each of the Cantrell Heirs with regard to Tract 1B, the folks whose names and numbers that are highlighted in yellow is there a percentage in the owner's percent of escrow 50% that represents their interest pursuant to the split agreement on a percentage basis?

A. Yes.

Q. And likewise as for the coal company or the coal trust, the oil and gas owners should receive their percentage applied to the escrow amount on deposit at the time of disbursement as opposed to the dollars reported in the last column?

A. That's correct.

Q. Okay. After the disbursement is made with

regard to Tract 1B to the folks that you've identified in this exhibit, are you requesting that the operator be allowed to pay them directly?

A. Yes.

Q. Now, have you done a similar analysis for Tract 1C?

A. Yes.

Q. And if the disbursement with regard to these people who have entered into split agreements for 1C had been made on October 31, '09 what amount would Hurt McGuire or the James McGuire Trust have received?

A. \$3,347.07.

Q. Okay. And then if we were to add up the individual disbursements to the oil and gas owners that have entered into split agreement would we get a total equal to \$3,347.07?

A. Yes.

Q. Okay. What percent should the escrow agent use at the time the disbursement is made to calculate the dollars payable for 1C to the James M. McGuire Trust?

A. 5.13409%.

Q. And should the escrow agent when making the disbursement to the James McGuire Trust use the percentages in that same column highlighted in yellow for each of the

individual oil and gas owners?

A. Yes.

Q. And that percentage, I assume, if you totaled all of those would equal to 5.134, right?

A. It does.

Q. Okay. And after the disbursements are made to these folks that have split agreements with regard to Tract 1C, are you requesting that the operator be allowed to pay these people directly?

A. Yes.

Q. Okay. There will, as we indicated in the beginning, still be an escrow requirement. Have you provided the Board with an Exhibit E that shows who...the names of the folks who would still be in escrow?

A. Yes.

Q. And was there a minimum modification since filing with regard to that?

A. Yes.

Q. Was it just an address?

A. Yes.

Q. Other than that, everything else was the same?

A. That's right...that's correct.

Q. Okay. Whose address was it?

A. It was Sandra Horn. When we received her W-9 she had a...no, actually we didn't. She had sent us an email. The W-9 that we have has her old address in it and she has sent us an email and we've since then requested a new W-9. I talked to David about it before the hearing.

Q. But do you have W-9s from everybody---?

A. We do.

Q. ---okay, with regard to this unit?

A. Yes.

Q. And do you give people notice that an escrow disbursement has been put on the Board's docket?

A. Yes.

Q. So, did you mail to all of the folks listed here?

A. I did.

Q. So, if they argued that they didn't have a 50/50 split agreement or some other arrangement they were given an opportunity to come here today?

A. Yes.

Q. And do you always do that?

A. Yes.

MARK SWARTZ: I believe that's all I have.

BUTCH LAMBERT: Questions from the Board?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: Our sheets aren't color coded.

MARK SWARTZ: Oh, I'm sorry.

DONNIE RATLIFF: Is everyone---?

ANITA DUTY: Everybody that's listed there.

DONNIE RATLIFF: ---that's on these three sheets
are...oh, I didn't...

ANITA DUTY: This is the one that...I think this is
the one that we continued because we had such a big...yeah.

BUTCH LAMBERT: Do you have a new Exhibit EE? Is
that the one where the address change was?

ANITA DUTY: No, it was the...yes, the EE. One of
the lady that was getting a disbursement.

BUTCH LAMBERT: So, that's why we have a new
Exhibit EE is just---?

ANITA DUTY: Yeah.

BUTCH LAMBERT: ---simply for the address change
for that one person?

ANITA DUTY: Yes.

BUTCH LAMBERT: Okay. Thank you. Any further
questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: So moved, Mr. Chairman...I move 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 Board members signify by saying yes, but Katie Dye and Butch LAMBERT.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: Thank you, Mr. Swartz. One abstention, Mrs. Dye. We had one abstention, is that right, Mrs. Dye?

KATIE DYE: Yes, that's correct. Sorry, I almost forgot.

BUTCH LAMBERT: Thank you. The next item on the docket is item three. The Board in compliance with Section 45.1-361.22.5 received an executed a royalty split agreement from the Erma Horn and James McGuire Land Trust conflicting owners in unit Q-44. This is docket number VGOB-00-0321-0780-02. All parties wishing to testify, please come

forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: Mr. Asbury, before we begin. The docket number that we have on the agenda, could you look at that and look at the docket number on the application? It's the same well, but appears the docket numbers don't match.

DAVID ASBURY: Yes, sir. Just a moment.

BUTCH LAMBERT: The docket number that I just read.

(David Asbury and Diane Davis confer.)

SHARON PIGEON: There's a different number on this miscellaneous petition.

DAVID ASBURY: This has Q-44.

BUTCH LAMBERT: It does. Both have Q-44 but the agenda that you provided to us says -02 and the petition says -01.

DAVID ASBURY: We already have a 01 in the file, so it should 02.

DIANE DAVIS: A real old one.

BUTCH LAMBERT: Okay.

DAVID ASBURY: Okay. I think the docket should have 02 on it.

BUTCH LAMBERT: It does. The petition has 01.

DAVID ASBURY: We could change the petition. If it's all right with you, Mr. Chairman, we'll mark through 01

and make it 02 on the petition.

BUTCH LAMBERT: Okay. Thank you. You may proceed,
Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for us?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what do you do for them?

A. Pooling supervisor.

Q. And with regard to the application that is
in front of us today on this docket that has just been
called, did you do some accounting work?

A. Yes.

Q. Okay. What records did you have access to
and what did you do?

A. We compared our records to the bank ledger
sheets to make sure that all of the deposits were accounted
for.

Q. Okay. And the records in question were
with regard to your records would have been the amounts that

your historical records show you paid to the bank?

A. Yes.

Q. And you had the copies of the bank deposits. And when you compared your payments to the deposits booked by the bank, how did they compare?

A. They were in balance.

Q. Okay. Was this balance done as of a date?

A. October 31, 2009.

Q. Okay. And on October 31, 2009, what was the total amount in the escrow account pertaining to unit Q-44?

A. \$21,965.10.

Q. Is this a partial disbursement request?

A. Yes.

Q. It pertains to two tracts?

A. Yes.

Q. Which are 1A and 1B?

A. Yes.

Q. And is it true that the escrow account for Q-44 will need to be maintained after these disbursements are made?

A. It will.

Q. And is it also true that sub-accounts for 1A and 1B would need to be maintained within that account?

A. Yes.

Q. Because they're not being...these tracts are not being fully paid out by virtue of the split agreements?

A. That's correct.

Q. Did you receive a copy of the split agreement?

A. I did.

Q. Did you review it?

A. Yes.

Q. Is it a 50/50 agreement?

A. Yes.

Q. Did you list on the...in paragraph two of your miscellaneous petition the names of all of the folks whose...who made the agreements?

A. Yes.

Q. And did you mail to all of them?

A. Yes.

Q. And do you have green cards and the usual with regard to that?

A. I do.

Q. So, if these folks had an issue with the disbursement they were given notice that there was going to be a hearing today?

A. Yes.

Q. Turning to your spreadsheet, and I'm thinking that perhaps we won't have colored codings...the photocopy machine, I think, just copied black and white?

A. David does, but they don't.

Q. Okay. Let's look at Tract 1A first. It looks like in 1A CNX Gas has acquired the oil and gas interest, correct?

A. Yes.

Q. So, the only payee with regard to the gas side of the split would be CNX Gas, is that correct?

A. Yes.

Q. And is James M. McGuire Trust would they receive the payment on the coal side?

A. Yes.

Q. Reserve Coal Properties is not receiving a payment?

A. No.

Q. The payment that would go...if a payment had occurred out of this escrow account on October 31, '09 what amount would the James M. McGuire Trust have received out of Tract 1A?

A. \$789,081.

Q. And CNX would have received the same amount

that's shown there?

A. Yes.

Q. Okay. When the escrow agent makes the disbursement with regard to Tract 1A in Q-44, it should use a percentage to make the disbursement, correct?

A. Yes.

Q. And what percentage should it use for...to apply to the balance on deposit at the time the disbursement is made for the James M. McGuire Trust?

A. 3.59577.

Q. And should it also make a similar calculation using the same percentage to calculate the amount due CNX Gas at the time the disbursement is made?

A. Yes.

Q. And since the percentages are the same the disbursements should be identical?

A. Yes.

Q. Are you requesting that after the disbursement is made the operator be allowed to pay the folks subjected to this split agreement with regard to Tract 1A directly and stop escrowing their funds?

A. Yes.

Q. Okay. Do we have a similar analysis for Tract 1B?

A. We do.

Q. Okay. And, again, if the disbursement had occurred on October the 31st, '09 what amount would Hurt...I'm sorry, the James M. McGuire Trust receive?

A. \$4,457.24.

Q. And if we take the total of the amounts shown in the last column for the James Cantrell Heirs oil and gas owners and claimants listed on this exhibit we would get...it would total \$4,457.24, is that correct?

A. It would.

Q. Is everyone of the oil and gas owners identified under the listing or heading James Cantrell Heirs, is everyone of them going to receive a disbursement here?

A. Yes.

Q. Okay. And for each of the Cantrell Heirs have you set forth a percentage for each of them that the escrow agent should use?

A. Yes.

Q. So, in making the disbursement here at the time it is made the escrow agent should use 20.29237% to calculate the amount due the James M. McGuire Trust?

A. Yes.

Q. And then should use the percent listed in

the column that is second from the last column that percentage for each one of the oil and gas owners that are listed?

A. Yes.

Q. And, again, with regard to Tract 1B after these disbursements are made are you requesting the...as the operator the right to pay these folks subjected to the split agreements in Tract 1B directly?

A. Yes.

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

Q. Oh, again, have you furnished a revised Exhibit E and EE?

A. Just the EE.

Q. Just the EE. And what's changed on that compared to the first one that was filed with the application?

A. The address for Sandra Horn.

Q. Okay. And, again, do you have W-9s for Mr. Asbury?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

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 Board 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, Mr. Swartz. Ladies and gentlemen, we're going to take about a ten minute break. We'll resume at a quarter till.

(Break.)

BUTCH LAMBERT: The next item on the docket is the Board in compliance with Section 45.1-361.22.5 received an executed royalty split agreement from the Erma Horn and James McGuire Land Trust conflicting owners in unit R-43. This is docket number VGOB-00-0321-0781-02. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may continue, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what's your title?

A. Pooling supervisor.

Q. Did you, with regard to this disbursement request, have access to the operator's payment records?

A. I did.

Q. Did you also have access to the bank's deposit records?

A. Yes.

Q. Did you compare them?

A. I did.

Q. Did you compare them as of a specific date?

A. October the 31st, 2009.

Q. Okay. And when...when you made that

comparison as of the end of October of '09, what did you determine?

A. They were in agreement.

Q. Have you prepared a spreadsheet which outlines or details the disbursements that this request seeks to make?

A. Yes.

Q. Did you receive a copy of the executed split agreement?

A. Yes.

Q. Was it a 50/50 agreement?

A. It was.

Q. Have you...did you attempt to notify all of the folks who were parties to the agreement that we were going to have a hearing today?

A. Yes.

Q. Did you mail to them?

A. Yes.

Q. And then kept track of green cards and so forth?

A. Yes.

Q. Did you mail to everyone in paragraph two?

A. I did.

Q. And is paragraph two a complete list of

everyone that is going to receive a disbursement if this application is approved?

A. Yes.

Q. This disbursement is not going zero out the escrow account for R-43, is that correct?

A. That's correct.

Q. The account needs to survive and be maintained subsequent to the disbursement?

A. Yes.

Q. It's not going to zero out the balance for Tract 1B either?

A. No.

Q. Because not everyone in that tract has reached the split agreement?

A. That's correct.

Q. With regard to this agreement...the split agreement, have you identified on your spreadsheet exhibit all of the folks who are going to receive disbursements?

A. Yes.

Q. And the first disbursement is going to go to a coal owner or claimant, James M. McGuire Trust, correct?

A. Yes.

Q. And if that trust received a disbursement

as of October 31, '09, what amount would it have received?

A. \$18,376.72.

Q. Okay. And on a going forward basis, if this application is approved, the escrow agent should use what percentage to make the payment to the James McGuire Trust as of the time the disbursement is made?

A. 6.3357%.

Q. Okay. And does that represent half attributable to the split agreement?

A. Yes.

Q. Okay. And the other half is the collection of folks listed under the heading James Cantrell Heirs oil and gas, is that correct?

A. Yes.

Q. And when the disbursement is made to those folks individually, should the escrow agent use the percentage reported in the column owner's percent of escrow 50% for each one of those people?

A. Yes.

Q. After the disbursements are made with regard to Tract 1B, is the operator requesting that it be allowed to pay the people identified in this spreadsheet directly rather than escrowing their funds?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Duty, the revised Exhibit EE is for the address change?

ANITA DUTY: Yes.

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Move to approve, Mr. Chairman.

BILL HARRIS: Second.

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 and Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. The next item on the docket is item five. The Board in compliance with Section 45.1-361.22.5 received an executed royalty split agreement from the Erma Horn and James McGuire Land Trust conflicting owners in unit R-44. This is docket number VGOB-00-0321-0782-01. 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, your name again, please.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what do you do for them?

A. Pooling supervisor.

Q. Did you compare the payment records of the operator with the deposit records of the bank with regard to drilling unit R-44?

A. Yes.

Q. Did you do that as of a specific date?

A. October the 31st, 2009.

Q. When did you do that, what amount did you determine was on deposit for the entire unit?

A. \$290,050.24.

Q. Okay.

A. I'm I on the wrong one.

Q. I think so. We're on R-44.

A. Excuse me.

Q. It came as quite a surprise to me that number. Let's start over. When you made the comparison as of October the 31st, 2009 for R-44 what was the total amount on deposit as of that date?

A. \$60,256.03.

Q. Okay. And when you compared the deposit records with the bank to the payment records and the operator were they in agreement as to that amount?

A. Yes.

Q. Okay. If...then with regard to the folks identified on the spreadsheet, the James M. McGuire Trust and all of the individual oil and gas owners and claimants, did you receive a split agreement from them?

A. Yes.

Q. Was it a 50/50 agreement?

A. It was.

Q. Are all of the folks subjected to the split agreement identified at paragraph two of the petition of the petition?

A. Yes.

Q. Did you mail to all of those people

certified mail?

A. I did.

Q. And you've retained green cards and proof of mailing and so forth?

A. Yes.

Q. So, if those folks had issues with regard...well, strike that. Those people would have known then that we were going to have a hearing today seeking a disbursement?

A. Yes.

Q. Okay. With regard to the anticipated disbursement, if it had occurred on October the 31st, what amount would the James M. McGuire Trust have received?

A. \$13,794.06.

Q. Okay. And if we add up the dollar amounts in the last column to the right for each of the Cantrell Heirs identified here, would the total of that...those amounts equal the \$13,794.06?

A. It would.

Q. Okay. What percentage should the escrow agent use when making the disbursement to the James M. McGuire Trust?

A. 22.89241%.

Q. Okay. And what percentage should the

escrow agent use when making the individual disbursements to the Cantrell Heirs identified on the spreadsheet?

A. The percentage in the owner's percent column.

Q. Okay.

A. The percent of escrow column.

Q. Right. There are differing percentages not for every owner, some of them share a percentage, but in general there a lot of different percentages and they should take the percentage opposite the Cantrell Heirs named... individual name and use that percentage?

A. Yes.

Q. And when the escrow agent makes the disbursement they should use these percentages and apply it to the balance at the time the disbursement is being made?

A. That's correct.

Q. This is a partial disbursement?

A. Yes.

Q. So, the escrow account for R-44 will need to be maintained?

A. Yes.

Q. And the escrow for Tract 1 will need to be maintained as well?

A. Yes.

Q. After these disbursements are made in accordance with the spreadsheet would you...are you requesting that the operator be allowed to pay the people listed on the spreadsheet directly rather than escrowing their funds?

A. Yes.

Q. Have you provided W-9s for all of these folks?

A. Yes.

Q. Have you provided an amended Exhibit EE?

A. Yes.

Q. And the amendment is what, an address change?

A. Yes.

Q. For one person?

A. Yes. Sandra Horn.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

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 Board 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, Mr. Swartz.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item on the docket is the Board in compliance with Section 45.1-361.22.5 received an executed royalty split agreement from the Erma Horn and James McGuire Land Trust conflicting owners in unit S-44. This is docket number VGOB-00-0321-0784-01. 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, your name again.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And your title?

A. Pooling supervisor.

Q. With regard to this unit S-44, are all of the people that would receive a disbursement if one was authorized listed at paragraph two?

A. Yes.

Q. And did you mail to all of those folks certified mail?

A. We did.

Q. So, they would know each of them that there was a hearing today?

A. Yes.

Q. Is this disbursement that you're requesting a partial disbursement?

A. Yes.

Q. And is it true that it's partial in two ways, it does not zero out the entire account for S-44, correct?

A. That's correct.

Q. And it will not zero out the Tract 3 balance either?

A. Correct.

Q. There's still some outstanding split agreements that would need to be entered into for that to occur?

A. Yes.

Q. Okay. Did you make a comparison between the operator's payment records and the escrow agent's deposit records?

A. I did.

Q. As of what date?

A. October the 31st, 2009.

Q. And as of that date, were those records in agreement?

A. Yes.

Q. And what was the total amount in escrow for Tract 3?

A. \$861.90.

Q. And if the disbursement had occurred on October the 31st, what amount would the James M. McGuire Trust have received?

A. \$197.31.

Q. And if we add up the dollars and cents

reported for each of the Cantrell Heirs listed on your spreadsheet, would that equal...would we come up with a total of a \$197,031?

A. We would.

Q. Okay. When the escrow agent makes the disbursement with regard to Tract 3 to these folks, what percentage should the escrow agent use for the James M. McGuire Trust?

A. 22.89241%.

Q. And with regard to each of the individual Cantrell Heirs identified there is a percentage opposite their name, correct?

A. Yes.

Q. And the escrow agent should in all instances use the percentage or the time...the percentage and apply it to the balance at the time the disbursements are made?

A. Yes.

Q. Are you requesting as operator the right to pay all of the folks identified as receiving these disbursements directly in the future as opposed to escrowing their funds?

A. Yes.

Q. Have you obtained W-9s for everyone?

A. We have.

Q. And have you given the Board an amended EE?

A. Yes.

Q. And the only change is what an address?

A. Yes, for Sandra Horn.

Q. These folks have entered into a split agreement, correct?

A. Yes.

Q. Is it a 50/50 agreement?

A. It is.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Move to approve, Mr. Chairman.

BILL HARRIS: I 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 Board 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, Mr. Swartz.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item on the agenda is the Board on its own motion will hearing testimony from EQT Production Company clarifying a previously issued order under docket VGOB-08-0819-2301. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Luke Shankin on behalf EQT Production Company. Do you know when Mr. Asbury is coming back?

DIANE DAVIS: Just in a few minutes.

JIM KAISER: It might be important for him to be at this one, I don't know.

BUTCH LAMBERT: I didn't see...Diane, what?

DIANE DAVIS: He just had to step out for a minute.

BUTCH LAMBERT: Okay. We can proceed. Maybe he will be back.

JIM KAISER: I don't know if all the Board members here today were present last time. I don't think Mrs. Barber was and maybe not Mr. Harris. So, I guess maybe this

is a location exception unit that was approved and our testimony before you originally sort of...if you've all had a chance to review it, I hope, from the initial hearing sort of at the urging of Mr. Asbury and in agreement with us we were just going to...the royalty payment method was going to combine... basically combine the units and split the royalty from both wells on a pro-rata share...or proportionate share with all of the royalty owners in both units. Some members of personnel at EQT and Mr. Asbury had a meeting subsequent to that hearing and come up with what they thought would be a more Equitable or fair way to in these cases to pay the royalty owners. We've presented that to the Board in December. There was some issue with people not knowing what had been previously approved. So, this was continued for purposes of the Board to review the testimony regarding how royalties would be paid from the previous hearing. So, now, we're back here today. I guess maybe since Mrs. Barber and maybe Mr. Harris weren't here in December that we could have Mr. Shankin present our idea again and then we'd just open it up for discussion, if that's all right with you.

BUTCH LAMBERT: I think that would be a good idea.

JIM KAISER: Okay. Mr. Shankin, if you'd---.

(Luke Shankin is duly sworn.)

LUKE SHANKIN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. If you'd state your name for the Board and who you're employed by?

A. Luke Shankin, EQT Production as a geologist.

Q. Okay. You've got a handout that you've prepared for the Board. If you could go through that for them again and kind of explain what it is we'd like to do that was different from what has already been approved.

A. Yes. On this handout, I'll touch on what was approved in July when we first presented this and then what we proposed last month that got continued. If you'll look at AA, the original plan was a proposed 3850 foot lateral built in a northwest direction that would cross from one previously established 320 acre unit into another. Start the lateral in the conventional unit to the South and cross into the conventional unit to the north. There's a diagram of that coming up. There will be approximately 375 feet to build the curve above the target formation, which would be 1725 estimated feet of producible lateral in the

southern unit and 1750 feet of producible lateral in the northern unit. We would maintain a 300 foot interior window from all other edges of the two units and maintain a minimum 600 foot distance from vertical wells that produce from the same formation as the horizontal. BB shows the two units and relationship to the field here of what we're talking about. CC shows what we're proposing. The well 531020 to the north has been one of our best producing horizontals that we have drilled in the Lower Huron formation. So, we're proposing 9991 to be drilled in a similar orientation and length is 1020 to the north. With topography and mining issues in the area, this is the spot where we could get this well similar to drill this in a similar fashion as the 1020 well to the north we need to cross form one unit into the other. So, what we have proposed in DD, I think this where some confusion came from, but we proposed essentially the unit for 9991 would be comprised of the two units, the one to the north and the one to the south would both be getting paid from 9991. Now, what got approved in July, if you look on EE...I'm not sure it's labeled at the top, but that would be EE. Once...what was approved was once 9991 was drilled and started producing the two existing units would be combined in both 53991 and existing well 531020 would begin to pay the entire 640 acre window of the 40 acre unit.

There would be no back payment of royalties on the 531020 to the 640 acre unit. It would just pay these royalties moving forward from the turn on line date of 53991. This would set in place a process where if a horizontal well crosses from one established unit into another the two units would be combined to form a larger unit. So, if you look on the next page, which would be FF. I'm sorry these didn't get labeled right. But...all right, some issues that we saw once we came back and thought about the way this was approved a little bit, drilling that unit come...would the unit combination apply for all future wells drilled in that formation and other formations within the same unit, essentially if we drilled another well in the same unit the stayed completely within one of the 320 acre units because those two were combined, would it still then pay the 640 that would have been, you know, approved for this 9991. Also, what if the situation arose where a horizontal leg crosses from a unit that has already been approved with the combined...with a neighboring unit that was already combined. So, this case, if you look to the right, you have the larger 640 acre unit on the top. If we drilled well CC, would you then combine that unit to the bottom and have a 968 unit. I think you're going to get a process then where you just keep getting larger and larger horizontal unit

sizes. Yeah, this is how gob units are treated for CBM. You guys may be familiar with just combining units. But here we're not draining from one large open mine reservoir. I mean, you have a tight shell reservoir. The gas from CC is not going to be same gas...the gas from well C is not going to be the same gas drained from the reservoir in well A or in well D. So, what we're proposing, which would be GG, it would be the last page, what we would like to do is get a location and apply the exception to the well and not to the horizontal unit. So, instead of combining two previously established units to form one larger unit, we propose that if a horizontal well stayed entirely within an established unit then the royalties would still only be paid to that unit for the well. So, for instance, to the right since well A stays entirely within unit 1 it would continue to just pay unit 2 moving forward. In the same case on the bottom, since well D stays entirely within unit 3, it would only pay the unit to the south. Again, well C and D right here are just proposed. They're not actually wells on the ground. It's just provide an example for the Board. So, what we're proposing also is if a horizontal well produces from more than one unit then the royalties would be split equally between the units that would be crossed. So, in this case well B which crosses from unit 2 to 1 would then

be paying equally units 1 and 2. Also, if we drilled well C, which crosses from 3 to 2, again, it would just pay equally units 3 and 2. So, essentially, you're applying the exception to the well and not to the unit. So, this isn't going to lead to combining unit after unit and just getting larger and larger horizontal size. It allows us to keep the same 320 acre unit size, but it still allows for effective development of the field by being able to cross these where need be to get good wells.

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: A quick question. In your proposed method, if you'll look at well C, it looks like about one-third of it is in the third unit that you show and maybe two-thirds and these are just rough numbers---

LUKE SHANKIN: Yeah.

BILL HARRIS: What we're talking about is splitting that production in half. Would we not do it by the length that's in that particular unit...the proportionate length that's in that unit?

LUKE SHANKIN: For our case as a company, I mean, it doesn't matter to us. I mean, we're paying that royalty however it is split up. But in the past, paying by length has been in front of the Board before and they've always

kind of preferred to pay the unit equally, which is why we've kind of proposed paying a 50/50 split. There were some CBM units that were proposed to pay by lateral length inside the grid. But either way, it would be tough to determine which part of that lateral is producing the most gas in that case, which is why we just kind of said we'd split it equally 50/50. But if the Board is more comfortable with us taking the surveyed leg afterward and taking the proportionate producing interval share between the two units and splitting it that way, I mean, that works for us as well.

BILL HARRIS: I would prefer the proportionate length, but I mean I'm just one person. I mean, it just seems reasonable. In B...now, again, these are drawings that represent what may be happening underground---

LUKE SHANKIN: Yeah.

BILL HARRIS: ---but with B even...I think in one of those it was actually stated what the lengths were and they were very close.

LUKE SHANKIN: Yeah.

BILL HARRIS: And I could see---

LUKE SHANKIN: In this case, the lengths were very close, Mr. Harris.

BILL HARRIS: Yeah.

LUKE SHANKIN: But you're right, in moving forward, if it happened again, it might not end up being that case.

BILL HARRIS: Yeah. Yeah. And I can see you could have 90% in one and 10% in the other and I don't think that would be fair to split that 50/50. But, again, that's...

BUTCH LAMBERT: Any other discussion from the Board?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: A comment, please. In your example B and C, our statute requires payment on a proportionate acreage basis. So, if in the case of both B and C they would be part of units 1 and 2 and then 2 and 3. Would you not take the total volume from that well and share that volume on a proportionate acreage basis for that combined acre... combined two units instead of going this length? I mean, we're supposed to pay on a proportionate acreage unit basis.

JIM KAISER: Well, that's our proposal, ain't it?

DAVID ASBURY: Right.

JIM KAISER: And what Mr. Harris was saying---

DAVID ASBURY: Rather than lengths.

JIM KAISER: ---was, you know, depending on...what he was saying if you're looking at it purely from a fairness

standpoint and, you know, the equity side of it that because of topography or whatever depending upon where that cross over lateral is located in either one of the units that you could have a situation where a, you know, 80% or 90% of the laterals in one unit and only 10% or 20% in the other unit and then is it fair to do it 50/50? We're okay with either way. We just don't think the way that we originally got approved is the best way.

BILL HARRIS: Let me ask you, is there a scale that can be applied to these or is this just---?

BRUCE PRATHER: Those are drawings.

LUKE SHANKIN: This is just kind of a rough drawing right here. Is there a distance that you're looking for in between something in particular, Mr. Harris?

BILL HARRIS: Well...Mr. Prather--.

BRUCE PRATHER: I can't speak.

BILL HARRIS: Oh, okay. Between the laterals A and B, is there a distance---?

LUKE SHANKIN: I don't have that exactly in front of me, but I think it's in between 1250 and 1500 feet or maybe somewhere around in that range.

BILL HARRIS: Okay. Thank you.

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: In the C scenario, you know, after you take the turn out you probably don't have 10% of that in 3.

BILL HARRIS: In 3, you're saying?

DAVID ASBURY: That's right.

BILL HARRIS: But the actual vertical is not producing, is that right? You're producing after the turn...I'm not sure what I'm asking, but---

BRUCE PRATHER: That's correct.

LUKE SHANKIN: If we split it the way you suggested, we would take the intervals that we produced from. I mean, we wouldn't take from vertical to kickoff---

BILL HARRIS: Yea,

LUKE SHANKIN: ---we would figure out...you know, we would place our completion packers at a certain point in the well and the producing interval is what we would proportionately share in Mr. Harris' case.

JIM KAISER: So, if you had a 100 mcf of gas and that lateral in B was 80% then they would get 80 and the lateral in 3 was 20% they would get 2. I mean, we're okay with doing it that way.

BILL HARRIS: And still that would apply...I mean, you still go by the acreage proportionate amount, but in terms of dividing the gas amount...production amount rather,

it would be proportional to the length that's within that unit first and then---.

JIM KAISER: You would proportion in twice so to speak. Yeah.

BILL HARRIS: Yeah. And then you would apply the acreage proportionate to it. So---.

LUKE SHANKIN: Because I think what Mr. Asbury is saying and what we're proposing is that if you cross it you're effectively forming that 640 acre unit but just for that well. You're not combining the unit specific, but that way you pay the 640 equally for the well rather than treating as two separate units or we could continue to treat it as two separate units and pay proportionally on the length of the lateral.

JIM KAISER: Either way is fine.

LUKE SHANKIN: Either way is okay with us.

BUTCH LAMBERT: Any further discussion?

BRUCE PRATHER: I would think that you would have to get the okay of the royalty owner if he had a choice on either one of these methods.

JIM KAISER: These units are 100% leased.

BRUCE PRATHER: I know they're 100% leased, but I'm talking about the royalty interest.

JIM KAISER: Huh?

BRUCE PRATHER: I'm talking about the royalty interest.

JIM KAISER: So am I.

BRUCE PRATHER: You own a 100% of the royalties?

JIM KAISER: The royalty...it's under lease. I mean, we're not force pooling it or anything.

BRUCE PRATHER: Oh, I understand that.

JIM KAISER: So, they're subjected to what the lease says.

BRUCE PRATHER: They only problem that I can see with the thing is that, you know, you're going across unit boundaries here.

JIM KAISER: Right. That's why we're asking you what your pleasure is in how we split the royalty.

BILL HARRIS: There's no way to tell how accurately this refers back to, again, drilling the horizontal length, but you would just approximate that? I mean---

LUKE SHANKIN: Well, we do surveys as we drill the length out. I mean, now, as a proposed well you can't tell what's going to happen when we drill the wells. But once it's drilled---

BILL HARRIS: Yes.

LUKE SHANKIN: ---and done we do know the length of the well and where it's---

JIM KAISER: You know, they will have actuals.

LUKE SHANKIN: We have that---.

BILL HARRIS: Within a foot of---?

LUKE SHANKIN: I'm not sure what the tolerance is on that, Mr. Harris, but we do have...you know, we survey the wells as we go out in there. We do have lengths and (inaudible) and direction and everything that goes along with those wells.

BILL HARRIS: So, you know where it is---?

LUKE SHANKIN: Uh-huh.

BILL HARRIS: ---and how far it extends?

BUTCH LAMBERT: Mr. Prather, are you saying that you need to abstain?

BRUCE PRATHER: Oh, absolutely.

BUTCH LAMBERT: I don't think this is a particular well. This is a scenario that we're talking about. So, I think you are able to ask questions on---.

BRUCE PRATHER: Well, the only thing that I can say about the thing is the fact that we've got a...we've got a shape set up on these things and basically what it amounts to is that I would prefer...this is just my preference. I would prefer to use out units and then if a well was needed to come in between then we do it at a later time. In other words, instead of drilling this well where it is here drill

it down here in this corner and then if you think that you're not draining with two wells and then come in with one in the middle and that way you're not---

LUKE SHANKIN: I think...I think in this case, Mr. Prather, we couldn't get a location in that bottom right corner. Where we could get a horizontal location was (inaudible) vertical well, 2794. So, where we could get the horizontal I believe at the Board's request earlier, we...instead of forming one larger unit where we could drill both of those within inside the unit, we drilled 300...we formed two 320 acre units and then proposed an exception to cross from one to the other to keep the grid the same in this area.

JIM KAISER: Yeah, A & B is really. C and D is theoretical.

BRUCE PRATHER: Yeah. Yeah.

JIM KAISER: So, we are asking for a specific ruling in a specific situation here and then that would set precedent, I guess, going forward is what we're asking. Does everybody understand that?

BUTCH LAMBERT: Yeah. Okay, any further discussion?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Again, we would be willing to either go with the method that Mr. Shankin has proposed or use the length of the laterals in the instance where you have two units where the lateral crosses into both in order to calculate the royalty for that lateral or for that well. So, either method, I think...I guess, it appears that if the Board agrees, it would probably be better within the method that was originally approved.

BUTCH LAMBERT: I think that's correct. How we're going to approve it---

BILL HARRIS: Well, I'll make a motion that we approve this based on the method that I suggested, not that my name needs to be attached to it.

JIM KAISER: We're going to call it the Harris method.

(Laughs.)

BILL HARRIS: I don't know if we want to do that, but that...the motion would be that if...that if a horizontal well produces from more than one horizontal unit then the royalties get split according to the proportionate length of the horizontal well in that unit.

LUKE SHANKIN: Of the producible interval within that zone, correct?

BILL HARRIS: Yes. Yes. So, that would be my

motion then. That we make the approval based on that kind of a division of royalties. Does that---?

DONNIE RATLIFF: I second it.

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

(No audible response.)

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

DONNIE RATLIFF: Yes.

BILL HARRIS: Yes.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: All opposed, no.

PEGGY BARBER: I think we're still questioning does that have anything to do or take into account the acreage.

BILL HARRIS: Well, I said earlier, that assumption was that not...that would not replace the calculation based on acreage. What this would do is provide---

PEGGY BARBER: But, I mean, is it legal? Is the---?

JIM KAISER: Here's what...can I try to---

BILL HARRIS: Is it legal?

JIM KAISER: ---what I think he's saying? All right. Let's just say we have a situation, look at 2 and 3 and look at lateral C, okay. You've got, I'm going to say,

probably 80/20 in the lateral. So, let's say that that...the production from that well is...just to make it easy a 100 mcf, okay. So, the unit...the royalty owners in unit 3 would get their proportionate share according to their acreage of 20% of that production. The owners in unit B would get their proportionate share in accordance with their acreage of 80% of that acreage. Is that cleared up for you or help? So, you'd be dividing it twice so to speak.

BILL HARRIS: Yeah, there's going to be two calculations. One is going to be---

PEGGY BARBER: I understand that.

BILL HARRIS: ---the proportion of the amount of the length and the other will be the acreage.

BRUCE PRATHER: One thing about it, you are tying it directly to the well by doing it this well.

JIM KAISER: Right. Which I think is good.

LUKE SHANKIN: Yeah, that's what...tie it to the well rather than to the unit so you---

BRUCE PRATHER: Yeah.

LUKE SHANKIN: ---can come back to the well.

BUTCH LAMBERT: Comment, Mr. Asbury?

DAVID ASBURY: We come out at the same place. We...maybe look at early month realtime example of how this

is paid and let the Board look and see if they agree from actual royalty payment or payment example and see if they agree with ownership here. I think we're going to come out at the same place because if you use the acreage and the percentage of the lateral in that you're going to come out at the same place maybe.

BRUCE PRATHER: I think one variance would be that some of these wells don't have the same length of the lateral, in other words due to mechanic problems.

DAVID ASBURY: Well, and are we open...and are we open...is the Board open for the question even though you've got 20% in C and 80% in B? It could be that the owners in C argue that a 100% of that production is coming from that proportionate lateral and that there's really no production in B. And why is...are the groups in C getting paid. I mean---

JIM KAISER: Which would lead you back to this method---

DAVID ASBURY: Which would lead you---

JIM KAISER: ---of just 50/50.

DAVID ASBURY: Which would lead you back to taking the whole well production volume and splitting it by the acreage proportionate share in both 2 and 3 because all of these laterals have segments and we take the whole volume

production and not the segments of volume.

LUKE SHANKIN: Completed segments throughout the lateral.

DAVID ASBURY: Right. Completed segments.

LUKE SHANKIN: Yeah, then they all produce back through the same wellbore.

JIM KAISER: There's got to be a...well---.

BILL HARRIS: Well, what...now, what you're calling segments, are these the extensions out from the lateral? Is that what you're calling them?

LUKE SHANKIN: No, these are just...I mean, it's a single...it's single lateral out there. What he was calling sections is essentially completion stages.

DAVID ASBURY: Completed...completion stages.

LUKE SHANKIN: You know we complete these in several stages throughout the lateral is what Mr. Asbury is referring to.

JIM KAISER: In other words, you come back along the lateral and maybe you complete it here and then complete here and then---.

BILL HARRIS: And you're saying that may not be proportionate to the length?

DAVID ASBURY: That may not be proportionate to the length and it also may not be your actual production zone.

JIM KAISER: He's saying if there's more completion on the part of the lateral it's in one unit and then the part of the lateral that's in the other unit then maybe we're not allocating the production properly.

BILL HARRIS: How would you know that?

LUKE SHANKIN: Or--.

JIM KAISER: Well---.

LUKE SHANKIN: That's the thing. It's...you can't really know.

DAVID ASBURY: We don't.

LUKE SHANKIN: He's saying that if maybe the first stage in the lateral was producing twice as much as the other stages---.

BILL HARRIS: Yeah. Then it wouldn't be appropriate to---.

LUKE SHANKIN: ---then it would be a 50/50 split. But more than likely length equals...I mean, we've seen it before. Length equals higher production. The longer your laterals the better the well, in general. I mean, it's not---.

JIM KAISER: That's...I mean, that's an argument certainly the royalty owner could make. I'm not sure it holds a lot of water, in my opinion. It would be tough to prove, I would think.

DAVID ASBURY: You couldn't prove one way or the other.

BUTCH LAMBERT: Mr. Harris, do you need to amend your motion?

BILL HARRIS: Well, I'm not sure what the...I'm still not sure when you're...and maybe it's just something that I'm not hearing. But when you do...you all saying that it may come out to be the same if you're doing...let's say this C...well C that that horizontal...20% is in the third unit and 80% is in the second unit. Let's say for the purpose of the length, okay the 20/80. So, what my motion suggests that...and this may not be the case, but 20% of production comes in 3 and 80% out of 2 just strictly because the lateral extends 80% into 2 and 20% of it is in 3. So, what my recommendation is that 80% of the royalty attributable to C be given into unit 2 since 80% of the length is there and then that's subdivided based on the acreage of ownership in 2 and the 20% part the same...likewise, that would be attributable to 3 and then that would be sub-divided acreage wise. So...now, the other suggestion is 50/50 because it does overlap two units. I'm not sure how those come out to be the same in terms of royalty paid to landlords.

PEGGY BARBER: Your informational sheet doesn't say

50/50. It says equally. So, how are you going to define equally?

LUKE SHANKIN: 50/50 is what I was thinking about. I'm sorry.

PEGGY BARBER: I mean, you said that, but I just wondered---

JIM KAISER: Theoretically, you could make Mr. Asbury's argument even on a vertical well.

BILL HARRIS: Yeah.

JIM KAISER: You know, you've got a 112 acres in there and you might have five or six different tracts depending upon the completion and this that and the other. You may have...80% of the gas might be coming from the 60 acre tract and 5%. I mean, you just really can't get into that I don't think. That's why we have units.

DAVID ASBURY: Right. And in that case because there is no proof we share by acreage proportionate of that production.

JIM KAISER: And here you're just adding another layer saying the fairest way to do it---

DAVID ASBURY: You're adding another percentage.

JIM KAISER: ---is based on the length of the lateral in the unit.

BUTCH LAMBERT: So, would you like to repeat your

motion, Mr. Harris?

BILL HARRIS: The motion was...well, the petition is for a...was this...well, I'm not sure...because we're hearing testimony...the petition was for an exception---

LUKE SHANKIN: For well 539991.

JIM KAISER: Yeah. And that actually has already been approved. And then Mr. Asbury and Equitable met subsequent to that approval and to kind of take another look at this and we came back...we said, yeah, maybe you're right maybe that's not the way we should do it. We came back with this proposal and now we...and the Board...and we presented this in December and the Board said, well, you know, we appreciate your time and effort on this, but we need to go back and look at the testimony from the hearing in July or August or whenever it was to see what it was we approved then so that we can, you know, figure out what we need to do here and that's why we're back here today.

BILL HARRIS: Well, my motion was relative to the this sheet and I don't think we had a...I know you gave us some AA and BBs. This was not listed. The proposed method.

LUKE SHANKIN: It would be GG.

BILL HARRIS: GG?

LUKE SHANKIN: Uh-huh.

BILL HARRIS: So, it would be Exhibit GG...the

proposed method that we would adopt the first and second recommendation again apply the exception to the well and not to the unit if the horizontal well stays entirely within the horizontal unit then royalties get paid to that unit only. This is not anything different than what we've done. But the third one, if a horizontal well producing for more than one horizontal unit I would change the last part of that...my motion is then the royalties get split proportionately based upon the length of the lateral...the horizontal lateral that's in that unit or proportionately to the units that the lateral crossed. Then the example would not hold in that case because of the use of the word equally. So, I would take out the word equally and change it to proportional to the length with respect to the units. So, that...I don't know if that clarifies it any or not. And, again, this may not work but I just...it just seems to me that if we're going to say here's a well that's 5,000...you know, the unit...the horizontal part is 5,000 feet and 2,000 is in one unit and 3,000 is in the other then we would take two-fifths and three-fifths and use those to calculate the royalties for those respective units.

BUTCH LAMBERT: I have a motion. Do I have a second?

DONNIE RATLIFF: I second it. You've got two

yeses.

BUTCH LAMBERT: That's right we have a motion and a second. And we had a voting. I have three yeses to approve. Any opposed, please signify by saying no.

KATIE DYE: I think my vote has to be no.

BUTCH LAMBERT: No.

PEGGY BARBER: I guess I have one more question and that's to David...to Mr. Asbury. Do you feel this proposal...this can be done?

DAVID ASBURY: Yes.

PEGGY BARBER: Okay. Then I'll vote yes. Yes.

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

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item on the docket is item number eight. A petition from EQT Production Company for a well location exception for proposed conventional well V-502747, docket number VGOB-09-1215-2656. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board members, it will be Jim Kaiser and George Heflin on behalf of EQT Production.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

GEORGE HEFLIN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. George Heflin, Regional Land Director, EQT Production Company.

Q. And you've testified before the Virginia Gas and Oil Board on numerous occasions, it's just been a while, hasn't it?

A. That's correct.

Q. You're familiar with the application that we filed seeking a location exception for this well?

A. I am.

Q. And are you familiar...did all...were all interested parties notified as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. They were.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for this well?

A. The oil and gas is owned by Greater Wise. We have it leased and there's also individual frac 3, which

is Roger Clark Cook, et al and we have them leased as well.

Q. And could you indicate for the Board the ownership...you just did, didn't you? Does Equitable have the right to operate the reciprocal wells?

A. We do.

Q. And that is proposed well 502...I mean, it's V-2749?

A. That's correct.

Q. And could you explain...did you prepare an exhibit for the Board?

A. We did.

Q. Could you explain, in conjunction with that exhibit, while we're seeking this location exception?

A. Yeah, our lessor and also the coal owner for all the tracts in the well unit Greater Wise, Inc. we worked with them to get a suitable location that protects the coal reserves that they were trying to protect. In order to get this location in a place that we could build the location in compliance with the Virginia Oil and Gas Regulations we came up with this spot that was agreeable with Greater Wise.

Q. So, basically the coal owner choice this spot?

A. That's correct.

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

A. Our reserves is 300 million cubic feet.

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

A. 5,245 feet.

Q. And this will be sufficient to penetrate and test the common sources as supplied in the subjected formations as listed in the application with the exception of coal formations?

A. Yes.

Q. Is the applicant requesting that this location exception cover conventional gas reserves from the surface to the total depth drilled?

A. We are.

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-502747?

A. It would.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Kaiser, is this Exhibit A?

JIM KAISER: Yes, sir. Well, it's probably going to need to be Exhibit C, sir.

SHARON PIGEON: Or AA.

JIM KAISER: Or AA, whichever you prefer.

SHARON PIGEON: That's why we do that.

JIM KAISER: We'll call it AA. A is the plat.

BUTCH LAMBERT: Mr. Heflin, you did say that V-502749 was a proposed well, is that right?

GEORGE HEFLIN: V-50...excuse me.

BUTCH LAMBERT: 502749. It's just to the west.

GEORGE HEFLIN: That's a drilled well.

BUTCH LAMBERT: A drilled well, okay.

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: That same well one plat it shows inside the circle. Are these different...in the handout it's inside of the circle that's drawn. But on our A it's shown outside.

GEORGE HEFLIN: It's actually outside. That well number V-2749 is 2,369.92 feet. The units will overlap a little bit because of the 2,500 foot normal spacing.

BILL HARRIS: Well, no, that's not really what I'm saying.

GEORGE HEFLIN: There's a little difference in the scales is what it is. That circle shouldn't be as broad as what it is.

BILL HARRIS: So, the handout AA you're saying is not correct or---?

GEORGE HEFLIN: Well, the 2749 will be slightly in the unit. Some of the acreage that's in the unit for 2749 will probably be in the same unit as 2747.

JIM KAISER: By definition it will be. That's why we're getting the exception.

BILL HARRIS: No, no. That wasn't my question.

GEORGE HEFLIN: What you're asking is with the circle on here why is---?

JIM KAISER: The plat is right and the AA is wrong.

GEORGE HEFLIN: Right.

JIM KAISER: The circle should have been drawn as...it shouldn't as been drawn as wide.

BILL HARRIS: As large.

GEORGE HEFLIN: Right.

BILL HARRIS: So, it is...okay, that was my...okay, so, the well was outside in one of these...outside of the circle, which I assumed was---.

GEORGE HEFLIN: Correct.

BILL HARRIS: ---2500 feet and then...but inside the other one...and, again, that circle, I'm assuming is 2500.

GEORGE HEFLIN: The plat is the correct measurement in distance.

BILL HARRIS: Okay. So, AA is...okay, thank you.

BUTCH LAMBERT: We'll get a revised AA.

GEORGE HEFLIN: We can, yes.

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

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: George, is this in the Roaring Fork. I'm sure it is.

GEORGE HEFLIN: It is. It's the Greater Wise---

BRUCE PRATHER: 306 I know we've got an interest in it.

GEORGE HEFLIN: It's our Greater Wise lease.

BRUCE PRATHER: Yeah. It's up on Buck Knob.

GEORGE HEFLIN: Correct.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted with a corrected AA to show a smaller surface.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

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 Board members signify by saying yes, but Butch Lambert and Bruce Prather.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: One abstention, Mr. Prather. Thank you, Mr. Kaiser.

JIM KAISER: Mr. Chairman, should we just send the corrected exhibit to Mr. Asbury?

BUTCH LAMBERT: Yes.

JIM KAISER: Okay.

BUTCH LAMBERT: The next item on the docket is number nine. A petition from Range Resources-Pine Mountain,

Inc. for the establishment of a provisional unit consisting of 320 acres, unit RR-2659 for the drilling of a horizontal conventional gas well, docket number VGOB-09-1215-2659. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Phil Horn and Gus Jansen on behalf of Range Resources-Pine Mountain.

(Gus Jansen and Phil Horn are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, if you'd state your name 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 your responsibilities include the land involved in the establishment of this unit?

A. Yes, it does.

Q. Would it be your testimony that we have notified all parties as required by statute, that being the

oil, gas and coal owners of this hearing?

A. Yes.

Q. And would it be your testimony that we also published because we do have some unknown heirs having some ownership in the unit?

A. That's correct.

JIM KAISER: 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.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you've testified before the Board on the establishment of provisional units for the purposes of horizontal conventional wells on numerous occasions?

A. That's correct.

Q. And you've provided the Board with a handout to facilitate your testimony today?

A. That's correct.

Q. And could you go ahead and go through that handout for the Board?

A. Certainly. If the Board will refer to the handout, Exhibit AA, this a schematic representation of an existing unit just north of the proposed unit Range 2659. This unit was previously approved by the Board and was drilled in 2009 and we're seeking an additional unit offsetting the existing unit to further investigate the development of the horizontal resources in this area.

Exhibit BB, the next page is a schematic representing the typical layout of the horizontal units. They are 320 acre square units. The dimensions being 3,733 X 3,733 feet, which allows us to drill a maximum lateral of 4,431 feet. It also has the 300 foot offset from any adjacent units that are established.

Exhibit CC, it goes through our proposal in a little more detail. Again, the 320 acre unit is described. We also have the 300 foot interior window and also have a provision for a 600 foot standoff from any adjacent grid horizontal wellbores producing from the same horizon. We also have a 600 foot distance between horizontal wellbores

any vertical wells producing from the same horizon...the same formation horizon. This also allows for multiple wells on their laterals for maximum drainage of all conventional reservoirs and we will be able to drill a surface location inside or outside the unit as long as production is within the unit itself.

Exhibit DD is a typical horizontal well plan. This particular example is for a Lower Huron shale well. Again, we have the same casing requirements as the vertical wells. The surface casing for protection of the ground water in the areas. We have a seven inch string there for the coal protection that's also required by the vertical well plans in the area. Again, this just shows the typical layout of a vertical...the horizontal well and the land point in the shale and then doing the horizontally out into the formation, which again would be within the unit. This would apply to each of the different formations if we chose to drill a different formation within this unit at some time in the future.

Again, on Exhibit EE, the benefits of horizontal drilling, we're going to provide benefits to the working interest owners, the royalty owners and the county would likely benefit by maximizing production and promote the conservation of the gas resource and prevent waste by

effectively extracting more of the resources. These laterals can be drilled underneath areas otherwise inaccessible from the surface. We have less impact on the coals in the area. We have less impact on the surface in the area. Less disturbance. The square units allow for no strained acreage. Again, we've got this unit building off our same grid pattern as our existing units in the area.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Yes.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Mr. Chairman, the existing units in the area, are those 80 acre units and we're talking about putting four of those together, is that---?

GUS JANSEN: No, sir, these are our standard 320 acre units that we've been building since the beginning of our program.

BILL HARRIS: Okay. So, in this area that's---?

GUS JANSEN: This is in the Nora grid, which is a 60 acre CBM unit underlying here that's not Roaring Fork field. We have never adhere to any of the CBM grids.

BILL HARRIS: Okay.

BUTCH LAMBERT: Further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

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 Board 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.

BUTCH LAMBERT: The next item on the docket is item ten. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional well V-530248, docket number VGOB-09-1215-2660. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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

Q. And you're familiar with this application?

A. Yes, I am.

Q. Now, you've obviously reviewed the plat, is that correct?

A. That's correct.

Q. Now, with regard to this particular application, there are a number of wells from which we're seeking a location exception, is that correct?

A. That's correct.

Q. Are you familiar with the ownership?

A. Yes, I am.

Q. And who owns the oil and gas under that?

A. Range Resources-Pine Mountain, Inc.

Q. So, in this particular case, you're an

operator and an owner, is that right?

A. That's correct.

Q. Okay. Now, all of the parties who were required to receive notice of this hearing listed on Exhibit B, did they get notice of the hearing?

A. Yes, they did.

Q. And how was that done?

A. By certified mail.

Q. And we've provided that to Mr. Asbury?

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 proceed, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, again, your name, by whom you're employed and your job description.

A. Gus Jansen, employed by Range Resources-

Pine Mountain, Inc. as manager of geology.

Q. And you also participate in the preparation of this application?

A. Yes, I did.

Q. And would you please tell the Board why we're seeking a location exception today?

A. Yes, I handed out to the Board an Exhibit AA, which is a schematic representation of the existing wells already drilled in this area. There are five offsetting wells. We're proposing to drill well 530248, which will take in the strained acreage that was not recovered by the drilling of the original wells in this area.

Q. How much acreage do we have here?

A. The strained acreage in this area is 69.26 acres.

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

A. 5,471 feet.

Q. And what was the loss of reserves if this application is not granted?

A. The estimated reserves from this area are 400 million cubic feet of gas.

Q. So, in your opinion, if this application is

granted it will be to promote conservation, prevent waste and protect correlative rights?

A. That's correct.

JIM KAISER: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Jansen, that 69 acres is that the cross-hatched green?

GUS JANSEN: Yes, sir, that is correct. I failed to mention. That is the area. Steepled with the green cross-hatched would be the drained acreage that we would be draining with this new well.

BUTCH LAMBERT: Okay. Can we move that well just a few more feet to the west and take in those other little areas?

TIM SCOTT: To the west?

BUTCH LAMBERT: I mean, tot he east, I'm sorry.

GUS JANSEN: If you'll refer to the topographic map underneath there we've positioned that well where we think we can best build a suitable site. It would be hard with the safety and environmental regulations of the DGO. If we go to much further down that ridge, we get into a steeper terrain, which would be a less desirable location for a well.

TIM SCOTT: So, there's safety concerns as well, is that right?

GUS JANSEN: That's correct.

SHARON PIGEON: What did you say the reserves were? You said it, but I didn't hear you.

GUS JANSEN: I'm sorry. 400 million cubic feet of gas.

BUTCH LAMBERT: Any other questions from the Board?

BRUCE PRATHER: I have a question. You do have all of the leases in here? In other words, there's no foreign leases or anything like that adjacent to this?

TIM SCOTT: Mr. Horn.

PHIL HORN: That's correct. There are no foreign leases in there.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: I'll make the motion to approve.

BUTCH LAMBERT: I have a motion to approve.

BILL HARRIS: I'll second.

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

(No audible response.)

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

(All Board members signify by saying yes, but Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN: Thank you.

GUS JANSEN: Thank you.

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

(Lunch.)

BUTCH LAMBERT: The next item on the docket is item eleven. It's a petition from CNX Gas Company, LLC for the creation of provisional drilling unit pooling and location exception for proposed horizontal conventional unit I12CV, VGOB...it's docket number VGOB-10-0119-2661. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty and Jeremy

Hayhurst and, unfortunately, Jim Kaiser.

(Laughs.)

JIM KAISER: Jim Kaiser on behalf of Chesapeake Appalachia, LLC. I'll brief though.

(Jeremy Hayhurst is duly sworn.)

MARK SWARTZ: The reason that Jim is here is we've reached an agreement to continue a piece of this until next month if that's okay with you. Jim represents Chesapeake Appalachian and they have less than a 3% interest by virtue of a lease in the northeast corner of this proposed unit. They asked us...Jim asked us to give them a little more time to react to the pooling application piece of this. So, with your permission, we would like to create the unit today and deal with the well location and then continue the pooling piece of this, which won't take very long. But continue it for thirty days until February to give Chesapeake a chance to react to it. Jim is, I think, agreeable with that.

JIM KAISER: Yes, that's fine with us.

BUTCH LAMBERT: Okay.

MARK SWARTZ: Great. Great.

JIM KAISER: Thank you.

BUTCH LAMBERT: We'll proceed.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, let me start with you and let's talk generally about notice issues and so forth, okay.

A. Okay.

Q. What if anything did you do to notify people that we would be having a hearing today?

A. We mailed the notice and attached exhibits certified mail return receipt requested on December the 18th, 2009. We also published in the Bluefield Daily Telegraph on December the 28th, 2009.

Q. Have you provided the Director with copies of your certificates with regard to mailing?

A. Yes.

Q. And would the same be true with regard to the proof of publication that you get from the newspaper?

A. Yes.

Q. In this instance, because we're creating a drilling...seeking to create a drilling unit, did you send to people that we have leases from as well?

A. Yes, we did.

Q. Okay. Because we're creating a unit that might exceed the size of the units that the leases allow us to create, correct?

A. Yes.

Q. So, there are some folks in the two blank on the notice of hearing that we're not pooling, but we're simply not...or seeking to pool, but we're simply notifying them that we are proposing to create a unit, which would affect their leased acreage?

A. That's correct.

Q. Okay. There's a plat attached here. Although I'm going to talk to Jeremy more about this in more detail, there's a well shown on the plat. It's I12CV, correct?

A. Yes.

Q. And that...there's actually...we already have a permit for that well and that permit number is identified in the application, correct?

A. Yes.

Q. And it was permitted as a vertical well?

A. Yes.

Q. The permit number?

A. 10,067.

Q. Okay. So, if this application to create

this unit and then locate the well where our existing permit is approved, we would then modify that permit application to allow a horizontal well?

A. Yes.

Q. Or horizontal drilling, correct?

A. Yes.

Q. Okay. Do you wish to add anybody as a respondent today? Do you feel like you've missed anyone?

A. No.

Q. Okay. Do you wish to dismiss any folks as respondents?

A. No.

Q. Since we're not...oh, the shape of the unit, let's talk about that for a moment. You've submitted a plat, which shows the shape of the unit, correct?

A. Yes.

Q. And the shape of the unit here is actually a combination of...or the result of a combination of four Oakwood units?

A. Yes.

Q. And this is a process that has been followed by other companies in drilling horizontal wells in this formation, correct?

A. Yes.

Q. So, the selection of four units in a 320 acre unit is simply consistent with prior applications by other companies?

A. Yes, that's correct.

Q. Okay. Have you provided the Board with a description of the unit in terms of what Oakwood units are involved?

A. We have.

Q. And what four Oakwood units would those be?

A. G-11, G-12, H-11 and H-12.

Q. Have you also provided the Board with a state plain coordinate description at paragraph six of your application?

A. Yes.

Q. And this involved 320 acres, correct?

A. Yes.

Q. And this would not be a voluntary unit and that's why we need to come back in February to pool if it's created?

A. That's correct.

MARK SWARTZ: That's all I have of Anita at the moment unless the Board has any questions.

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I assume that this I12CV is going to be drilled outside the window.

MARK SWARTZ: Well, it's actually outside the unit.

BRUCE PRATHER: Outside the unit. And that 375 foot would be the part that before you start your lateral and then your laterals would start within the window of the unit?

MARK SWARTZ: Well, we were going to ask you about that. We can make that happen. The horizontal leg is going...Jeremy will talk about that eventually and we'll get him to testify. But to answer your...to focus on your question. The horizontal leg is going to be cased. You know, unless we get your permission to perforate that casing south of the window, we will not. Do you follow me?

BRUCE PRATHER: Yeah.

MARK SWARTZ: Is that responsive to the question that you've asked or---?

BRUCE PRATHER: Well, approximately, you know, 400 foot of it would be making the curve.

MARK SWARTZ: Correct.

BRUCE PRATHER: And that curve it looks like is getting awfully close to the boundary of the unit anyway.

MARK SWARTZ: Well, we...I'm thinking that we are

going to be...do you see the dot in the...between the drilling window and the southern boundary of the unit? There's a dot on that leg.

BRUCE PRATHER: Yeah. Uh-huh.

MARK SWARTZ: I'm thinking that is the earliest point at which we're in the seam and could perforate.

BRUCE PRATHER: Okay.

MARK SWARTZ: Now, this is all obviously projected, but---

BRUCE PRATHER: Yeah.

MARK SWARTZ: ---that's what we have in mind. And we would obviously like to perforate there and produce there. But if the Board would prefer that we not perforate south of the window, you tell us that and we'll make that happen. But I'm going to talk to Jeremy about that.

BRUCE PRATHER: I mean, if I had my preference, I would rather you would stay within the unit with your perforations.

MARK SWARTZ: We definitely are not going to have any production south of the unit boundary.

BRUCE PRATHER: I'll tell you another thing that you might run into would be, you know, when you start...you're in this curve area, you might have a problem cement job in that curve area.

MARK SWARTZ: We'll talk to Jeremy about that. But my impression or understanding is that we are going...this well is going to be cased and cemented back, but cased to the horizon that we're seeking to produce from and then it's going to be cased the entire leg. So, it should not...we should not be producing until we perforate.

BRUCE PRATHER: Okay. So, the whole lateral is going to be cased.

MARK SWARTZ: Correct.

BRUCE PRATHER: Okay.

MARK SWARTZ: And that will allow us to frac as well, which Jeremy will also be talking about. But the idea is---

BRUCE PRATHER: Are you going to use baffles? I assume you're going to use baffles.

MARK SWARTZ: Actually, when we get...go ahead.

JEREMY HAYHURST: Yeah, we haven't decided what kind of completion technique we'll use yet.

BRUCE PRATHER: Okay.

JEREMY HAYHURST: We're still in the bidding phase---

BRUCE PRATHER: All right.

JEREMY HAYHURST: ---to see if we're going to use four and a half cemented and then perforate or a baffled

type system.

BRUCE PRATHER: Yeah. Okay.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continued, Mr. Swartz.

MARK SWARTZ: I'd like to call Jeremy. He has a packet of information that actually was dated yesterday, but it's probably still good today.

JEREMY HAYHURST

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Jeremy, could you state your name for us, please?

A. My name is Jeremy Hayhurst.

Q. Who do you work for?

A. For Consol Energy.

Q. And what is your title with Consol?

A. Senior Reservoir Engineer.

Q. And what office do you work out of Jeremy?

A. Out of the Cantonsburgh Office in PA.

Q. You've testified before this Board?

A. Yes.

Q. Just to recap a little bit, where did you get your degree?

A. I got my Bachelor's Degree from Western University and then I also---

Q. What year would that have been?

A. That would have been in---

Q. It can't have been that long ago.

A. ---2002.

Q. Okay. And then do you have a degree beyond the Bachelors?

A. I have a Master's Degree.

Q. In what?

A. In Petroleum Engineering.

Q. Okay. And when did you get that?

A. I got that in 2005.

Q. Okay. And how long have you been working for Consolidation Coal or one or more of their subsidiaries?

A. Six years.

Q. Six years, okay.

BUTCH LAMBERT: Mr. Swartz, could you speak up? We're having a hard time hearing you.

Q. Okay. Jeremy, did you put together a

packet to sort of summarize your views with regards to this proposed unit and why it might make economic sense?

A. Yes.

Q. Okay. And is that what has been passed out to the Board called horizontal conventional unit?

A. That's correct.

Q. And the first page locates the four units that are combined to make the 320 on the Oakwood grid, correct?

A. That's correct.

Q. Okay. And then we've got the well plat or unit plat that's actually part of the application that Anita and I were talking about.

A. That's correct.

Q. And this...the well with regard to the proposed unit actually the well bore goes through the surface of the ground at a point outside of the unit?

A. That's correct.

Q. And could you tell the Board what the drilling...obviously, we're going to have to modify the permit that was originally issued. But if the permit is modified to allow this horizontal drilling to occur, could you explain to the Board what it is you have in mind to produce from this proposed unit?

A. Yeah, what we plan on doing is drilling vertically from the surface location and kicking off at some distance above...probably 500 feet above the Huron itself. Start our curve...start our curve until we intercept the shale, which shows where we anticipate intercepting the shale with the dot, which is inside that 300 foot boundary and then we plan on drilling an additional 2500 feet and then either case it with or utilize a packer system or cement it back to surface and then perforate and stimulate.

Q. Okay. And will the...and the dot that you've got between the drilling window and the southern boundary of the unit, roughly halfway---?

A. Yes.

Q. ---that is where you anticipate you're going to be in the seam with your well bore?

A. That's correct.

Q. Okay. And that would be the first point at which you would have an opportunity to perforate and produce?

A. That's correct.

Q. Okay. And, obviously, if it's the Board preference that you not utilize that space between the drilling window and the unit boundary you could move that first perforation to the edge of the drilling window---?

A. That's correct.

Q. ---if requested?

A. Yes.

Q. Okay. And you intend to frac the horizontal hole?

A. Yes.

Q. And although we're not pooling it today and we're not talking about dollars and cents, there's a significant component of your budget I would assume with regard to that frac job?

A. That is correct.

Q. Then the next page, I'm sure the Board has heard this before, so we're not going to spend a lot of time on this, but obviously this is some of the advantages of using horizontal well bores and one of them is you're draining a larger surface area as you look down from the sky with much fewer wells?

A. That's correct.

Q. And then the second point, what's the good thing about the second point you make on this?

A. Intercepting vertical fractures, which are existing fractures within the shale to allow for more pathway for the gas to flow to well bore.

Q. Okay. So, if there's an existing fracture

system that you can take advantage from a communication with the reservoir, a horizontal well allows you to intercept those, whereas a vertical well, of course, does not?

A. That's correct.

Q. Now, we've got a typical exploration design. If you could cover that design for the Board.

A. This is just to show kind of casing schematic that we typically use in this shale and other shales that we're drilling. We set twelve and three-quarter inch conductor casing. Additional casing string of nine and five-eighths was to protect the water string or the water zones, which is about 300 feet. An additional 2500 foot of seven inch to protect the coal horizons. Then we'll either cement the four and a half clear to TD, which was TD essentially about 9,000 feet for a total length measured depth, I guess, will be 9,000 feet. That will be four and a half inch casing.

Q. So, the casing in the horizontal or in the formation is four and a half inch?

A. That's correct.

Q. And when you say four and a half inch, roughly 9,000 feet, you're taking the 6,000 feet of vertical depth and---?

A. In the curve.

Q. ---the turn...the curve and roughly 2,500 feet in the leg?

A. That's correct.

Q. Okay. And in order to fracture this...what are the alternatives available and how would that happen?

A. Right now we're still going through what completion technique we'll use, but you could cement the four and a half back to surface and then you could go in and perforate the different stages that you want to run.

Q. Okay.

A. We're still trying to figure out how many stages we want to run. Or you could use a packers or a baffle type of system, which you could open sleeves. You could place the packers in the sleeves where you want the stages to be completed.

Q. Okay. Then the design of the unit here, I'm not really going to spend much time with this, but is it your understanding that the preference of the Board and the Director would be to use the existing unit boundaries and combine them for a host of good reasons?

A. That's correct.

Q. And your design of this particular unit is to take four Oakwoods and put them together?

A. That's correct.

Q. The next two sheets I think we've sort of touched on the benefits of drilling horizontal. We're not going to deal with costs today because we're not pooling. But I am interested in the reserve estimate chart. It looks good bit like a bell curve to me.

A. Yes.

Q. Is that the intent of this?

A. Oh, yeah. I put distributions on various reservoir perimeters to calculate the gas in place. Most of it came from, you know, public data and competitor data that's published.

Q. So, you...is this the first well in the horizontal well in the Huron that your company would be drilling here?

A. That's correct.

Q. Okay. So, you don't have any data of your own to bring to the table?

A. That's correct.

Q. So, the data on the reserve estimate chart, give the Board some idea where you found this information?

A. Most of it come from various websites, published papers from various universities. People that have done studies within the Lower Huron.

Q. Okay. And tell the Board what we're seeing

here in terms of the distribution of reserves.

A. Yeah, the distribution with all of the perimeters that I have put in with varied reservoir pressure, porosities, gas saturations and desorption characteristics of the shale. The range of values that I came up with of P-90 of about 1.4 bcf with a mean of 2.3 and a P-10 of about 3.4, which that's gas in place. That's not recovery. If you start looking at recoverable reserves at 20% recovery, here from 300 to 680 million cubic feet and a 30% recovery you're from 450 to a bcf per well.

Q. Okay. And this...the percentages of recovery whether it's 20 or 30, what's the years that you've factored in there that you have?

A. There is no years.

Q. Okay. It's the same.

A. It's still based on the flow stream that you would see---

Q. Okay.

A. ---or how many years it would take to get that out.

Q. Okay. And given the data that's available, and I assume you have some data with regard to the Huron where you're drilling.

A. The thickness?

Q. Right.

A. Yeah. Mostly like this. We don't have much.

Q. Okay. But given the data that's available to you from other sources and the data that you have with regard to the thickness of this horizon, does it seem likely to you or probable to you that you will have an economic well?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have one question.

BUTCH LAMBERT: Mr. Prather. You said originally that you were going to cement this four and a half all the way back to the surface?

JEREMY HAYHURST: We don't...we don't know what we're going to do yet. We don't have to know if we're going to utilize packers plus or cemented casing.

BRUCE PRATHER: Yeah. I mean, you know, I've looked at quite a few of these things. It looks to me like you could bring it back...it all depends on if you had your seven inch sitting in the top of the Lime you have a bunch of stuff that...or between where your leg is, which you

might be able to complete in a vertical basis. So, I would assume you would bring your cement job up at least 600 or 800 feet above anything like that up into your nine and five-eighths or up in your seven inch casing...seven inch.

JEREMY HAYHURST: And that's two complete other vertical zones...other zones above---?

BRUCE PRATHER: Yeah. Yeah.

JEREMY HAYHURST: We could potentially do that. I don't know what kind of issues that would be one of the units and everything else. That's---.

BRUCE PRATHER: Yeah.

JEREMY HAYHURST: --something we could think about in the future.

MARK SWARTZ: We would have to be back here to create some other drilling units on top of this one. I mean, in theory you could do that. But we're not asking for permission to be allowed to do that at the moment. I mean, we've got---.

BRUCE PRATHER: I mean, I've seen a lot of them. They're taking, I mean, every little bit of gas they've got up hole there. They produce it through the (inaudible) commingled. Whereas, you know, if you want to save it, you could cement it up over---.

MARK SWARTZ: The problem we're going to have if we

produce from any part of the vertical that production would be outside of the unit we're creating. So, we would have to be back here and design another unit.

BRUCE PRATHER: Well, basically what I'm talking about is after the lateral gas is played out.

MARK SWARTZ: Okay.

BRUCE PRATHER: Then you've got something behind---

MARK SWARTZ: Just plug it back and recomplete it.

JEREMY HAYHURST: Hopefully, that's 65 years from now.

BRUCE PRATHER: Yeah. It will be a while.

MARK SWARTZ: Well, if you could segregate the gas, you know, in the vertical---

BRUCE PRATHER: Well, you could with a packer, but that's---

MARK SWARTZ: You know, but you could theoretically do that. I'm not sure that's something we're interested in at the moment. Yeah, it could happen.

BUTCH LAMBERT: Mr. Swartz, I think I heard you say that the company is not opposed to not beginning the production until inside the window?

MARK SWARTZ: Correct.

BUTCH LAMBERT: Okay.

MARK SWARTZ: Now, it might be an inch inside the window, you know, just like we tend to locate wells right at the edge there. But, yes, we are not opposed to it.

BUTCH LAMBERT: That's inside the window. Okay.

MARK SWARTZ: We're not opposed to it.

BUTCH LAMBERT: All right. Also, Mr. Swartz, do we need to label your exhibit?

MARK SWARTZ: She's in charge of numbering. So---.

SHARON PIGEON: I have to have a job. Yes, we're going to label that AA.

MARK SWARTZ: AA. Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: I'll make the motion to approve.

BILL HARRIS: I'll second.

BUTCH LAMBERT: Just so that we understand that includes the drilling unit and location exception and does not include the pooling. Does your motion also include Mr. Prather that production will not begin until inside the window?

BRUCE PRATHER: I would recommend that.

BUTCH LAMBERT: Okay. Does everyone understand the

motion?

BRUCE PRATHER: Mr. Chairman, are we talking about the unit proposals? They've got one here that's 60 acres and the other 80 acres. Are we going to discuss that or is that for a later date?

JEREMY HAYHURST: That's the future for other fields.

BRUCE PRATHER: All right.

BUTCH LAMBERT: So, we have a motion on the table to approve the unit less the pooling request and the motion to include that production will not begin until inside the interior window.

MARK SWARTZ: Correct.

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, Donnie Ratliff and Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

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

BUTCH LAMBERT: Two abstentions, Mr. Ratliff and Mrs. Dye. Thank you, Mr. Swartz.

DAVID ASBURY: Mr. Chairman, as far as this whole Board docket item, we'll continue the pooling portion using

the same docket item for February.

MARK SWARTZ: That's what I would expect, yes.

DAVID ASBURY: Okay.

BUTCH LAMBERT: Until February? Was that the---?

MARK SWARTZ: Yeah, February is good. That was the agreement.

BUTCH LAMBERT: I wrote down March. It was February...okay. All right.

MARK SWARTZ: Thank you very much.

BUTCH LAMBERT: The next item on the docket is item thirteen. A petition from EQT Production for pooling of unit in well VC-531328, docket number VGOB-10---.

SHARON PIGEON: You skipped twelve.

BUTCH LAMBERT: I did. Oh, I'm sorry.

JIM KAISER: Well, we're going to actually continue it, but he needs to call it.

BUTCH LAMBERT: Oh, you're going to...oh, okay. Well, okay, then.

SHARON PIGEON: He read your mind apparently.

JIM KAISER: Just like Magic Johnson, he has got ESPN.

BUTCH LAMBERT: That's right. So, we won't be calling thirteen. We'll be calling item twelve. A petition from EQT Production Company for pooling of unit in well VC-

537199, docket number VGOB-10-0119-2662. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of EQT Production Company. We'd ask that this item be continued until the February docket.

BUTCH LAMBERT: Thank you, Mr. Kaiser. It has been continued. We're calling docket item thirteen. A petition from EQT Production Company for pooling of unit and well VC-531328, docket number VGOB-10-0119-2663. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser and George Heflin of behalf of EQT Production Company.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

GEORGE HEFLIN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. George Heflin, Regional Land Director, EQT Production Company.

Q. And you're familiar with the...Equitable's application seeking a pooling order EQT well number VC-

531328, dated December the 18th, 2009?

A. I am.

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

A. We do.

Q. Now, prior to the filing of the application, were efforts made to contact each of the respondents and an attempt made to work out an agreement regarding the development of the unit?

A. There were.

Q. And what is the percentage under lease within the gas estate in the unit to EQT?

A. We have 92.99752914%.

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

A. A 100%.

Q. Are all unleased parties set out at Exhibit B-3?

A. They are.

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

A. Yes.

Q. And would it be correct to state that the part of the gas estate that remains unleased is 7.00247086?

A. That's correct.

Q. Okay. And the coal estate is 100% leased?

A. That's correct.

Q. And we do have some unknown and unlocateables within the unit, correct?

A. Correct.

Q. In your opinion, were reasonable and diligent efforts made and sources checked to identify and locate these unknown heirs including primary sources such as deed records, probate records assessor's records, treasurer's records and secondary sources such as telephone directories, city directories, family and friends?

A. There were.

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

A. Yes.

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

A. That's correct.

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 as to what those are?

A. Twenty-five dollar bonus for a paid up five year lease with a one-eighth royalty.

Q. In your opinion, do the terms that 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. It does.

Q. Now, as to those respondents listed at B-3 who remain unleased, do you agree that they be allowed the following statutory options with respect to their ownership interest within the unit: 1) Direct participation; 2) a cash bonus of twenty-five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his 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 or her share equal, A) 300% of the share of such costs applicable

to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. That's correct.

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

A. That's right.

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 leased 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 the applicant for their proportionate share of actual well costs?

A. That's correct.

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 if a respondent elects to participate, but fails to pay their proportionate share of well costs then that election should be withdrawn and void and the respondent should be treated as if no initial election had been filed under the force pooling order?

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 well costs any cash sum becoming payable to that respondent be paid by the applicant within 60 days after the last date on which the respondent could have paid their costs?

A. That's correct.

Q. Let's see, the Board does need to establish an escrow account for this well, is that correct?

A. Yes.

Q. And that will...we need to escrow escrow proceeds from all tracts in the unit with the exception of Tract 3, is that correct?

A. Let me look real quick. That's correct.

Q. Okay. And before we get to the operational questions, let's turn our attention to the plat for this well. Do you see down in the southwest area of the unit, VAD-3811?

A. I do.

Q. And you see where the proposed well VC-531328 is?

A. Yes.

Q. Do you want to explain that to the Board?

A. Yeah. The well VAD-3811 was originally permitted as a dual completion well, which meant we had the option at the time that we drilled it to drill it to a depth or we could produce the conventional gas and the coalbed methane gas. This particular well once we drilled it we completed it only in the conventional coal...conventional gas producing seams and didn't stimulate the coal seams. So, this is in essence right now producing as a conventional gas well.

Q. Okay. So, there were no coal formations or coal seams that were completed in VAD-3811, it was only

conventional zones?

A. That's correct.

Q. Okay. Who should be named operator under any force pooling order?

A. EQT Production Company.

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

A. 2,728 feet.

Q. The estimated reserves over the life of the unit?

A. 300 million cubic feet.

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

A. It has.

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

A. It does.

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

A. The dry hole costs are \$199,728. The completed well costs are \$422,347.

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 the protection of correlative rights?

A. It would.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

KATIE DYE: I believe there's a typographical error on the depth in the application because they are listing it as 27,281 feet. It's a little deep.

BUTCH LAMBERT: That's pretty deep well.

GEORGE HEFLIN: What did we have?

BUTCH LAMBERT: 27,281 feet.

GEORGE HEFLIN: In the application?

BUTCH LAMBERT: Yes.

JIM KAISER: Yes.

BUTCH LAMBERT: Item D.

JIM KAISER: So, you just need the scratch the 1 off the end there.

SHARON PIGEON: On your Exhibit E, I don't see Tract 9. I think you testified everything but Tract 3 needed to be escrowed.

JIM KAISER: Because 9 doesn't need to be escrowed. That's my fault.

SHARON PIGEON: So, you need it...so, you need to correct that testimony. 3 and 9 you're saying.

JIM KAISER: George...yes. An escrow account needs to be established for proceeds from each tract in the unit with the exception of Tract 3 and 9. Would that be correct?

GEORGE HEFLIN: That's correct.

JIM KAISER: Thank you. I'm sorry, thank you.

GEORGE HEFLIN: I missed it too.

JIM KAISER: No conflicting claim there.

BUTCH LAMBERT: Further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Thank you for the underground mine maps too. Those are very helpful. I appreciate those. 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?

KATIE DYE: 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 Board members signify by saying yes, but Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. The next item on the docket is item fourteen. It's a petition from EQT Production Company for pooling of coalbed methane unit VC-536324, docket number VGOB-10-0119-2664. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser for EQT Production Company. We'd ask that this item be withdrawn from the docket.

BUTCH LAMBERT: It will be withdrawn. Thank you, Mr. Kaiser. The next item is item fifteen. A petition from EQT Production Company for pooling of conventional horizontal gas unit VH-531093, docket number VGOB-10-0119-2665. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and George Heflin.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

GEORGE HEFLIN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Helfin, are you familiar with the application that we filed seeking to pool any unleased interest in the unit for EQT well number VH-531093, dated December 18, 2009?

A. I am.

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

A. We do.

Q. And 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. There were.

Q. Now, this is a horizontal conventional unit, correct?

A. That's correct.

Q. And what's the interest currently under lease to EQT in the gas estate?

A. We currently have 92.25972279%.

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

A. They are.

Q. So, the interest that remains unleased is 7.74027721?

A. That's correct.

Q. Okay. We do have some unknowns in the unit?

A. We do.

Q. And, again, were reasonable and diligent efforts made and sources checked to identify and locate these unknown heirs?

A. There were.

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

A. Yes.

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

A. We are.

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

A. I am.

Q. Again, advised the Board as to what those are?

A. It's a twenty-five dollar paid up lease bonus with a five year term and a one-eighth royalty.

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. It is.

JIM KAISER: Mr. Chairman, at this time, I would like to ask that we incorporate the statutory election option testimony taken earlier today in item docket number 2663.

BUTCH LAMBERT: Accepted.

Q. Mr. Heflin, the Board does need to establish an escrow account for this unit, correct?

A. That's correct.

Q. I'm going to see if I can get this right this time. They need to escrow the proceeds from Tracts 3, 5, 18, 32, 33 and 34?

A. That's correct.

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

A. EQT Production Company.

Q. And the total depth of this proposed well?

A. Hang on just a second. 9106 feet.

Q. That's including the lateral?

A. That includes the lateral.

Q. Okay. And estimated reserves over the life of the unit?

A. 660 million cubic feet.

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

A. It has.

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

A. It does.

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

A. \$568,740 and the completion costs are \$1,022,869.

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 protection of correlative rights?

A. It would.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Heflin, in your package, a couple of pages back from the plat, there appears to be I think what's a map that was folded up. But I'm not sure what we've got.

GEORGE HEFLIN: I noticed that also. That would have been a full size plat that was folder and it should have been the same thing that you have gotten. But, unfortunately, it looks like the copy was made...the copy you got was something...we made the copy and we didn't unfold it when we made the copies. There's a reduced version...there's a reduced version in the front of it. You're correct. That should like the plat that Mr. Asbury has.

BUTCH LAMBERT: We have it. Just smaller.

GEORGE HEFLIN: Right.

JIM KAISER: You got that same thing reduce, yeah.

BUTCH LAMBERT: Okay.

JIM KAISER: And you somehow got a piece of the non-reduced one in there too.

GEORGE HEFLIN: It was folded and copied.

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, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

KATIE DYE: Motion to approve.

PEGGY BARBER: 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 Board members signify by saying yes, but Butch Lambert, Bruce Prather and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: I abstain.

BUTCH LAMBERT: Two abstentions, Mr. Prather and

Mr. Ratliff.

BUTCH LAMBERT: The next item on the docket is item sixteen. A petition from EQT Production Company for repooling of coalbed methane unit VCI-537337, docket number VGOB-09-1117-2627-01. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and George Heflin.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

GEORGE HEFLIN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Heflin, state your name, who you're employed by and in what capacity?

A. George Heflin, Regional Land Director, EQT Production Company.

Q. Okay. We originally pooled this well back in November, 2009, correct?

A. That's correct.

Q. And then subsequent title work uncovered quite a few additional heirs than what we originally had depicted?

A. That's correct.

Q. So, we have refiled the application and renoticed everybody and are back here today, but I guess the good news is it appears to me that everyone of the new people that we located we have obtained a voluntary lease from?

A. That's correct.

Q. Okay. And does Equitable own drilling rights, obviously, in the unit involved here?

A. We do.

Q. And prior to the filing of the application, you made an attempt with each party to work out a voluntary lease agreement?

A. We did.

Q. And what is the percentage under lease to Equitable in the gas estate in this unit?

A. 86.646557828%.

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

A. A 100%.

Q. Are all unleased parties set out at Exhibit B-3?

A. They are.

Q. So, 13.35342172 of the gas estate remains unleased, is that correct?

A. I have it as 13.---

Q. I'm sorry, I probably don't have it right.

A. ---35342172%.

Q. That's what I said, I think. Oh, I did.

And a 100% of the coal is leased?

A. That's correct.

Q. Do we have any unknowns? Yes, we do have one unknown party. So, again, were efforts made to determine and sources checked to identify and locate this unknown heir?

A. They were.

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

A. Yes.

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

A. We are.

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

A. Twenty-five dollars paid up, a five year lease with a one-eighth royalty.

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, I'd like to ask that we be able to incorporate the statutory election option testimony taken regarding the unleased parties.

BUTCH LAMBERT: Accepted.

Q. The Board does need to establish an escrow account for this unit?

A. We do.

Q. And I believe that's just for Tract 3 though, right?

A. Yes.

Q. Correct?

A. Yes.

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

A. EQT Production Company.

Q. And the total depth of this proposed well?

A. 2,438 feet.

Q. Estimated reserves over the life of the

unit?

A. 250 million cubic feet.

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

A. It has.

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

A. Yes.

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

A. Dry hole costs are \$141,180 and the completed well costs are \$353,962.

Q. Do these costs anticipate a multiple completion?

A. It does.

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. It would.

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, sir.

BUTCH LAMBERT: Do I have a motion?

BILL HARRIS: Motion for approval.

PEGGY BARBER: 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 Board members signify by saying yes, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item on the docket is item seventeen. A petition from EQT Production Company for repooling of coalbed methane unit VC-536529, docket number VGOB-09-0818-2580-01. All parties wishing to testify,

please come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and George Heflin. We've got some revised exhibits that we'll be passing out along with the map works.

(Exhibits are passed out.)

BUTCH LAMBERT: You proceed, Mr. Kaiser.

GEORGE HEFLIN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Heflin, it looks like we originally pooled this unit in August, 2009.

A. We did.

Q. Can you explain what has happened since?

A. We...upon further work and also from informational title opinions, we found that we had three additional tracts. That was Tracts 4, 5 and 6 that we added to the plat and also to the filing.

Q. The revised exhibits?

A. To revised Exhibit B.

Q. Okay.

A. We added...we had additional people and we leased a portion and the others we're asking for a force pooling on.

Q. And does Equitable own drilling rights in this unit?

A. We do.

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

A. There were.

Q. What is the interest at this time that's under lease to Equitable within the gas estate?

A. We have 94.055%.

Q. And in the coal estate?

A. A 100%.

Q. Are all unleased parties set out at B-3?

A. They are.

Q. So, what remains unleased is 5.945% of the gas estate?

A. That's correct.

Q. Okay. And we do have some unknown individuals, Raymond Ferrell, correct?

A. Correct.

Q. And were reasonable and diligent efforts

and sources checked to attempt to located him?

A. There were.

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

A. Yes.

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

A. Yes.

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

A. I am.

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

A. Twenty-five dollar for a paid up lease, a five year lease 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: Mr. Chairman, again, I'd ask that the statutory election option testimony taken earlier be

incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

Q. Mr. Heflin, we do need the Board to establish an escrow account for this unit, correct?

A. That's correct.

Q. And that would cover proceeds in for Tracts...in the unit for Tracts 2, 4, 5, 6, 7 and 8?

A. That's correct.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,828 feet.

Q. Estimated reserves over the life of the unit?

A. 220 million cubic feet.

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

A. It has.

Q. Does it, in your opinion, represent a reasonable estimate of well costs?

A. It does.

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

A. A \$174,465 and completed well costs are \$393,544.

Q. And 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, the granting of this application be in the best interest of conservation, prevention of waste and the protection of correlative rights?

A. It would.

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

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: I'm not sure that I was even supposed to receive this with the application. But I was curious about, and this was just for my own understanding, when you're talking about under the geology remark of estimated total depth includes a 125 foot below the Poca 3 seam, do you typically drill below the last coal seam?

CHRIS HINTE: We---.

GEORGE HEFLIN: Do you want to answer it or do you want me to answer it?

JIM KAISER: Do you want to swear him in?

BUTCH LAMBERT: Do want to swear him in?

(Chris Hinte is duly sworn.)

CHRIS HINTE: Yes. Typically, we go by what's said on there.

JIM KAISER: Chris, could you state your name for the record and---?

CHRIS HINTE: Oh, I'm sorry.

JIM KAISER: ---who you're employed by?

CHRIS HINTE: Chris Hinte, Regional Drilling Manager, EQT Production in our Clintwood office. Which Poca was it?

KATIE DYE: Poca 3.

CHRIS HINTE: Poca 2---.

KATIE DYE: No, 3.

CHRIS HINTE: Typically, we drill about a 125 feet below that Poca and that's what we shoot for and aim for every time is what in the (inaudible).

BUTCH LAMBERT: I'd like to follow up with Mrs. Dye's question. We don't generally get these---.

GEORGE HEFLIN: Prognosis sheet.

JIM KAISER: Yeah. I don't know---

BUTCH LAMBERT: ---drilling and diagnostic data sheets.

JIM KAISER: It's not in file. I don't know how you got it.

BUTCH LAMBERT: It's good information though.

JIM KAISER: Yeah.

(Laughs.)

BUTCH LAMBERT: We might would like to continue seeing that.

JIM KAISER: Well---

KATIE DYE: It's educational. So, if I understood you clearly, the last the seam of coal that you frac going down will be like Poca 3 and then you drill a 125 feet below the top of the Poca 3 seam

CHRIS HINTE: To the top of the Poca, that's correct.

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, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: I make a motion that we approve it.

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 Board members signify by saying yes, but Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

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

JIM KAISER: Thank you.

BUTCH LAMBERT: One abstention, Mr. Ratliff. The next item on the docket is a petition from Range Resources-Pine Mountain, Inc. for the establishment of a 320 acre provisional drilling unit for drilling of a horizontal conventional gas well, unit RR-2666, docket number VGOB-10-0119-2666. At this time, I'm going to have to recuse myself from this one. It involves Lambert Land Trust. I'll ask...I've got to abstain too.

BUTCH LAMBERT: Mrs. Barber, would you chair this one for us, please.

PEGGY BARBER: I'll be glad to. Are you ready, Mr. Kaiser?

JIM KAISER: Yes, ma'am. Our witnesses will be...it will be Jim Kaiser, Gus Jansen and Phil Horn. I think they've both been previously sworn. So, we'll start with Mr. Horn.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as the land manager.

Q. And in this particular unit, would it be your testimony that we've notified and received green cards from everybody entitled to notice under the statute, that being the coal, gas and oil owners within the unit?

A. That's correct.

JIM KAISER: Nothing further of this witness, Mr. Chairman. We didn't have any unknowns...Mrs. Chairman, we didn't have any unknowns. So, we didn't have to publish.

PEGGY BARBER: Any questions from the Board?

(No audible response.)

PEGGY BARBER: Call your next witness.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And would it be accurate that your testimony regarding the establishment of this provisional unit would be pretty much the same as your testimony taken earlier today in item 2659?

A. That's correct.

Q. Which you would like to kind of just hit on some highlights and maybe do a little update for the Board also?

A. Yes. If the Board would be interested, I can give you a little update of our '09 program and where we're at in the program. Also, just refer to Exhibit AA. It does show the location of this proposed unit in relationship to other units already established by the Board. Again, building off our grid pattern and staying that same 320 acre unit. It also shows that we've drilled

wells in two of those units previously to this point and want to continue exploration in that area. As sort of an update on where we're at at this point through our program, we started back at the end of '07 through 2009 we've got 32 horizontal wells drilled to this point. 30 of those have been in production. Several of them with just a very few months at the end of '09 that we got in. We have been doing things such as we've asked for in front of the Board. We have six units with multiple wells in it. Some of those units have two wells and some of them have three. We have eight sites with...and then also within that we have units have multiple formations. We may have to do some in the Lower Huron and some in either the Berea or Big Lime. So, we have been doing each of those things as part of our exploration and development program. At this point, we have only have about nine or ten units that we've drilled that have no offsetting wells to it. That's sort of the next phase of this. That's why we've continued to ask for new units offsetting the existing wells to confirm what we saw in the first test area. So, that's...that will be a continuing process and hopefully we'll gather more information. We felt at this point that our initial exploration phase had been successful. We've had a few stumbling blocks. Obviously, with any type of program of

this magnitude drilling wise and understanding all of the formations and what we're doing and, again, we're still learning and gathering information. We're probably further along in the Devonian Shale at this point. That's where most of our focus has been. We probably have...we have nineteen wells in the shale at this point. Again, we want to continue to optimize our drilling and completion techniques, identify the variability of the production at different locations throughout the field to target the best areas as we most forward. We continue to expand this program into a repeatable development program and that's sort of our goal. That's what we'll be continuing to do through 2010. Our program this year we have fifteen wells planned for this year.

PEGGY BARBER: Does the Board have any other questions of these two witnesses?

(No audible response.)

PEGGY BARBER: If there's no questions, do I have a motion for approval?

BRUCE PRATHER: I'll approve...make that motion to approve.

PEGGY BARBER: Do I have a second?

KATIE DYE: Second.

PEGGY BARBER: I have a second. Any further

questions or comments?

(No audible response.)

PEGGY BARBER: You have approval.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

PEGGY BARBER: One abstention, Mr. Ratliff.

BILL HARRIS: We do need to vote though, don't we?

PEGGY BARBER: Yes.

BUTCH LAMBERT: I have had to recuse myself.

PEGGY BARBER: All of those in favor, please---

BILL HARRIS: Oh, yes.

PEGGY BARBER: ---signify by saying yes.

BILL HARRIS: Yes.

BRUCE PRATHER: Yes.

PEGGY BARBER: Anyone oppose?

DONNIE RATLIFF: I abstain.

PEGGY BARBER: One abstention, Mr. Ratliff. You
have approval.

SHARON PIGEON: Two. You abstain too, right?

BUTCH LAMBERT: Uh-huh.

JIM KAISER: Thank you.

GUS JANSEN: Thank you.

SHARON PIGEON: Two abstentions.

PEGGY BARBER: Who was the other one? Oh, yeah,
Mr. Lambert. Sorry, thank you, Chairman.

BUTCH LAMBERT: The next item on the docket is item twenty-one. A petition from Range Resources-Pine Mountain, Inc. for pooling of conventional horizontal unit VH-530251, docket number VGOB-10-0119-2668. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as land manager and I'm in charge of the land department. One of my duties is to see that we get wells permitted and titled approved and drilled.

Q. So, did you participate in the preparation of this application?

A. Yes, I did.

Q. So, you're familiar with it, is that correct?

A. That's correct.

Q. Now, how many acres does this unit contain?

A. 320.

Q. And this was a unit that was established by the Board previously, is that correct?

A. That's correct.

Q. Now...so, we have 320 acres, is that right?

A. That's correct.

Q. Okay. Are there any respondents listed on Exhibit B-3 that we're going to dismiss today?

A. No.

Q. Okay. Have you attempted to reach an agreement with all of those individuals?

A. Yes, we have. If you'll look at the plat, you'll see that this well is about 30 feet from VH-530149, which we've force pooled three or four months ago and we went ahead and recontacted these people and they apparently were still not interested in leasing?

Q. Okay. Now, one thing that...you and I were doing over Exhibit B-3, is that right?

A. That's correct.

Q. And we found a typographical error, is that correct?

A. Yes. There's one interest wrong on Exhibit

B-3. So, therefore, it does not match up with Exhibit B.

Q. So, we'll provide a revised...okay, and send it---?

A. Yeah, it was a typo. We just picked up on it just a little while ago.

Q. So, Exhibit B actually has the correct percentage of unleased interest, is that right?

A. That's correct.

Q. Okay. Now, with regard to notice of this hearing, how was that effected?

A. By certified mail and also notice was published in the Dickenson Star on December the 23rd.

TIM SCOTT: Now, I'm going to stop for just a minute. Mr. Asbury, when we were preparing our package to bring you all today, proofs of publication and mailing, I noticed just a minute ago that the affidavit of publication was not included in the package. So, I'll...and I know that it was published because I had my hands on it this morning. I don't know what happened to it, but I'll get them to you tomorrow, okay.

Q. So, we provided proof of publication of mailing, is that correct?

A. Correct.

Q. Okay. What percentage of the unit does

Range Resources-Pine have under lease?

A. 85.37%.

Q. And do we have any unknown parties in this unit?

A. Yes, we do. Tract 7, Judy Dotson. We tried to find her last year when we initially worked on this well unit and she...as far as we know, she's deceased and she died in Ohio. We just can't get a lead on her.

Q. Okay. So, you tried phone books or neighbors or anybody like that, right?

A. Actually, we...she had taxes that had not been paid in years and years. For some reason, Dickenson County won't sell property for non-payment of taxes. But we contacted the address where the tax tickets were being mailed and those people that live there never heard of her.

Q. Okay. Is Range Resources authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. And you've got a blanket bond on file, is that right?

A. That's correct.

Q. Now, with regard to the people who are listed on Exhibit B-3, if you were to reach an agreement with those individuals, what would be the terms that you

would offer?

A. Twenty-five dollar per acre for a five year paid up lease that provides for a one-eighth royalty.

Q. Okay. Do you consider that to be fair compensation?

A. Yes, I do.

Q. Okay. What percentage of the oil and gas estate are you seeking to pool?

A. 14.63%.

Q. And that's correctly shown on Exhibit B-3 is that...or Exhibit B, is that right?

A. That's correct.

Q. Okay. With regard to this unit, there is an escrow requirement, is that right?

A. That's correct.

Q. And we've submitted an Exhibit E with our application, is that also correct?

A. That's correct.

Q. What tract or tracts are subjected to escrow?

A. It's Tract 7, which contains 4.53% of the unit.

Q. So, are you requesting the Board to pool the interest on Exhibit B-3, is that right?

A. That's correct.

Q. Now, with regard to any order that would be entered by the Board, what would be the address for any correspondence?

A. It would be Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212, Attention: Phil Horn.

Q. And that should be the corres...the address for all correspondence?

A. That's correct.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Just a question. We received the application. We don't have any cross reference to the actual unit when you created this unit. This is the pooling of it. What is the unit?

PHIL HORN: He wants to know the original unit number when we establish it.

GUS JANSEN: Our number or the docket number?

DAVID ASBURY: Docket number.

GUS JANSEN: I don't have it with me.

PHIL HORN: We don't have it. We'll get Laura to

get that to you.

DAVID ASBURY: Okay.

PHIL HORN: She must of inadvertently left it off.

GUS JANSEN: Are you talking about the Range unit
number?

(No audible response.)

GUS JANSEN: Oh, okay, the Range unit number is---.

PHIL HORN: Yeah.

GUS JANSEN: ---2445.

DAVID ASBURY: So, the Range unit is 2445?

GUS JANSEN: Correct.

DAVID ASBURY: Okay, thank you.

BUTCH LAMBERT: Any further questions from the
Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: No, sir. Except for Mr. Jansen.

BUTCH LAMBERT: Excuse me?

TIM SCOTT: Mr. Jansen.

BUTCH LAMBERT: Oh. Well, anything further.

(Laughs.)

TIM SCOTT: Okay.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Okay, Mr. Jansen, would you please state your name, by whom you're employed and your job description, please?

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. You also participated in the preparation of this application, is that right?

A. That's correct.

Q. Are you familiar with the depth of the proposed well?

A. Yes, I am. The proposed depth of this well is 8,766 feet.

Q. And what are the proposed reserves?

A. It would be 1 bcf for 1,000 million cubic feet.

Q. And I noticed that you signed the AFE, is that right?

A. That's correct.

Q. And...so, you're familiar with the well costs?

A. Yes, I am.

Q. What's the estimated dry hole costs?

A. \$693,413.

Q. And the completed well costs?

A. \$1,346,698.

Q. And we've provided an AFE with our application, is that correct?

A. That's correct.

Q. And it was attached as Exhibit C?

A. Yes, it is.

Q. Now, does the AFE provide for reasonable charge for supervision?

A. Yes, it does.

Q. Okay. In your opinion, would the granting of this application be to promote conservation, prevent waste and protect correlative rights?

A. Yes, it would.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further?

TIM SCOTT: No, sir.

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: 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 Board members signify by saying yes, but Butch Lambert and Donnie Ratliff.)

DONNIE RATLIFF: I abstain.

BUTCH LAMBERT: One abstention, Mr. Ratliff. No opposed. Thank you, Mr. Scott. It's approved.

TIM SCOTT: Thank you.

BUTCH LAMBERT: The next item on the docket is a petition from Range Resources-Pine Mountain, Inc. for pooling of conventional horizontal unit VH-530252, docket number VGOB-10-0119-2669. All parties wishing to testify, please come forward.

TIM SCOTT: Again, Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Again, Mr. Horn, would you please state

your name, by whom you're employed and your job description?

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc. and one of my duties is to get wells permitted and drilled.

Q. You're familiar with this application?

A. Yes, I am.

Q. Now, this is another 320 acre unit that was established by the Board, is that correct?

A. That's correct.

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

A. Yes, we do.

Q. And do we have any parties who are unleased listed on Exhibit B-3 that we're going to dismiss today?

A. No, we do not.

Q. Okay. As to the parties listed on Exhibit B-3, have you tried to reach an agreement with those individuals?

A. Yes, we have.

Q. And what's the percentage that Range Resources-Pine Mountain has under lease?

A. 99.08%.

Q. And, again, we've provided notice of this hearing, is that correct?

A. That's correct.

Q. And how was that done?

A. By certified mail and also by publication in the Dickenson Star on 12/23/09.

TIM SCOTT: Again, Mr. Asbury, we'll send that to you tomorrow or when I get back this afternoon.

Q. Do we have any unknown parties in this unit?

A. No, we do not.

Q. So, we do not have an escrow requirement, is that right?

A. That's correct.

Q. And, again, you've testified previously that Range Resources is authorized to conduct business in the Commonwealth?

A. That's correct.

Q. And there's a blanket bond on file?

A. That's correct.

Q. Now, if we were to reach an agreement with the parties listed on Exhibit B-3, what would be the terms that you would offer?

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

Q. And, again, do you consider this to be

reasonable compensation for a lease in this area?

A. Yes, I do.

Q. What percentage of the oil and gas estate are you seeking to pool today?

A. .92%.

Q. And if...you're asking the Board to pool the parties who are unleased on Exhibit B-3, is that right?

A. That's correct.

Q. Now, if an order were...our application were granted, an order were entered, what would be the address for all correspondence regarding elections?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 246212, Attention: Phil Horn.

Q. And, again, this would be the address for all correspondence, is that right?

A. That's correct.

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, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, again, state your name, by whom you're employed and your job description.

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. So, you participated in the preparation of this application?

A. Yes, I did.

Q. And you're familiar with the proposed depth of this well?

A. Yes, I am. The proposed depth is 8,300 feet.

Q. And what about the estimated reserves?

A. Again, 1 bcf or 1,000 million cubic feet.

Q. And you participated in the preparation of the AFE, is that right?

A. That's correct.

Q. So, you're familiar with the well costs?

A. Yes, I am.

Q. And what's the estimated dry hole costs?

A. Dry hole costs is \$693,045.

Q. And the completed well costs?

A. \$1,344,758.

Q. Again, as I asked you, you've helped in the

preparation of the AFE, is that right?

A. That's correct.

Q. And it was...it contains the original charge for supervision?

A. Yes, it does.

Q. Now, again, what are...tell the Board, again, what the estimated reserves are?

A. 1 bcf.

Q. Okay. And with regard to this application, if it's granted, it would be in the prevention of waste, promote conservation and protect correlative rights, is that correct?

A. That's correct.

TIM SCOTT: Okay. That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

TIM SCOTT: The provisional unit number, Mr. Jansen?

GUS JANSEN: That unit number that's associated with the original well on this is 2116.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: 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 Board members signify by saying yes, but Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN: Thank you.

GUS JANSEN: Thank you.

BUTCH LAMBERT: Our Board members are moving around a whole lot. I think we need about a ten minute break. Ten minutes, please.

(Break.)

BUTCH LAMBERT: We'll go ahead and get started back. I know these folks have been waiting a long time and we appreciate that. Thank you very much. We're excited to hear the update.

SHARON PIGEON: We're excited.

(Laughs.)

DEBBIE DAVIS: Are we assure everyone is awake?

BUTCH LAMBERT: We've all been to the restroom and we've had water. At this time, we're ready to move to item twenty-three on our docket. The item is the Board will receive an updated report from First Bank & Trust escrow agent for the Virginia Gas and Oil Board. I appreciate you folks taking the time to come and be with us again today. We're excited to hear your report...your first report.

LETON HARDING: All right. Thank you, Mr. Chairman. Again, for the record, my name is Leton Harding, Executive Vice President of First Bank & Trust Company. We have with us today Ms. Debbie Davis, who is the head of our trust operations group, and Ms. Karen McDonald who is the head of our investment group. Both are headquartered at the Kingsport office. They will be able to formally introduce themselves in just a moment. Again, we want to thank you the Board for giving First Bank & Trust the opportunity to be of service to you. Mr. Tom Davis, who is also with our Wealth Management Group who has attended previous meeting, would be unable to attend. But he does plan on being at future meetings for you.

I know you have been here very long today. So, we will try to be very (inaudible) and direct in our comments.

We have provided...Ms. Davis and Karen have worked on some information that we've given you. For those Board members who were in attendance at the previous meeting, a lot of that information is basically an update or simply a reflection material previously given to you. I hope that as we go through the course of the coming months and weeks that we can address some of those issues.

I'd like to also just add a couple of things. One, I was in Richmond last week. I had an opportunity to visit with Senator Puckett and Delegate Phillips and Delegate Kilgore. We're aware of proposed Legislation that would have some impact in terms of the operations or the guidance given to the Gas Board. Of course, we want you to understand that we serve as your agent and that as far as distributions, you're going to direct us under existing rules or future rules. Our primary focus here is to make sure that there are safe and sound operations of the funds and the operations and to be capable of making distributions whenever directed on behalf of the Board or the staff.

Another matter that I did want to make you aware of is a pending Bill introduced by the Virginia Bankers Association. As we have shared, under current FDIC regulations, we can provide FDIC insurance in an unlimited amount through June 30, 2010 for accounts that are

determined by the FDIC to be transaction oriented in nature. As we will share with you in a moment, as we shared with the Board last December, we are currently utilizing that account with unlimited FDIC insurance coverage for the current short-term investment needs of the Virginia Gas and Oil Board account. That account when compared with our net fees does have a positive return and Ms. Davis has documentation on that. The Bankers Association has introduced, and I think Delegate Kilgore is carrying this Bill for the Virginia Bankers Association, a Bill that would expand the residual reciprocal FDIC insurance coverage from beyond just certificates of deposit, which we current offer now, to include money market accounts or other types of deposits. We bring this to your attention should this measure pass that it would broaden the scope of the FDIC insured products that we could offer for the benefit of the Board the escrow account, hopefully, on or about July the 1st. Well, the FDIC measure as I eluded to earlier is said to expire on June 30. So, perhaps this may take affect. We'll know before the General Assembly is over. But I did want to make you aware of that. That is House Bill 284 should members of the Board or the staff wish to review that. And, again, simply what that does is to continue to add beyond the certificate of deposit structure, which we can offer FDIC

insurance up to \$50,000,000 hopefully to money market accounts and some other accounts to simply broaden options on the part of the Board to maintain the investments and the FDIC insured investment.

So, those are a couple of matters that we want to address the Board this afternoon. Mr...Chairman Lambert, if you don't mind, I think one of the main things that we'd like to address today with Ms. Davis is the transitional nature and where we're at with sort of the operations, if we could, at this time.

BUTCH LAMBERT: Yes, we'd love to hear it.

DEBBIE DAVIS: As Mr. Harding stated, my name is Debbie Davis. We have received partial funds from Wachovia. They did retain some moneys for outstanding checks and for their future fees. But to-date, I have everything posted and accounted for per each unit. Our internal auditors have been called in to audit the work I have done to make sure that everything matches up properly. I hope within the next week to two weeks to get with David and Diane to set them up with their online access of everything and for them to also audit and look at what we've brought over from Wachovia to make sure it's to their likings.

LETON HARDING: You might want to share the specifics of what we have received and what Wachovia is

currently holding.

DEBBIE DAVIS: We received two separate wires from Wachovia Bank on January the 4th. The first wire was totaling \$7,338,129.43 and a second wire that same day of \$16,804,026.53, which totaled \$24,142,155.96. The account is earning 25 basis points as we've discussed. I have also received the check from them for our \$5,000 initial setup fee.

LETON HARDING: But at this time, Mr. Chairman and members of the Board, Debbie has set up, I guess, all of the accounts---

DEBBIE DAVIS: Yes.

LETON HARDING: ---and information. I think provided to the staff that information. We have also issued already, I think, per direction of staff...you might want to share that.

DEBBIE DAVIS: Yes. We have issued six checks total this past week from the direction. By today's meeting, it seems like we're going to have quite few more coming.

(Laughs.)

LETON HARDING: And part of that process, as Debbie eluded to, is that as we share with the Board staff previously is our ability to set the staff up so they can

look electronically at any deposits that we make today and, of course, that we would scan and forward information relating to those deposits as (inaudible) information to the checks to the staff. Debbie shared with us on the drive over, that in addition to simply issuing the checks, we did make...scanned those checks and forwarded those to the staff for those records here as well.

BUTCH LAMBERT: Good.

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: How much money...if you've got twenty-four million plus or minus on hand right now, how much more does Wachovia still have?

DEBBIE DAVIS: I honestly do not know. David, may know that balance?

BRUCE PRATHER: Do you know that?

DAVID ASBURY: They...it was agreed that they would retain 10% for a period of fifteen working days to clear all the checks. We have, to my knowledge, four issues still outstanding and you should get the balance of that money this week. Yeah, we agreed that it would be cleared up before the end of June.

BRUCE PRATHER: \$240,000 essentially.

LETON HARDING: 2.4 million, I think, would be

about 10% of 24,000,000.

BRUCE PRATHER: Oh, is it 2.4 million? Yeah.

DAVID ASBURY: No, it was 10% of the...there was nine of the trust money retained.

LETON HARDING: Oh, okay.

DAVID ASBURY: It was 10% of \$8,000,000 I think. That was in the First Fund transfer. It was...they retained \$815,000 in the trust to clear everything. That should come in---.

DEBBIE DAVIS: Okay. I wasn't...I know our...by documentation I had seen it was 10%, but I didn't know if that of the total account value or what that agreement was with you.

DAVID ASBURY: Right. It was 10% of the money market fund, which was eight million and one approximately at the time of transfer. None of the trust moneys were retained.

DEBBIE DAVIS: Okay.

DAVID ASBURY: They should transfer and complete and everything in place...there's four outstanding issues that we're going to address probably today and tomorrow. Then by Friday at the latest, you should receive the remainder of the funds.

DEBBIE DAVIS: Will they...do you know if at that

time if they will send us an updated sheet of any deductions they've made from the 1231 balances?

DAVID ASBURY: Yes.

DEBBIE DAVIS: Okay.

DAVID ASBURY: They will provide you and my office an update of what they have done since January the 4th.

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: Mr. Asbury, will that be the difference in what's reported on the monthly report?

DAVID ASBURY: Yes.

BUTCH LAMBERT: Okay. So, that's about seven hundred and eighty some thousand---

DAVID ASBURY: Okay.

BUTCH LAMBERT: ---is the difference.

LETON HARDING: As Ms. Davis mentioned, now that she's nearing completion of her work, we are engaged in our internal auditors to come in and they'll take the information that we've received in terms of all of the postings and they'll review that just to make sure, again, that we've...everything is squared away as we begin this process. We want to start very cleanly and maintain that on an ongoing basis.

DEBBIE DAVIS: And I also have started receiving some checks in from the producers. It has been a very

limited number, but we have started receiving those in as well.

BUTCH LAMBERT: Okay. I guess the question that we would...the Board would have, how is the transition working? Are you comfortable with it? Are things...is there anything further that you need from---?

DEBBIE DAVIS: No, I think we...going forward we're on track.

BUTCH LAMBERT: Okay. And I trust that the relationship with Wachovia transferring the funds went...went smoothly?

DEBBIE DAVIS: Yes.

BUTCH LAMBERT: Okay.

LETON HARDING: And Ms. Davis and the staff have had a number of phone calls and ongoing communications and we've encouraged her, you know, if you have questions to make sure she asks and also the other way. I mean, that's why you've retained us is to be there of service to you. So, we appreciate that.

The other matter, Mr. Chairman, is at the December, again, we had provided you with a...I guess, a draft policy. Again, we've just included that in the materials here today. Again, as we've shared we're not looking for a particular action at this point. The funds

are invested. It's a net positive return outside of our fee. It is FDIC insured. But, again, we just wanted to include that in the material for the Board members or for those who have not...were not able to be here in December just to see the fact that we're talking about...right now rates are very low. There is not a significant value in terms of extending out on any kind of long-term maturities right now. As a matter of fact, I read a very interesting article in the New York times on Sunday about the trap right now for consumers and businesses to extend out to go into longer term investments and so forth. But, again, you know, it's our goal to meet the investment expectations of the Board, but also to do it in a prudent manner and that's the reason that we've included it in there. I think Ms. McDonald has also included in your Board packet just some update in terms of what current rates are and so forth. If we could just take a moment and just have her to address that with you also. There have been in some changes, particularly I think in the opportunity of certificates of deposit that she might want to share with you just from a broad investment prospective at this time.

KAREN MCDONALD: As Leton said, my name Karen McDonald and I'm the investment officer for the Trust Department. The last time that we were here, we presented

two difference scenarios for investing. The first scenario we presented by quarters to begin to show because we wanted to develop that level of trust and understanding with you, we wanted to move as slowly as you were comfortable with or as quickly as you're comfortable with to invest that moneys. So, we did a quarter by quarter presentation in the scenario. This time I have included a summation page on that first scenario. The second scenario is a very basic scenario in light of the current events that the Board has been participating in with the community. We wanted to present what the very most conservative investing of the funds for liquidity with all of the unknowns that you're facing at this point. We wanted to present it simply as the money market rate or the interest checking account rate of 25 basis points. So, if you want to move towards the last page before the pink page is the very basic...oh, dear. I've rearranged mine.

LETON HARDING: Here you go. Why don't you use this one?

KAREN MCDONALD: Yeah. Is the very basic 25 basis points. As you can see over a twelve month period, we would earn approximately \$62,500. That is assuming that...First Bank has made a commitment to the 25 basis points for six months. Assuming that we continued that if there's not a

dramatic shift in the environment as far as fixed income rates, we would, I suspect, be very comfortable with that. So, that's an estimated income. Again, that's 25 basis points. Our fee is 10 basis points. So, even in the most conservative scenario, you were earning 15 basis points, a positive return.

Going back to the first scenario, again, it's quarter by quarter and since we last presented, the fixed income market has become even more restrictive on the short-term, meaning there just are not a lot of options out there that actually are better than what First Bank is offering in the 25 basis points for very liquid assets. In the 1% CD, the CDARS program rate that we've proposed for one year CDs, and in the three year CDARS CD program of 2.3%. When I compare those heavily...those FDIC insured products, our money market account, our one year CDARS program fully FDIC insured and the three year CDARS offering of 2.3 fully FDIC insured, there's very, very little out there to compete with it, plus the extra risk that you would have to assume in looking at something else. It's just...since the last...the last month it has actually weakened compared to what First Bank is willing to offer.

LETON HARDING: And what you might want to share, Karen, is I think you've included Treasury rates and maybe

some comparative CD rates in there, Mr. Chairman. Just---.

KAREN MCDONALD: Yes.

LETON HARDING: Yeah, our goal, I mean, is to give you full information so you get a sense where the interest rates happen to be.

KAREN MCDONALD: When you go behind the pink page, that is all an appendix of our research that was conducted on Thursday of last week. We were...Thursday and Friday, we were not open yesterday for the holiday. But the Treasury rates have not change substantially and they are very, very low. Again, you would benefit much more by having the 25 basis point account with First Bank & Trust.

LETON HARDING: You might want to highlight the---.

KAREN MCDONALD: So, for a 26 week coupon, it was 18 basis points.

LETON HARDING: And that means you would have to lock your...you had to buy that Treasury. It would be a six month Treasury. You would earn 18 basis points or one-fifth of 1%. Then if you had to sell it or liquify it, you would subjected to the market. So, if rates went up, your principal value goes down. So, that's another important aspect of that.

KAREN MCDONALD: We know that Treasurers are a very positive investment option for us as far as safety. We

continue to look at safety. But the don't offer the same return that the First Bank interest account offers at this point. The next page is commercial paper rates. These are subjected to...they go to 90 days and they are corporate notes. They...even when you look at the ratings at the fair right hand side corner, the S & P ratings we would want an A-1 plus and those ratings are again on 90 day paper with a high quality issue like G. E. Capital Corp is only offering 15 basis points. And, again, that's a corporation that's not FDIC insured and it's 10 basis point below what we're suggesting as the liquid account. Again, corporate notes, corporate notes actually...we're looking five years or less as we understand it. The Board would not want to invest further out than five years maturity. There are very few options on these inter-notes, which, again, are corporations not FDIC insured and a very few options under five year maturity. The one that is is a John Deere Capital Corporation note that, again, is finance, an area that we're not keen to be heavily exposed to and it's offering 3% for a four year maturity. Our CD rate, the CDARS rate we're offering for three year CDs are 2.3% and, again, fully FDIC insured. So, I could continue on through the back section. But the bottom line...and CD rates have traumatically dropped and not many institutions are wanting to offer a

rate...a reasonable rate and so the 25 basis points that we're offering in this interest account and the 1% we're suggesting for one year maturities in CDARS and the 2.3% in a three year maturity are what I have included in my model primarily because they're the best out there for the level of insurance.

LETON HARDING: And, again, at this time, as we view this...has the Board has discussed with us at the December meeting, this is a process. We're not here today to ask for any action. But what we want to try to do for the Board is develop materials in a manner, which you find understandable and consistent. So, as we go forward each time we have the opportunity to come before the Board we are just able to share basically the same information and it kinds of gives you a sense of direction in terms of the interest rates and the availability of investments. As Karen said right now, as we discussed last month, you know, the 25 basis points and one-quarter of 1% is basically what our bank is earning in overnight funds. So, for us it's sort of a wash in terms of, you know, we take your money and we put it in overnight Fed funds and we make 25 basis points. We're basically given you, you know, what we make. But we feel like that's, again, the Board interest in the FDIC insurance. This gives us as your agent and you as the

Board plenty of time to make good solid decisions and also the fact that we're hopefully at maybe the down point in the interest rate cycle and the opportunity is over the coming months and particularly towards the latter part of the fall as Tom shared with you at our last meeting, that interest rates would probably be prone to go up both on a short-term basis and a long-term basis as well. That result, again, FDIC insurance completely for the agents...on behalf of your funds positive earnings and basically we're giving you what the bank is actually earning on the funds as well.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You know that last month we talked about a couple of options. One of them being leaving it for six months and then we would come back and decide.

LETON HARDING: Yes.

BUTCH LAMBERT: Are we hearing that that's still what you're recommending?

LETON HARDING: Well, I think at this point in time, I mean as Karen has eluded to, one of the reason, Mr. Chairman, is we want you to have this information because, you know, you're fiduciaries on behalf of these...of the funds. So, that as you evaluating what we are in...at least temporarily, compared with Treasury bills or short-term

funds or other certificates where you might have to lock money up and so forth, that you feel that it is a conservative, but yet viable alternative. At this point in time, particularly when you compare that with money market rates or mutual funds or the Virginia Government LGIP fund all of those numbers fall below the current earnings that you have. Plus the FDIC insurance, which, you know, takes care of a lot of other things. As the Board spoke with us, you know, at this point in time, you know, if things remain the same, you know, this sort of investment vehicle through probably the first six months of this year to allow the Board the opportunity to evaluate maybe whatever legislation occurs, the General Assembly, in addition to what takes place in the market would be fine in our estimation at this point in time. However, if we do see, for example, significant improvement in the job environment, we may start to see certain short-term rates go up. In that scenario, we come back to you and say there are some shorter term 90 day pieces of paper, Treasurers or even with our CDARs program that we say here's a better opportunity to increase the yield. At this point, again, it's a positive yield. We're not getting into the principal of the funds that are in the account. I think that's very important.

BUTCH LAMBERT: Thank you.

SHARON PIGEON: Mr. Harding---?

LETON HARDING: Yes, ma'am.

SHARON PIGEON: ---this 6/30/2010 date for the...that's currently set for the expiration of the unlimited FDIC coverage---?

LETON HARDING: Yes, ma'am.

SHARON PIGEON: ---if that, in fact, occurs is that going to gut the effectiveness of the CDARS program?

LETON HARDING: No, the CDARS program or the program...reciprocal program has been around since around 2004 or 2005. It was created by a promontory group working with banks to allow banks to increase FDIC insurance. At that time, the FDIC insurance were \$100,000. So, that program has been around for five or six years. Our bank begin offering that program about a year and a half ago. Not only for consumers and businesses, particularly for public entities. One of the reasons we were interested in that program is because we could offer that pass through FDIC insurance coverage to public entities in lieu of having to have specific Treasurer bills or other agency type of paper to collateralize it, which means we had to own it, and therefore own a very low rate, we could use the FDIC insured money to make loans. In reference to the FDIC insurance that will expire, due to the crisis of last fall 2008, the

FDIC approved special short-term rules that allowed for any transaction account that mostly checking accounts or business checking accounts and so forth. But any transaction account that earned one-half percent or less to be completely FDIC insured. That temporary expansion of the FDIC insurance was set originally to expire on 12/31/09. But given the success of that program and also continued economic uncertainty the FDIC did a temporary extension of that program through June 30, 2010. Now, hypothetically, the FDIC can make a decision to continue that. But to be frank with you, we're planning as if they did not. Let's say that we know that the FDIC come June does not want to do that. At that point in time, we would come back to the Board and say our options are if you want to retain the FDIC insurance program at that point in time is we could move it into the CDARS program. At that point, you know, we are tying the money up for a month or so. But that's just still a very short-term time line. Our hope is, you know, after the General Assembly session House bill 284 has been passed and we come back to the Board and say in lieu of that FDIC program we now have a reciprocal program in place that we could work with other banks to pass through X amount of FDIC insurance coverage in a money market account. By doing that, by being a money market account we're not having to

tie the money up at all. It's accessible to the Board or for you to direct us at any point in time. So, we're just trying to make you aware of the options. I want to make sure that the Board understands that the vehicle that we're utilizing now, one, is completely FDIC insured. The reason it is is because of this special FDIC insurance provision, which right now it's set to expire on June 30, 2010. We'll have plenty of time in advance of that to make other investments...to utilize other FDIC insured programs. At this point in time, we know specifically can be the CDARS program. It was there before. It's going to continue independent of that FDIC decision. However, our hope is that we the House Bill 284, in addition to simply certificates of deposit, that by the time we sit with you again in May or June we can say to you the other option is a money market account that is FDIC insured above the normal \$250,000 level.

SHARON PIGEON: So, in the event of the expiration of this, if that were to happen, we would go back to 250 or 100?

LETON HARDING: Yeah, at that point in time it would regress to \$250,000.

SHARON PIGEON: So, the individual vehicles under the CDARS program would be 250 or less and that---?

LETON HARDING: That's correct.

SHARON PIGEON: ---would be how we would maintain---?

LETON HARDING: Yes, ma'am. Well, the CDARS program would still be \$50,000,000. The---

SHARON PIGEON: I mean, the individual---

LETON HARDING: Account coverages, yes, ma'am, 250.

SHARON PIGEON: With the vehicles you use.

LETON HARDING: And, you know, an interesting question, to be frank, we need to investigate that I haven't thought about because you are identifying, you know, individuals or who are beneficiaries. You know, we could seek, I guess, an opinion from the FDIC specifically as to pass through coverage for each one of these individual that are falling under the escrow agreement. That might be the opportunity to leverage that. It gets a little bit complicated because those people might have other moneys at First Bank & Trust and you get a netting. But President Calvin Coolidge talked about that he saw ten problems coming down the road and nine of them went off the road before it got to him. So, maybe...I don't want to over extend the dialogue here, but I think we just want to make the Board aware that we're staying on top of where these things are going.

SHARON PIGEON: Well, there are problems potentially with that because we have conflicting claimants. So, no one has established their right to that.

LETON HARDING: Yes, ma'am.

SHARON PIGEON: So, if you wanted to tie it to their---

LETON HARDING: I think that's, again, the issue that we're learning as we work with the Board.

SHARON PIGEON: Or they're unknown and we don't know what their numbers are or anything or their money might be.

LETON HARDING: But, I mean, hypothetically at a...let's just say June 30 this goes away and we came back to you and said, look, there's \$25,000,000 in the account. We would structure four one month certificates of deposit and have \$6,000,000 coming due every Thursday, you know, at an interest rate of X FDIC insured. So, as far as maintaining the FDIC insurance, there's no issue with that. We can do that through the CDARS program. It's just that we'll have to break them up into very short term CDs. We do that as we shared previously with the Board for other counties where they might have \$4,000,000 and every Thursday we have \$1,000,000 one month certificate coming due and we simply, you know, roll those out at the direction of the

county or the city or they tell us they want to add some money to it or they need X amount of money for payments or distributions. I like things simple, but, you know, we can do that as well.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Thank you.

KAREN MCDONALD: Well—.

BUTCH LAMBERT: Any...I'm sorry, go ahead.

KAREN MCDONALD: Mr. Chairman, if might just interject.

BUTCH LAMBERT: Yes.

KAREN MCDONALD: As the economy improves, right now we do have in the Treasurers a bubble of sorts, which means that you actually are overpaying for what your buying as far as Treasurers go. We expect that short-term rates will rise by the middle of the year or third quarter at the latest and that will have some effect on Treasurers and it will bring Treasurers, hopefully, a little bit more back out of that bubble and at some stronger rates. That, again, is full faith and credit of the U. S. Government. So, Treasurers may become a better investment vehicle down the road. But right now they're not competitive.

BUTCH LAMBERT: Any other questions from the Board?

DAVID ASBURY: One comment, Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: From the staff, we appreciate your initial efforts with us. Things have been very smooth. We continue to work on each unit. There will be issues over time. We certainly appreciate the cooperation from all of your staff during this transition period.

DEBBIE DAVIS: Thank you all as well. I know I've had lots of questions. You all have been readily available to answer those and get back with me.

DAVID ASBURY: And an update for the Board, you did understand that in 2009 we did reach our best year as far as disbursements out of the fund. Total disbursements was 1.64 million dollars. It was our best year ever out of the escrowed funds. So, that's our high water mark that we intend to beat this year. So, we'll be very busy with you.

DEBBIE DAVIS: That's fine. I'll be there.

KAREN MCDONALD: The last point on our agenda is, does the Board wish to direct us in taking any action a part from maintaining that interest account with the full funds at this time?

BUTCH LAMBERT: Speaking from the Board, I think we're safe where we are right now and we should leave it there. I'll ask other Board members if they would have comments about changing if they would like to.

BRUCE PRATHER: I think really what we probably should do is maybe in two months come back and review all of this again and see if there are any opportunities that we can take some of it out of the interest account and put it some place else.

LETON HARDING: Yes, sir. And, again, our intent is to be...if the Board is interested in having us here, our plans were for the majority of these meetings at least at first half to three-quarters of this year to simply be here at every meeting to prepare the information that you have there. We do not have to go into as much detail as we have, but simply be here and be accessible to the Board in answering questions that you have. Particularly, we know that the operations side is extremely important initially. But as time goes by, getting more so back into the investments and things as well. Our goal is to always have a positive return net of our fees for you.

BRUCE PRATHER: Sounds good.

BUTCH LAMBERT: Thank you. We appreciate your time.

LETON HARDING: Thank you, sir.

KAREN MCDONALD: Thank you all.

DEBBIE DAVIS: Thank you all.

BUTCH LAMBERT: Mr. Asbury, we're going to call for

us business. Are you ready to...would you like to discuss the email from Mr. Stone? I think that we need to open it up for discussion from the Board and get some direction from the Board on how to answer his question. Did you email those to the Board members?

DAVID ASBURY: I did.

BUTCH LAMBERT: Just for discussion, I know that Mr. Asbury received an email from Corbin & Stone with a few questions for the Board. Just to let you know, due to a couple of administrative issues with our office of General Services, the letter awarding the contract has not gone out yet. It should go out this week. But Robinson, Farmer & Cox asked a couple of questions that I think the Board needs to address. If you haven't had time to look at those questions yet, I'd ask that you look at those and then I will read them and we'll open them up for discussion.

BILL HARRIS: Let me...well, can we start it off?

BUTCH LAMBERT: If you're ready, Mr. Harris.

BILL HARRIS: Number one, this date, the original audit was that through December 31, 2008, is that right, or what or is this date in correct here? In number one on the email.

BUTCH LAMBERT: The original date was December of 2008.

BILL HARRIS: So-.

BUTCH LAMBERT: The original contract---.

BILL HARRIS: ---says, "Per our discussion, I feel the Board should consider extending the financial statement audit an additional year through December 31, 2009." Is that---?

DAVID ASBURY: Yes.

BUTCH LAMBERT: Yes.

DAVID ASBURY: The original audit was four years, 2000 and 2008 because we were in the 2008 year when we started.

BILL HARRIS: yes.

DAVID ASBURY: Now, we've changed escrow agents.

BILL HARRIS: Escrow. So, they're saying---.

DAVID ASBURY: They're saying that this just makes a whole lot of sense to extend this engagement through the 2009 year, which gives us a year of transitional period. That they're indicated it's at no extra cost the way they would do this. For the Board's information, Diane and I did meet with two representative from Farmer...Robinson, Farmer & Cox Associates on January the 12th and went through their questions and issues. We also provided them information from 2006 through 2009 that we had received from Wachovia on a month to month basis. They also have the escrow account

month documents that we had received. They indicated to us in that meeting that they would probably spend most of this month and the first couple of weeks in February building their plan for the audit knowing all of that was involved and building their model to complete the audit with.

BUTCH LAMBERT: We're going to take questions one at a time for discussion. While we talked about item number one the question of extending the audit through December the 31st, 2009.

BILL HARRIS: Let me just ask one other question in relation to that. It says this date coincides with your change in trustees. But all of the money has not yet been released.

BRUCE PRATHER: Yeah.

BILL HARRIS: So, if we decide that, yeah, it's appropriate to go ahead and do that through December 1 even though that's the official transfer date since the actual money hasn't been transferred and won't be maybe until the end of this month or whatever. Would that be appropriate to extend it until the transition was completed? I mean, I'm---

BRUCE PRATHER: Or should we start it when the transition is completed...start the date?

DAVID ASBURY: It's totally up to you. If you're

saying go to January 1, 2010 or January 31, 2010?

BILL HARRIS: Well, what I'm saying is that if Wachovia still has money and isn't going to release that over to the new escrow agent until midway through this month. Well, we're already midway through this month...this week. Maybe the audit at least ought to cover through that date.

BUTCH LAMBERT: We can ask Mr. Asbury if he wants to get back in touch with Mr. Stone and see if that's agreeable to them to extend it. Before we amend this proposed contract we have to make sure that you're agreeable to it.

DAVID ASBURY: I will do that.

BILL HARRIS: Of course, they offered till the 31st of 2009 because that was the transition date, but it actually hasn't occurred.

BUTCH LAMBERT: Okay.

BILL HARRIS: Well, it has, but it isn't complete.

BUTCH LAMBERT: Is that acceptable to the Board to ask Mr. Asbury to see if the contractor will be willing to extend the date to January of 2010?

SHARON PIGEON: January what?

BUTCH LAMBERT: The end of January.

(No audible response.)

BUTCH LAMBERT: Okay, Mr. Asbury, if you'll do that.

DAVID ASBURY: Yes, sir.

BUTCH LAMBERT: Question number two they had. "We feel that we should provide an update to the Board no less than every 60 days covering our progress to date in which we would quantify the audit's progress and any findings. In addition, we would provide the Board with a detail of hours engaged in travel costs to date. This will allow the Board to determine the costs/benefit of the thirty-five unit sub-account audit as it progresses. Accordingly, the Board could reduce the scope if the audit...of the audit if it's not beneficial to proceed."

BRUCE PRATHER: May I?

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: This last statement, accordingly, the Board could reduce the scope. What I would like to see them do would come up with recommendations if they wanted the scope of this thing reduced. I mean, I'm not a CPA, but I think part of the recommendation that they should be making to us would be if any of this is...could be reduced or is not relative then we consider it. But I wouldn't want to make the opinion of what to reduce without knowing a little bit more about it than what I do right now.

KATIE DYE: I would think we would need to define what is not beneficial.

BILL HARRIS: Yeah.

KATIE DYE: That's kind of wide open.

BILL HARRIS: We may want to increase it. I mean, you know---.

BRUCE PRATHER: Yeah.

BILL HARRIS: I'm not saying we can just throw in numbers now, but, you know, the assumption here, I guess, is if they're saying everything seems to be okay then there's no need to look at thirty-five or something. But, you know, suppose the opposite is the case, but thirty of the thirty-five there's problems. I mean---.

DONNIE RATLIFF: We may want to expand.

BILL HARRIS: We may want to expand that.

BRUCE PRATHER: Yeah.

BILL HARRIS: So, I don't know about the language that's saying reduce the scope. Maybe alter or change or adjust or something. But there's two things in this...in that number two really and we probably ought to consider those separately. One of them is coming to the Board every 60 days to kind of let us know what's going on and then...it does say this will allow the Board to determine cost benefit after that. The Board could reduce the scope. I agree that

an adjustment could be made at that time. I don't know if we should say reduce because that implies...well---

PEGGY BARBER: Every 60 days doesn't really coincide with our meeting schedule. If you have every other month, then you might have a little better defined time line for them to be here. 60 days is going to...what are you going to do round it up to the next month, would be the suggestion?

BILL HARRIS: What was the beginning of your suggestion?

PEGGY BARBER: I'm just saying if we say every 60 days, what's the starting point? I mean, shouldn't we say... based on the way we meet the third Tuesday, shouldn't we say every other month, which ultimately is going to give close to 60 days rather than 60 calendar days like it's, you know, listed here?

DAVID ASBURY: The beginning date may be February. They agreed that they would be ready to present the Board their audit plan and model at the February meeting that we can put on the docket for you to hear the plan. That can be the start if you'd like.

BUTCH LAMBERT: And we may be premature in addressing number two at this point---

BRUCE PRATHER: Yeah.

BILL HARRIS: Yeah.

BUTCH LAMBERT: ---until we get at least the first proposal or the first report.

DAVID ASBURY: That's true.

BRUCE PRATHER: They haven't signed the contract yet, have they?

DAVID ASBURY: No. I mean, they have been accepted as the contractor, but they haven't signed it.

BILL HARRIS: I think the intent there was that they would give us regular updates at some---.

DAVID ASBURY: correct.

BILL HARRIS: ---regular interval. I think they just thought, well, let's put 60 days down.

KATIE DYE: I have another comment--

BILL HARRIS: I can't---.

KATIE DYE: Excuse me. Was you finished?

BILL HARRIS: I'm just babbling.

KATIE DYE: I didn't mean to interrupt, Mr. Harris. Before we move on from number two. When we're looking at these travel costs, I can't remember going back to their response to our RFP. Did they put in so much for travel costs? I don't have it here in front of me.

BILL HARRIS: Look at number 3.

KATIE DYE: Yeah, but there's no figures as to what

they will be charging us for travel costs. So, that looks like something else that is wide open...open-ended.

BILL HARRIS: Well---.

DAVID ASBURY: In our discussion---.

PEGGY BARBER: In the proposal did they indicate like their mileage per diem and their cost per hour?

DAVID ASBURY: Cost per hour, yes. But---.

KATIE DYE: I know this travel cost when we initially first started talking about this was---.

DAVID ASBURY: A problem.

KATIE DYE: It was a problem because we heard comments that, you know, we couldn't pay the other travel costs. The state, you know...we had to justify it.

DAVID ASBURY: Correct. We indicated with them that we would bring this to you and that, again, travel cost was an issue. In our discussions at the meeting, there are two thoughts of travel. Diane can add to this. They wanted to visit the Pennsylvania offices of our two major producers. They wanted to go to their main accounting firm and accounting group with our two top producers as far as their random audit. They were anticipating that as part of their audit plan. They said they had not included those days in Pennsylvania in their audit. That's what they would be requesting a yes or a no from the Board.

KATIE DYE: So...but we still don't have like a ballpark figure of what those days would cost?

DAVID ASBURY: No, we don't. We asked them during our meeting and they think it's only going to be one person doing the traveling there and back.

DONNIE RATLIFF: Out of state.

DAVID ASBURY: It would be---.

BUTCH LAMBERT: Going to Pennsylvania.

DAVID ASBURY: Yes. And it would probably be two different visits because they would go to one during one period and finish their work---.

PEGGY BARBER: So, their time wouldn't be a part of the calculations and just their motel and their gasoline---?

DAVID ASBURY: Motel and mileage.

PEGGY BARBER: ---and their meals?

DAVID ASBURY: And meals.

PEGGY BARBER: And not their time. It's already in their proposal.

DAVID ASBURY: Yes. But that is something, Mr. Chairman, I can request them to bring specifics at the February meeting, if you'd like.

BUTCH LAMBERT: Well, I think Mrs. Dye is correct in that we had some long discussions about out of state travel for this particular contract.

DAVID ASBURY: That's correct.

KATIE DYE: Well, I wasn't aware of the out of state travel. I don't...I personally don't have a problem with them going to Pennsylvania, but what I guess I was looking for is just, you know, we're kind of leaving this wide open ended for travel in general.

BUTCH LAMBERT: Well, we could ask them for a more specific cost analysis or cost estimate on what they are proposing.

DAVID ASBURY: Yes, sir. We'll do that.

BUTCH LAMBERT: And then we'll...as I understood the discussion, we will also wait until their first presentation before we make any kind of decision on the scope...looking at the scope that they requested in item two?

DAVID ASBURY: Yes.

BUTCH LAMBERT: Okay. Any further discussion about question number two?

(No audible response.)

BUTCH LAMBERT: Moving on to number three. "Our proposal did not address travel costs associated with our random sample of thirty-five unit sub-accounts. However, we would like to receive reimbursement for actual travel costs incurred related to the random sample of thirty-five units."

Again, I would suggest that, Mr. Asbury, you ask them to be more specific in what they're asking for.

KATIE DYE: I have one question on number three. When we're talking about these random sample is that determined by Robertson, Cox & Farmer? How do they do that, random numbers?

DAVID ASBURY: That's part of what they're developing right now. They had a representative from their Richmond office that what his job is to do is to do the statistical part. That would allow the firm to meet AI CPA Standards as far as an analysis and how big the audit is. He indicated most of January and the first weeks of February would be done to design these random sample models from the information---

PEGGY BARBER: How did we come to conclusion of thirty-five units? Statistically how did you come to that? How many units total are there and then this magical number of thirty-five? Is that really a scientific random sampling?

DAVID ASBURY: As we discussed it, you know, it was just our discussion in a meeting that thirty-five was probably just a number that was a minimum that we felt like the Board in this audit needed to be AI CPA Standards. And we weren't sure if thirty-five was the correct number that

they needed to do their model and present it to the Board. They're going to do that. We had long discussions about sealed gob units and whether one of the thirty-five or two or three of the thirty-five units would be a sealed gob unit or more and that would encompass several. So, we'll see how their model develops. But, you know, they can pick three or four of the sealed gob units that we have and it would encompass maybe a 100 single units. But we went through all of that information with them in our discussions and left it to them with the idea that they needed to meet their AI CPA Standards as far as an analysis. Thirty-five maybe a minimum number and it may not even be the right number and that they should come back in February and present that right number to you and how they were going to do that.

PEGGY BARBER: Okay. Thank you.

SHARON PIGEON: I have a question about the travel expense. I don't mean to belabor that. But I'm...this almost sounds if they were talking about two different types of travel. Two trips to Pennsylvania and then in the item number three for the random sample of thirty-five units. Isn't that the same thing? Isn't that what they're going to Pennsylvania for?

DAVID ASBURY: Yes.

SHARON PIGEON: So, we're no talking about two

different travel?

DAVID ASBURY: Not to my knowledge.

DONNIE RATLIFF: But they're not going to get all thirty-five on the two trips to Pennsylvania.

BUTCH LAMBERT: I would hope not.

(Board members discuss among themselves.)

DAVID ASBURY: Again, I believe the travel is just...the same date. After they saw all the units in escrow accounts were and where they're major accounting firms were located. They were thinking in their model development they would like to travel to those locations.

DONNIE RATLIFF: But as they do their model, it looks like they want five...at least have a minimum number of the larger accounts and a minimum number of the smaller accounts and then the mix in the middle.

DAVID ASBURY: As I understand it, there's a science in how an AI CPA audit is done by public firms. This gentleman that we met from Richmond...from their Richmond office that's what his job is. He models audit...he models their audit plan before they begin an audit to make sure that they are statistically sampling things correctly.

DONNIE RATLIFF: And he works for---?

DAVID ASBURY: Robertson---.

DONNIE RATLIFF: ---their firm or he works for the State?

DAVID ASBURY: Robertson, Cox & Farmer out of Richmond.

BUTCH LAMBERT: Okay. Are we clear on number three?

(No audible response.)

BUTCH LAMBERT: Move on to number four. "The RFP proposes an audit period for thirty-five sub-accounts of 90 days. As we will be requesting information from well operators for a nine period it is doubtful we will be able to receive, verify and report on the information provided in that time frame. We feel that a time frame of 150 days is more reasonable, but more subjected to the timing of data availability." So, they're asking us for the extension to review the sub-accounts from 90 to 150 days. Any discussion?

DAVID ASBURY: And as we understand it, there's no cost in addition to that. It's just time.

BRUCE PRATHER: It looks to me like they could call up these various companies ahead of time and get most of this stuff prepared for them and just go up and pick it up unless they wanted to look at some of their stuff.

DAVID ASBURY: What Diane reminded me of. In our

discussions, what they will probably bring...I'm not certain of this, but what they will probably bring in February is information that they want the Board to request upon the operators. And the Board will actually make the request to the operators for these...for the information. The information then will go directly to Robertson, Cox & Farmer. Robertson, Cox & Farmer won't make direct contact with these people unless they go into these different accounting firms. It will be the Board request and a letter from the Board. Now, I believe it's right, in our discussions that they would bring that information to you in February and they'll say here is the model that we want and here is a sampling and we ask the Board to approve this sampling and send letters to the specific operators. And they have our full book of information as far as all twenty-one operators in Virginia, who they are and all of the information that we have as far as escrow. So, they have what we have to make their model and determine how they want to plan their audit.

BUTCH LAMBERT: Well, I think this is a question, again, that will have to be answered when we meet with them at our February meeting to see what their scope is and then we can determine whether or not those additional days will be appropriate.

DAVID ASBURY: That's correct.

KATIE DYE: Do we have the say on their model, the Board?

BUTCH LAMBERT: I think we would. Uh-huh.

KATIE DYE: So, we can either approve it or disapprove the model?

DAVID ASBURY: I would think so.

BUTCH LAMBERT: I would think we would. We would have to keep in mind that the standards that the model would be adhered to and whether or not we want to change that. But I'm not saying we couldn't do that, but I think we could.

DAVID ASBURY: The only statement that we had in our conversation is they need to do their modeling to insure AI CPA Standards. There's no selection of models or units or nothing like that. They have the whole play book and they have everything to make their decision on what their audit for the Board to conduct that and the plan for that audit. It's their plan.

KATIE DYE: So, there's no standard template for doing this? They will construct their own model?

DAVID ASBURY: They're constructing it based on ---.

BUTCH LAMBERT: Based on the standards.

DAVID ASBURY: -what the Board has.

BILL HARRIS: Yeah, there is a standard template. That has to be modeled to fit out particular circumstances. So, there's probably some room for latitude or some...you know, some room for changing. But, you know, I don't know if we could take out a whole section and say, oh, we want you to look at this in place of that or something. If that still fits within the standard acceptable model---

PEGGY BARBER: Because it has to be valid. It has to be valid.

DAVID ASBURY: Correct.

PEGGY BARBER: Once you start changing it, it's not valid any more.

DAVID ASBURY: Right.

PEGGY BARBER: Statistically anyway.

DAVID ASBURY: Right.

BRUCE PRATHER: So, basically what we're doing is it's going to take five months before they really start auditing. The first five months is going to be gathering information.

BILL HARRIS: I don't see that. No.

DONNIE RATLIFF: The audit is an ongoing process.

BRUCE PRATHER: It's ongoing, but---

DONNIE RATLIFF: It's a living thing. So, it's---

DAVID ASBURY: I think they'll begin getting information by March...late March.

BRUCE PRATHER: Do you think by that point in time they would know which one of these units that we're going to do the audit on at that point in time?

DAVID ASBURY: They'll know that in February.

BRUCE PRATHER: Okay. Okay. I was just rounding out the 150 days.

DAVID ASBURY: They should know and present...it was our understanding that they were coming to the Board in February and will present their model, which would include the units that they were going to audit and explain to the Board how they were going to go about the process.

BUTCH LAMBERT: So, I guess, the recommendation from the Board is on all four of these questions, we'll wait and address them in February when they come before the Board.

DAVID ASBURY: Right.

BRUCE PRATHER: I think that's a good idea.

SHARON PIGEON: Even the first one, the extension of the date?

BUTCH LAMBERT: Well, would that...that's something we will need to act on because that contract will need to be sign this week.

DAVID ASBURY: January the 31st, 2010?

BUTCH LAMBERT: 2010. But before we do that, he will have to see if they're agreeable to go through January of 2010. They've agreed through December.

DAVID ASBURY: Yeah. I would assume the answer is yes if we let them know.

BUTCH LAMBERT: Okay.

DAVID ASBURY: Yeah.

BILL HARRIS: I'm really quite surprise that they are talking about extending this a year and not charging for it. So, that sort of surprises me. But another month added onto that, I wouldn't think, would be here nor there. But I'm just really surprised by that.

BUTCH LAMBERT: So, can we...can we direct Mr. Asbury check and if they're agreeable to December...I mean, the end of January, 2010, if they're agreeable to extend it that long that we go ahead and sign the contract? Is that okay?

(No audible response.)

SHARON PIGEON: I'd do it by motion.

BUTCH LAMBERT: Do I have a motion to approve extending through January of 2010 if Robertson, Farmer & Cox agree?

DONNIE RATLIFF: Now, is...before we make a motion.

Is the travel a part of the contract?

BUTCH LAMBERT: No.

DAVID ASBURY: It's separate.

SHARON PIGEON: No. Just that one thing.

BUTCH LAMBERT: Just that one thing. Then the contract...if we go through travel we may have to look at amending the contract.

DONNIE RATLIFF: I make that motion.

BILL HARRIS: Second.

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

(No audible response.)

BUTCH LAMBERT: 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: It carries. Mr. Asbury, item twenty-four, do we need to discuss that at this point since we've already closed the...or we paid the transfer fee and the closing costs for the escrow account?

DAVID ASBURY: That's done.

BUTCH LAMBERT: I thought that was already taken

care of.

DAVID ASBURY: Yes, sir. The outstanding item that we have with Wachovia, and I believe was the Board approval to pay them on an hourly basis. I'm not sure if we did that in December or not. For the Wachovia portion of hourly costs from questions that they might receive from this audit after everything is done. I don't think we...the Board approved or discussed that.

DONNIE RATLIFF: Do we know that rate?

BRUCE PRATHER: Do you know what the amount is?

BUTCH LAMBERT: I think it was a 110 or a 115.

DAVID ASBURY: We'll have to get that---

SHARON PIGEON: They're being audited and they want to be paid for their time in answering questions. Is that what you're saying?

BUTCH LAMBERT: That's what they've asked.

KATIE DYE: But they received payment what time they handled the account.

DAVID ASBURY: Well, as State Agency we don't have any contract.

BUTCH LAMBERT: No, we don't have a contract with them.

DAVID ASBURY: Our contract is done.

BUTCH LAMBERT: Our contract with Wachovia has

expired. Therefore, we're not liable to pay them anything from this point forward.

DAVID ASBURY: I think you're correct, Chairman Lambert, that the rate was a 110 an hour.

BUTCH LAMBERT: It was either a 110 or 115.

SHARON PIGEON: As banking institution don't they have an obligation to answer questions without charging you? They did have the use of \$25,000,000 for a while there.

KATIE DYE: I think when you go to consider what we lost with them.

BUTCH LAMBERT: Anyway, I don't think the Board will take up that discussion of paying Wachovia. I think we'll pass on that one. The last item on the agenda is the approval of the December minutes. Has everyone had a chance to review those minutes and are there any changes?

DONNIE RATLIFF: Yes. But before you do that, Mr. Chairman, one question. Is there a statute...are they responsible to maintain the records for seven years or three years or---?

SHARON PIGEON: I'm sure there are. I'm don't know requirements. But I'm sure as a banking institutions they have very specifics requirements on maintaining records.

DONNIE RATLIFF: I just don't want them to shred all of our records in the middle of the night.

DAVID ASBURY: They're maintained. I believe they have to keep them for three years.

DONNIE RATLIFF: Thank you. I move that we approve the minutes as presented.

PEGGY BARBER AND BRUCE PRATHER: Second.

BUTCH LAMBERT: I have an approval...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 members of the Board. We appreciate your time.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 8th day of February, 2010.

NOTARY PUBLIC

My commission expires: August 31, 2013.