

IN THE COUNTY OF RUSSELL

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

MAY 18, 2010

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER
DONNIE RATLIFF - COAL REPRESENTATIVE
BILL HARRIS - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER

CHAIRMAN:

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

GARY EIDE - INSPECTOR, STANDING IN FOR DAVID ASBURY
DIANE DAVIS - STAFF MEMBER OF THE DGO

SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

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BUTCH LAMBERT: Good morning, ladies and gentlemen. It's 9:00 o'clock. It's time to begin our proceedings this morning. Please take a seat. I'll ask if you have cell phones, pagers or other devices, please turn those off or put them on vibrate. If you need to have discussions with your neighbors, I'd ask that you also please do that outside. These proceedings are being recorded and any conversations that take place in the audience will be picked up by our recorder. So, if you would do that, we would certainly appreciate it. At this time, I'll ask the Board to introduce themselves beginning with Ms. Quillen.

MARY QUILLEN: Mary Quillen, public member.

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

DONNIE RATLIFF: Donnie Ratliff, representing coal with Alpha Natural Resources.

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

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

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

GARY EIDE: I'm Gary Eide. I'm sitting in for Dave Asbury who couldn't be here today. As you know, Dave is the

executive director to the Staff of the Gas and Oil Board.

DIANE DAVIS: And I'm Diane Davis with the Gas and Oil office.

BUTCH LAMBERT: Thank you. Mr. Asbury is on a well deserved vacation. We appreciate Gary sitting in for him today. At this time, we'll enter into public comment period. I'd like to remind those that are signed up for public comment, this is a public comment period. It's not a question and answer session. This Board will not be answering questions. If you do have questions, I would ask that you call Mr. Asbury's office to set up a time for an appointment if you have specific questions about a docket item. If you have questions concerning a docket item and wish to bring those before the Board, from this time forward, we would ask that you petition the Board for a docket item and at that time you will be here...you will be heard at the regular monthly meeting for the Board. Again, the Board will not be addressing any questions during this session. First on the agenda is Jamie Hale.

JAMIE HALE: Good morning, Mr. Lambert.

BUTCH LAMBERT: Good morning.

JAMIE HALE: I was wondering if you would...I'm not asking you to make a decision, but I was wondering if you would read my coal severance deed.

BUTCH LAMBERT: No, sir.

JAMIE HALE: That's not acceptable. I took a day off of work to come here to speak to this Board and now you're...you said you would read it last month. What has changed?

BUTCH LAMBERT: I will answer that question simply because we have requested an official Attorney General's opinion on the Bill that has been signed by the Governor. Until we get a confirmation from the Attorney General's office, we will not be answering any questions on any deeds.

JAMIE HALE: Well, it seems to me that the Supreme Court and the Bill that was amended to the 1990 Gas Act, Senate Bill 376, I don't see what questions you'd have. If you would read my deed and then read...I've got a copy of that Bill that you could also read. I don't see what questions that you would have. I mean, I agree last month you said that the Board couldn't settle property disputes. I understand that. But in light of the new law, the property dispute is settled. The way I feel is my family's royalties are sitting in escrow. With the new law that was passed, the conflict has been dropped. It should be dropped. We just keep getting put off. You said that you didn't think that the Board had the authority---

BUTCH LAMBERT: I didn't say that, Mr. Hale.

JAMIE HALE: ---to read a document and make a decision.

BUTCH LAMBERT: I didn't say that, Mr. Hale. I said that we had requested an Attorney General's opinion.

JAMIE HALE: No, last month you said that. You didn't say it a while ago. But last month you did say that.

BUTCH LAMBERT: I did not say that, Mr. Hale. Mr. Walz said that.

JAMIE HALE: I have this...well---

BUTCH LAMBERT: No, sir. No, sir. If you have anything to give to this Board, please pass it to Mr. Eide and don't approach the Board.

JAMIE HALE: You know, this is a joke. This is a plain out miscarriage of justice. I don't know what more that this Board needs. You're supposed to be a...are you a public board or a regulatory board? What is...what's this supposed to be?

BUTCH LAMBERT: As I said earlier, Mr. Hale, this is not a question and answer session. We will not be answering questions for you.

JAMIE HALE: So, you're just going to give us the run around?

BUTCH LAMBERT: I'm not giving you the run around.

JAMIE HALE: Yes, you are.

BUTCH LAMBERT: I'm offering you a chance for public comment. We're not going to address questions from this Board...to this Board.

JAMIE HALE: So, you make the laws as you go? You don't have to follow the law? The Board don't have authority to follow the law?

BUTCH LAMBERT: Mr. Hale, I'm not going to comment any further.

JAMIE HALE: That's not acceptable. I have got...you ain't going to look at no documents---?

BUTCH LAMBERT: No, sir.

JAMIE HALE: ---whatsoever?

BUTCH LAMBERT: No, sir. If you have a particular item that you want to address this Board to, you may file a petition and come before the Board.

JAMIE HALE: This is ridiculous. Plain out ridiculous.

BUTCH LAMBERT: Juanita Sneeuwaght.

JUANITA SNEEUWAGHT: Good morning, Mr. Chairman and the Board.

BUTCH LAMBERT: Good morning.

JUANITA SNEEUWAGHT: Good morning. My name is Juanita Sneeuwaght with the Committee for Constitutional and Environmental Justice. No questions for you.

BUTCH LAMBERT: Thank you.

JUANITA SNEEUWAGHT: You're welcome. Drill baby drill. I've been hearing that a lot. Kill baby kill. Kill everything in sight. Kill the workers. Kill the environment. Kill the fragile eco system. Kill everything that stands in the way for that almighty dollar. Keep drilling. Keep the pressure on. The net profit is all that matters all that is worshiped. Yes, I am comparing the gas industry in Southwest Virginia with the disaster of deep water horizon. Cheating folks out of assessing the royalty dollars, destroying the environment, diluting the forest and vegetation and subsequently causing erosion and landslides is the game that is played here. Demanding and getting increased density to further exploit the surface and deface mother earth is the game that is played here. When a worker, husband and father is killed on the job hurry to put a spin on what happened and silence those who would expose it to the light of day. One worker killed or eleven, what's the difference. They're all dispensable. All in days work to reap that dollar. Do some more finger pointing and accusing. Haliburton destruction on the water or on the land. This Board needs to be accountable when allowing increased density. More wells, more pipelines, more infrastructure and more opportunity for disaster. Kill baby

kill. I thank you.

BUTCH LAMBERT: Catherine Jewell.

CATHERINE JEWELL: Good morning. My name is Catherine Jewell. I'd like to comment on my own behalf on a number of issues. My family received an application...permit application in the mail recently from CNX. There were several things in this permit application, which I wanted to point out. For one thing we had two tracts in that unit. One was 1.5 and the other one was 2.11 acres. Pay taxes and...on their plat, the .5 acre tract became .22 acres and the 2.11 acre tract was assigned to somebody else. You know when I compared what the Tazewell County tax maps look like with their plat, we were looking at different types of properties. None of the boundaries on their plat closed. There wasn't even actually a certification. It was a stamp on the plat. There was no key in here. You couldn't really tell where it was, but they felt confident enough to go ahead and basically do what they want to do with this property. That's one of the issues here, two parcels and one not on the tract that's assigned to us and another one .5 acres becoming .22 acres. But then again, I stood before this Board a year ago and I asked you about a 156 acre .56...156.56 acre tract, which according to CNX become a 100 acre tract. This Board, you

know, didn't say what it should have said, which was the difference of that should be escrowed. It's a conflict. Right? Conflict resolved. They should go ahead and they should survey that part that isn't being contested. Nothing like that was done. But then again it's this Board.

I have more issues here. This permit application apparently they were not going to do a pooling application because they had everybody in here as being...that they had the rights to conduct the project...conduct the drilling. Now, the only way you get the rights to do the drilling on a project is to do a voluntary agreement among all parties or if the unit goes before the Board and the Board approves it. Otherwise, you're trespassing on the gas estate. But all too often, we see before this Board pooling orders with the permit already issued and a well producing. The DGO should not be granting these permits if the unit has to be pooled. It's pretty easy to tell if the unit has to be pooled. Don't rely on the little statement on the front because this statement was wrong. In fact, when I look through this tract there sixteen of the twenty-two people that own the surface and all of the minerals except coal had no lease.

There is more interesting things here. There was no application certification showing the name of the person who was signing for this thing. It was just a typed

statement certifying that this permit application was correct. There was not...of course, no notary stamp. What was really...I think really interesting is when I started looking up how they had assigned interest in the tract. What I kept on seeing was CNX associated with the P3 seam. They would say CNX, coalbed methane, P3 seam. Now, on some of these you would see a surface owner...a surface and all other minerals except coal owner down there and you would have CNX as the gas owner. Now, apparently what had happened is that CNX bought the coalbed methane rights from the coal owner to the P3 seam. When you go and you look at the stimulation plan the only seam mentioned in this plan was the P3 seam. But when you looked at the bottom of the operation plan on the...there was a map...there's like a drilling log there of what they expected, you would see that all seams are subjected to stimulation and that they have the possibility of putting an open hole in. Well, I've got some problems here. That well was estimated to be 2,063 feet. That Pocahontas Number 3 seam was 1,713 feet deep and...which is 2,709 feet. That's going into the shale babies...the shale, all right. That's where that's going in to. How big was the P3 seam? .75 feet. Now, I don't know about you, but I think most miners will tell you that with the coal it moves underground. In other words, it rolls

sort of. So, I don't know how you can stimulate one seam .75 feet 300 to 1500 feet and keep it in there. This is not coalbed methane, okay. Another problem that I have with this whole application is the listing by CNX of conflicting claims to the coalbed methane where there is no conflict. This is incorrect. CNX had listed the ownership interest in each tract incorrectly in some cases and in many cases wrongly. It indicated that reserve properties, which is another subsidiary of...subsidiary of Consol, or CNX had the coalbed methane to the P3 seam and then in some cases, CNX owned the coalbed methane outright in the P3 seam. Now, we have this little law in Virginia section 45.1-361.21:1, which says, "A conveyance, reservation or exception or coal shall not be deemed to include coalbed methane. Nothing in this section shall effect the coal operator's right to vent coalbed methane gas for safety purposes or release coalbed methane gas in connection with mining operations." The law in Virginia is quite clear with respect to ownership of coalbed methane. The owner of the coal in its entirety or one or more seams of the coal does not own the coalbed methane regardless if the coal owner conveyed the coalbed methane or the rights to obtain it to CNX. A basic premises of property law is you cannot convey something that you don't own. This application incorrectly lists coal owners

as having a claim to coalbed methane when they do not. Page one of the operation plan states that there's no active underground mining in the area, therefore, the coal operator has no right to vent the coalbed methane for safety purposes or release coalbed methane in connection with mining operations. Since the coal owners do not have the coalbed methane ownership interest in the coalbed methane, any lease agreement between the coal owner and CNX purporting to lease the coalbed methane is inconsequential. It's not relevant.

As I've said before, the operators lists the ownership. You tell them to get it right. All you have to do is not approve pooling orders. DGO has to not approve permit applications that are so screwed up with respect to ownership. It's a simple solution.

A few more comments on this because I don't know how much you all are aware of this. There's a place on those permit applications that shows you drilling fluid intake. This is supposed to where you take that water in before you frac...I mean, as you're drilling and hydraulic fracturing the well before the well before you set the water protection stream. Regulations states that you can take it, you know, from various sources and that it has to be of ground water standards. It had to comply with the Virginia ground water standards. There are no Virginia

standards for ground water, okay. There never has been. I've been saying this for two or three years. I've written Director Asbury about this. When you look at the standards, okay, which..when you look at the EMATS little test, you see something very interesting. When you get a blood test, what do you see? You see a range, okay. That's the only way that you can tell if you are anywhere in that normal range. Well, you don't see this with an EMATS test. You also don't see (inaudible) test. They're taking this out of stream that is considered in paired by DEQ and DCR. They're sticking it down the well and it's all right with you guys or it's all right with you guys. I thought so. All right.

The second order of business. Earlier this month, I had the privilege of flying over portions of Buchanan, Tazewell and Russell County in order to obtain an aerial view of mining and gas activities. Dr. Lap is a pilot and volunteer with (inaudible) graciously flew Case Stempson, a professional photography and myself over. What we saw was simply amazing. I thought I would bring some photos and let you see for yourself. Since the flight was taken after the trees had become to leaf out and ground cover had become to green out, the extent of the ground disturbances such as the size cleared for the well sights, roads, pipeline, right-of-way and power line right-of-ways are not as visible as if we

had flown in the winter. So, these photos really don't do justice to the amount of environmental destruction. People traveling from the air see some of the ground disturbing activities related to gas drilling, but most of the activity is not visible because of roads to these sites are often gated and inaccessible. For example, my family owns two inaccessible tracts. We have been barred from access to the four wells on a 68 acre tract for over five years now. Another 25 acre tract that has two wells located on it, thanks in part to this Board sanctioning the activity that was responsible for clearing 12 acres of our land. On this site, the trees were either cut or bulldozed over and left to rot in an inaccessible area. One well located in 60 or 80 acres will drain the gas in the unit. However, more wells allows the area to be drained faster. This Board has granted increased...every increased density request by the gas operators and I'm unaware of a single well permit application that the DGO has turned down due to its redundancy. There are probably over a 1000 units that have more than two wells and 100s that have five or more. Units where more than two wells are proposed seldom come before this Board for their approval. It is the DGO that grants them. Many of these photos will show the impact of increased density. Mr. Stempson's camera had five times the

resolution of most cameras. So, you can actually see the trees when you blow it up. When you're looking at these photos, I'd like you to pay attention to the proximity of some of the wells to the homes, the erosion readily apparent at some of the sites and the steepness of some of the roads. Wells are located everywhere, high on a ridge, in the valley or right in the middle of pasture and farmland. I've included in these photos three different coal sludge and slurry ponds that we happen to fly over. These are located high on a ridge and are contained by earth and dams. The earth and gob impoundments are constructed to hold waste associated with coal mining. Many people living in the hollows below are not aware of what exists right above them. Probably the most famous sludge pond was located above Buffalo Creek Hollow. In 1972, that earth and dam broke loose following a week of heavy rains sending its contents down into the hollow. In a matter of minutes, a 118 people were killed and 4,000 people lost their homes. This Buffalo Creek in Logan County and it's not to be confused with the 1968 Buffalo Creek disaster at the Consolidation Coal Company mine in Farmington, which resulted in 78 miners killed. When we tend to think of coal disasters, we usually think of what happens at coal mines. The Court determined the Logan County disaster to be an act of God. Thought I

doubt God ever took the stand in his own defense. At any rate, no human was ever held liable. In the photos you should look real close because you can see the roads leading into them and you can see the dumpster...the truck dumping into...would you like to hand this out to the Board? Mr. Grantham and the politicians are quick to point out the number of jobs created by gas wells. The truth is that with the heavy equipment available today four or five men working three weeks generally puts in the well at wages from \$12 to \$16 that is about \$8,000 to \$10,000 of Southwest Virginia labor made from putting in that well. The fracing is down by Haliburton out of Texas. Most of us have seen their trucks hauling liquid nitrogen. Once the well is drilled, a worker will check the site every so often and conduct routine maintenance on it. These wells have an estimated life of 30 to 60 years during which landowners are restricted in what he can do...they can do on their property including their ability to farm the site, raise cattle, horses or other animals, build in the right-of-way or harvest timber from the remaining parts of his property. The value of his real estate decreases and should he decide to sell his property or subdivide it, the presence of wells, pipeline and power line right-of-ways and the ability to obtain palpable water from the water wells when install

septic systems limits its value of the land. The impact of increased density wells has been to flood the market with gas and decrease the selling price. They also limit the overall amount of gas that can be retrieved from the area. In 1982, the Virginia General Assembly passed the Oil and Gas Act, which introduced force pooling and restricted the rule of capture in Virginia. The Act declared that it was the policy of the Commonwealth of Virginia and in the public interest, one, to encourage the maximum recovery of oil and gas while preserving capital. Two, to prohibit the waste of oil and gas resources. Three, to safeguard, protect and enforce correlative rights. Under the rule of capture, each land owner was encouraged to drill wells and capture the gas or oil before his neighbor got it. The result was 1000 of unnecessary wells were drilled in states like Texas resulting in waste of capital and resources. Geologists soon discovered that the indiscriminate drilling limited the overall recovery of gas and oil resources. That is the overall production for many wells in the area was less than what could be recovered from one well. The increased density well allows for the quicker recovery of oil and gas but also results in the flooding of the market and drastically reducing the value of the extracted products. The DGO and the Board have apparently forgotten this.

As previously mentioned, the Board has never seen an increased density well it has not approved. Most of these requests are for ten or more wells, but some are for over a 100. The DGO then allows for more than two wells in the unit. In March, CNX submitted a request for increased density in two units, WWW-21 and XXX-21. The Board granted them. Apparently, this Board was unaware that there already were two wells in those units and they were producing. This is a joke. What has resulted is units with no wells, the next two units with two or more wells. I would be interested in knowing how the heck this protects correlative rights.

Does anyone in this room really think that once these wells stop producing the companies will be willing to spend the tens of thousands of dollars it will take to plug them and disconnect the pipeline? Currently, we have 7,000 producing wells and hundreds that are not producing and are not plugged. The industry expands a great deal of time and money fighting any regulation that requires them to plug the wells. Last month, Mr. Grantham stated that many operators were leaving Virginia. Giving the two companies operate over 90% of the wells and they still appear to be here, this is news to me. I really don't know the grounds for his statement. However, scare tactics are common in his bag of

tricks. I have no doubt that like others in the industry, once the products slows or stop there will be a mass exodus out of state leaving the public to bear the price of the clean up. But you say, they are bonded. That is a joke. The act allows for a blanket bond so the two large...so the largest two companies, which had thousand of wells a piece only submit a blanket bond the same as one who has only 51 wells. That is a \$100,000. Given the extent that Mr. Grantham and the other gas industry lobbyist have fought against the proposed \$50 per well per year of tax to offset the cost of regulatory off sight for each well, can you honestly say they will be anxious to step up to the plate when the time comes to plug these wells. The job creation will really come when the public has to hire contractors to plug these wells and to clean up the environmental mess. I believe we are currently seeing this go on in the gulf of Mexico. Thank you.

BUTCH LAMBERT: Ms. Jewell, before you step down, looking through your photographs---

CATHERINE JEWELL: Yeah.

BUTCH LAMBERT: ---I would just like to put out that on every photograph that you have given us, the majority of this land or more than the majority of the land that you have pointed out is abandoned mine land and not gas

and oil impressions.

CATHERINE JEWELL: Bull crap. I went to everyone of those photos and enlarged it. Do you have land---?

BUTCH LAMBERT: You have...you have photographs that show wells on abandoned mine lands, but those...most of those high walls are abandoned mine lands---.

CATHERINE JEWELL: I know that.

BUTCH LAMBERT: ---if you'll look at those photographs.

CATHERINE JEWELL: But there are wells sites there.

BUTCH LAMBERT: There are. Absolutely there are. But the point that you were trying to stress to us is that this is all gas well activity and I would just like to point out that it's not. Most of those photographs are gas wells on abandoned mine lands.

CATHERINE JEWELL: Abandoned mine lands that had been reclaimed.

BUTCH LAMBERT: No, ma'am. No, ma'am, those have not been reclaimed. The high walls are still visible and the (inaudible) are still visible.

CATHERINE JEWELL: Okay. So, the pipelines were already there, the power lines were already there and the well sites were already there?

BUTCH LAMBERT: No, ma'am. You're saying that the

abandoned mines that were reclaimed. Abandoned mine lands by definition are mine lands that were mined before 1977 that were not reclaimed through current standards. Those photographs are showing mine lands that was mined prior to 1977.

CATHERINE JEWELL: I've got a 160 more, which will show them elsewhere. Those are the ones that I chose to blow up.

BUTCH LAMBERT: I don't want to argue that point with you.

CATHERINE JEWELL: Did you notice the erosion in there? Not all of them were.

BUTCH LAMBERT: I don't want to argue that point with you. Those other photographs that you have may not be abandoned mine lands. But I just wanted to clear up the fact that most of those photographs shows wells on abandoned mine lands that were not reclaimed to current (inaudible) standards.

CATHERINE JEWELL: And the point is?

BUTCH LAMBERT: The point is you...I think you were trying to tell the Board or wanted to emphasis---?

CATHERINE JEWELL: Those are increased density wells, is that correct?

BUTCH LAMBERT: I don't know how many wells are in

those units by looking at those photographs. I can't tell that. I'm just saying...I'm trying to clear up a point here. You were emphasizing to the Board that those gas wells created those disturbances and they did not. Those were on abandoned mine lands.

CATHERINE JEWELL: I beg to differ from you because I took them all over the place. I have, like I said, a 160 more. Some of them are on mine lands.

BUTCH LAMBERT: Absolutely.

CATHERINE JEWELL: So what?

BUTCH LAMBERT: We agree. We agree. But those abandoned mine lands are not reclaimed to current standards. With high left and out slopes that haven't been reclaimed.

CATHERINE JEWELL: I have property that's not an abandoned mine land, 69 acres. There's four wells on there.

BUTCH LAMBERT: But you're not showing us that photograph. What you showed us photographs are abandoned mine lands. That's the point...the only point I'm trying to make here.

CATHERINE JEWELL: No. That's wrong. Four or five of those are. But the other ones are not.

BUTCH LAMBERT: The ones that are not are the ones with slur impoundments.

CATHERINE JEWELL: I'll be glad to show you the

other ones.

BUTCH LAMBERT: I'll be happy to see them at the break. I sure would. Thank you. Ronnie Osborne.

CATHERINE JEWELL: And that's not increased density?

BUTCH LAMBERT: Ms. Jewell, I'm not arguing that fact with you. They may be increased density. I don't know that. What I'm saying is those are on abandoned mine lands.

CATHERINE JEWELL: See that's the problem when you're doing things in the spring is that you don't really get the picture that you get in winter when you can see everything. So, you have to shoot with what you see. But there's three in there that are not. My point is---

BUTCH LAMBERT: Three that are not what?

CATHERINE JEWELL: Are not and that's not the slurry ponds.

BUTCH LAMBERT: Are not what?

CATHERINE JEWELL: Abandoned mine lands.

BUTCH LAMBERT: Three out of---?

CATHERINE JEWELL: There was eight photographs altogether.

BUTCH LAMBERT: How many?

CATHERINE JEWELL: Eight photographs, three of the sludge.

BUTCH LAMBERT: That you showed us right there weren't eighty. There was what a couple of dozen maybe that you have in that book. Maybe a couple of dozen.

CATHERINE JEWELL: I think there is eight that are in plastic besides the first one.

BUTCH LAMBERT: Okay. Well, thank you for your comments. We'll look at those photographs at break. We'll be happy to see them.

CATHERINE JEWELL: Well, what I'd really like you to look at is the increased density. That's what I'd really like you to consider. I'd like to see the science for it.

BUTCH LAMBERT: Well, thank you for your comments. Ronnie Osborne.

RONNIE OSBORNE: You all have took my rights. I can't ask no questions. So, really people tells me the Gas and Oil Board ain't got no power for this and ain't got no power for that. It seem like they've got all kinds of power when it comes against the people. I just learned last month that the Gas and Oil Board is part-time employees that don't even get paid to do this job. They get reimbursed for what they spend. Is our state legislatures not aware of twenty some million dollars, which should be a lot more than that, don't they think that is important to the people to protect their interest as well as the companies? We've got part-

time employees that don't get paid. Is that true? Is that true?

BUTCH LAMBERT: That's true.

RONNIE OSBORNE: That's true.

BUTCH LAMBERT: Yes.

RONNIE OSBORNE: Our state don't think that it's important enough to protect our interest to get full-time employees to protect these millions of dollars that goes into them escrows. You're telling me we've got part-time employees doing our protection. Now, we don't have the right to ask questions no more because the General Assembly says so. Is that what I heard?

BUTCH LAMBERT: You didn't...you didn't hear that, Mr. Osborne.

RONNIE OSBORNE: I heard...I heard the General Assembly in the same sentence. What...no answer?

BUTCH LAMBERT: No, sir.

RONNIE OSBORNE: Okay. Thank you.

BUTCH LAMBERT: I think this is Mitchell Counts, but I'm not sure.

MITCHELL COUNTS: Everything I have was in the form of a question.

BUTCH LAMBERT: Okay. Thank you, sir. Jerry Grantham?

JERRY GRANTHAM: Mr. Chairman, I have no comments at this time.

BUTCH LAMBERT: Thank you. The next item on the docket is item number three. A petition from EQT Production Company for disbursement of funds and authorization of direct payment on a portion of Tract 2, unit VC-702966, docket number VGOB-94-0816-0467-01. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Rita Barrett on behalf of EQT Production. We were informed this morning that Mr. Leonard Powers has passed away.

BUTCH LAMBERT: Oh, I'm sorry to hear that.

JIM KAISER: So, I guess the proper thing to do at this time would be to withdraw the petition and contact his window and find out what the disposition of his estate is and then refile.

BUTCH LAMBERT: Okay. That docket item will be withdrawn.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item on the docket is item number four. The Board on its own motion will reconsider EQT horizontal provisional unit VH-539991 and statutory requirements for royalty payments, docket number VGOB-08-

0819-2301. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Luke Shankin on behalf of EQT Production Company. I'd ask that the witness be sworn at this time.

(Luke Shankin is duly sworn.)

JIM KAISER: This is sort of a different animal here. We have a packet that is being passed out now that we'll kind of give you the history. Before Mr. Shankin goes into his testimony, let me kind of go back through where we are on this. We have some units that have all previous been established. These are horizontal conventional units. So, they're 320 acre squares. They're stacked on top of each other. We had a situation where the lateral from one unit crossed into another unit. We had a location exception approved in July of 2009 and then Mr. Asbury's office took a look at the testimony and decided that it wasn't clear, you know, as to how the royalty owners within the two units were going to be paid respectively. So, we came back in January of 2009 with a proposal that we thought was the best way to protect correlative rights and the fairest way to pay the royalty owners. We thought we just about had it and then Mr. Harris proposed in his motion that we pay, not in the manner that we had proposed, but based upon the length of

the lateral in each respective unit which...and at this time...at that time for some reason Ms. Pigeon was out of the room and did not hear the testimony, which had I think I'm accurate in saying, that CNX had proposed paying that way previously...maybe a year or so previous to this and due to some language in the statute specifically Section 21, I think, of the statute where it says that royalties have to be paid in a proportionate basis. She denied their request to pay that way. So, when she realized what had happened, the Board put this under their own motion back on the docket and we're here today to try to clear this up and go back through our proposal basically from January before it was changed.

BUTCH LAMBERT: Okay.

JIM KAISER: Okay. So, having said that...

LUKE SHANKIN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shankin, if you would state your name for the record and who you're employed by?

A. Luke Shankin, EQT Production as a

geologist.

Q. And your job responsibilities include the conventional horizontal drilling program in Virginia?

A. Yes, sir.

Q. And have you prepared a handout today to explain to the Board how we would propose to pay royalty owners in a situation where a lateral crosses from one horizontal unit to another?

A. Yes.

Q. Okay. Would you go through that for them now then?

A. Uh-huh. All right, the package that you have in front of you is the same or similar to what we've shown you in the past on this unit. I thought we'd just go through it real quick to give a refresher so that everybody kind of new exactly where we were on this. If you look at the first page AA, it kind of gives the well plan that we're asking for the exception for, the 539991. It would be a 3850 foot lateral that we're going to drill in the northwest direction. As Mr. Kaiser said, we're going to cross from one previously established 320 acre drilling unit and to another. The goal is to follow the well design of well 531020 to the north in the length and direction. That well was one of our more successful horizontal wells. We'd like

to see if we can repeat that success just to the south. We're going to start a conventional unit to the south VGOB-08-0819-2301 and cross into conventional unit to the north VGOB-08-0819-2303. We estimate approximately 375 feet to build the curve in the horizontal well above the target formation and then we estimate 1725 feet of producible interval in the southern unit and 1750 feet of producible lateral in the northern unit. We had maintained 300 foot interior window on all other edges of the unit besides the one that we're crossing and maintain a minimum of a 600 foot distance from vertical wells that produce from the same formation as this horizontal well.

BB just shows the location of these two units in relationship to the counties and the quads around it.

CC is just kind of a blown up picture of that. You can see existing well 531020 horizontal to the north and then the brown line below there is the well that we're proposing 539991 to the south crossing from one unit to the other with the distance of the laterals on there.

DD just shows how we would essentially propose to pay 539991 kind of as one large 640 acre. It would be an exception to cross from one to the other. Then you just kind of eliminate that line. Now, the boundary it wouldn't effect well 531020 since it complies by everything. It

would just stay with the unit to the north. We're going to continue to just pay the royalties on that one to the well to the north.

So, if you look, just to recap, what was originally approved in '09 was that once we drilled 539991 and it was producing the two 320 acres would be combined and then the existing well 531020 would start paying the 640 acre. Then there wouldn't be any back payment of royalties on the 531020 to the 640 acre unit. It would just pay that moving forward after this 539991 started producing. This set in place of process that if a horizontal well crosses from one established unit into another the two units are combined to form one larger unit. We're proposing...there are some issues with that, if you look on the next page. Does that combination of unit then apply for future wells drilled in other formations if they're applying...you know, if they're staying within those 320 acre units. The situation arises where a horizontal leg crosses into a unit that has already combined with a neighboring unit. Do you then just keep adding units to this? Would that now become a 960 acre unit? I know this is how gob units are treated for CBM. But we don't have an open reservoir here as you do in a gob unit that we're drilling into an open mine area. You know, essentially if you look at the example that's on

the right. With well A you're not draining the same anticipated reservoir that you offer well C and D. The distance is just too great for a shale reservoir that we're talking about here.

The method that we had originally proposed was to apply the exception to the well, if you look on page GG, and not to the horizontal unit, which was originally approved in July of '09. That is if a horizontal well stays completely within a horizontal unit then the royalties get paid to that unit only as is the situation with well A 531020. If a horizontal well produces from more than one unit, then the royalties get split equally between the units that were crossed, meaning when you cross a unit, essentially you form a 640 acre unit for that well and the acreage is paid proportionally on your percentage and that larger 640 acres that you crossed the two units. So, the royalty example on the diagram to the right of this page, if you assume all of these wells were drilled and completed in the same formation, say the Lower Huron Shale, if you drill well A, it's only going to pay unit 1 because it stays entirely within unit 1. If you drill well B since it's crossing from unit 1 to unit 2, you're going to pay based on the percentage of acreage that a person would have within those two units. If well C crosses from unit 3 to 2, the same

deal, you pay based on the percentage of acreage within that 640 acre unit. If you drill well D, since it would stay entirely within unit 3 it would only pay royalties to unit 3. The next page just shows what was drilled...what we approved in January of 2010 was a royalty percentage based on the proportionally length of the producing lateral in there, which I'm told that is not the way that we can do it with the current statute. So, what we're proposing is to go back to what's listed on page GG and essentially just apply an exception to the well and then you would form a unit for that well only, essentially a 640 acre unit and you pay based on the percent of acreage within that, you know, knew exception applied to the 640 acre unit.

Q. Mr. Shankin, did we meet with Mr. Asbury last week to further discuss these issues and kind of go through our proposal?

A. Yes.

Q. And does he understand and agree with the method that we are asking for here?

A. Yes.

JIM KAISER: Thank you.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, I'm a little confused on the...I know we had this discussion about the 640 acres

and there were some problems with that. I don't recall us approving a 640 acre.

LUKE SHANKIN: We didn't approve...you didn't approve and we didn't ask for a 640 acre unit. Essentially what we'll have is still two separate 320 acre units. What was approved was an exception for a lateral to cross from one 320 acre unit to another and we're not asking for a 640 acre unit, but with that exception you essentially begin paying both of those 320 acre units, which you're not forming a 640 acre unit, but you're paying two of those combined, which is 640 acres. So, any well---

JIM KAISER: So, that will be the denominator rather than 320 for the proportionate share of the acreage.

LUKE SHANKIN: Uh-huh. So, any well that would be drilled in the future in either of those two units and stay entirely within, would still just pay that 320 acre unit. We're asking for an exception on the well and not on the units themselves.

MARY QUILLEN: Well, if I remember correctly, you asked for the exception on that one well and is this the same well?

LUKE SHANKIN: Yes.

JIM KAISER: Yes.

LUKE SHANKIN: We're just coming back to change the

way that the royalties would be paid out to---.

JIM KAISER: Yeah, the units...the two units were established and the location was approved.

MARY QUILLEN: Are there going to be other wells set up like this that you will ask for additional exceptions to expand this into basically what would be...on part of these is a 640 acre were they cross over?

LUKE SHANKIN: Are you saying will we be asking...we will be asking to cross from one unit to another in the future?

MARY QUILLEN: Yeah.

LUKE SHANKIN: It's likely that we'll ask for another one of these in the future.

MARY QUILLEN: So, if we do it one time then the expectation is that it will be something that you will be doing on a regular basis.

BUTCH LAMBERT: But you aren't asking for a 620 acre unit. You're asking---

LUKE SHANKIN: No, we're asking for an exception for the well, Mr. Chairman.

SHARON PIGEON: For the location.

BUTCH LAMBERT: For the location.

JIM KAISER: Yeah. Again, everything has been approved other than there was confusion as to how the

royalty would be paid and the Board on their own motion asked us to come back to talk about that.

LUKE SHANKIN: I guess maybe to answer your questions, that's one of the things that we had discussed with Mr. Asbury last week was that his was a provisional unit...an exception for this well. It doesn't necessarily set a precedent for anything. You know, we come back in front of the Board for anything that we have to do like this.

KATIE DYE: Mr. Chairman, I have---

MARY QUILLEN: We don't have the information that you discussed and that's the reason that we just need this clarified because this was discussed and Mr. Asbury is not here to respond to this...to this discussion. So, that's the reason that we just need to...some clarification because I know that this was discussed at great length when the original...because you had originally asked to combine for a 640 acre and we said, no, not a 640 because these conventional horizontal units are set up at 320. So, you're asking for the exception for this particular well to cross boundaries into two different---

JIM KAISER: We already have that. It has been granted, okay.

MARY QUILLEN: That's what I'm saying.

JIM KAISER: Right.

MARY QUILLEN: This is what...I'm just walking through what you have done---.

JIM KAISER: Right. Oh, okay, walking through history. All right.

MARY QUILLEN: ---to this point to be sure that we are clear on what has been approved and what you're actually doing with this and then what you're asking us to do now. Okay.

LUKE SHANKIN: Yeah. We're just asking for the exception on the well and not on the unit and then we're coming back in the front of the Board to reclarify the way that the royalties will be paid out on this well.

JIM KAISER: At your request.

LUKE SHANKIN: Uh-huh.

SHARON PIGEON: The exception was previously approved.

LUKE SHANKIN: Yes.

SHARON PIGEON: What was incorrect in the previous Board order from the proceedings and I was out of the room, so I wasn't able to give you any guidance on this. The payout should have been for all of the units and all of the tracts within this units involved. If it crossed over into another unit all of the tracts were part of the payout and

not just the length of the lateral and that was all. We've had this situation come before the Board previously.

MARY QUILLEN: Okay. That answers the question right there.

SHARON PIGEON: Okay.

MARY QUILLEN: I wasn't here at the March meeting. So, I just wanted that clarified. Thank you. That's all I have.

BUTCH LAMBERT: Mrs. Dye, do you have a question?

KATIE DYE: I think Ms. Pigeon took care of my question.

BUTCH LAMBERT: Okay. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Mr. Chairman, we'd ask that in this particular incidence for this particular well that we be allowed to pay the royalty for the lateral that crosses the two units and the method that we have laid out here today and that is that each owner in the two units will receive their proportionate share of the royalty based on the denominator of 640. In other words, if you had 80 acres you would get, you know, one-eighth of the one-eighth.

BUTCH LAMBERT: Okay. Do I have a motion?

BILL HARRIS: I have one other question. It can wait until after the---.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Let me just ask one other question. Back on EE, if you would just refer to that. I'm just...I want to make sure I understand what's happening to the existing 1020...531020 well. The second bullet there says that...oh, I'm sorry, the first one says that once that well is drilled once the 9991 is drilled and producing the two 320 units are combined and both the 9991 and the existing 531020 would begin to pay a 680...640 acre unit and that's because, again, we're spreading over. But I'm not sure about the 20. Why was that---?

LUKE SHANKIN: This was what was approved in July of 2009.

BILL HARRIS: Oh, okay.

LUKE SHANKIN: And then actually, Mr. Harris, in January of 2010---.

BILL HARRIS: I was the one that actually proposed---.

LUKE SHANKIN: ---we changed that 1020 or the 531020 would just pay the unit that it's in and the exception on only applies to the well that crosses.

BILL HARRIS: So, now, where are we now then? I

think---

JIM KAISER: So, now, if the lateral is entirely in one unit, then just that unit---

BILL HARRIS: That only that unit 320 gets---

JIM KAISER: Correct.

BILL HARRIS: Okay, but if it crosses, then both units actually benefit---

JIM KAISER: Proportionally with the denominator 640 instead of 320.

BILL HARRIS: Right. And...well, not in equal amounts, but it's not according to the---

JIM KAISER: Proportionate amount.

LUKE SHANKIN: Proportionate to the acreage instead of proportionate to the lateral. Yes, sir.

BILL HARRIS: So, the acreage that that person owner, okay.

SHARON PIGEON: The same formula would be used. It would just be a larger area.

(Mary Quillen and Bill Harris discuss matters among themselves.)

BILL HARRIS: Okay, sorry. Thank you.

BUTCH LAMBERT: Okay. So, I have a call for a motion.

DONNIE RATLIFF: So moved, Mr. Chairman. Motion to

approve.

BILL HARRIS: Second.

DONNIE RATLIFF: I have a motion and a second.

BUTCH LAMBERT: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

JIM KAISER: Thank you, again.

BUTCH LAMBERT: The next item on the docket is item five. A petition from CNX Gas Company, LLC for repooling of coalbed methane unit AA-38, docket number VGOB-98-0324-0635-01. I understand that we have a letter in the file to continue.

GARY EIDE: Right. They asked that it be continued---

BUTCH LAMBERT: Okay.

GARY EIDE: ---to the July meeting.

BUTCH LAMBERT: Continued until July.

SHARON PIGEON: Who requested the continuance?

GARY EIDE: This is from CNX, Mr...evidently Mr. Asbury received a letter from Mr. Swartz regarding the continuance of this item docket.

MARY QUILLEN: Continue until when? Continued until when?

GARY EIDE: July.

MARY QUILLEN: July.

GARY EIDE: There's some conversations going on between Mr. Hodges of Commonwealth coal and CNX.

SHARON PIGEON: Until July?

BUTCH LAMBERT: Until July, yes. The next item on the docket is item number six. A petition from EQT Production Company for disbursement of funds and authorization of direct payment on portion of Tract 2, unit VC-536191, docket number VGOB-07-0116-1861-01. All parties wishing to testify, please come forward.

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

(Rita Barrett is duly sworn.)

BUTCH LAMBERT: Good to have you back, Ms. Barrett.

RITA BARRETT: Thank you. It's good to be back.

JIM KAISER: We don't have copies. So, if you all can...I'm just going to give you this new exhibit to look off of and we'll get you copies.

BUTCH LAMBERT: Okay.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, we file this petition on behalf of some of the undivided interest owners in Tract 2 in this unit, is that correct?

A. That's correct.

Q. And we're seeking to disburse the moneys in escrow related to these parties?

A. Yes.

Q. And it's...they're based on a 75/25 split agreement with Range Resources?

A. That's correct.

Q. And we have prepared a new exhibit to reflect---? I tell you what, you need this to. ---the correct allocation to these undivided interest?

A. Yes.

Q. And everybody has been notified of this hearing?

A. Yes.

Q. And it looks like this is just a portion of Tract 2. So, some of Tract 2 will remain in escrow in the sub-account?

A. That's correct.

Q. Okay. And would it be your testimony the exhibit, both the disbursement exhibit and the EE exhibit that we've presented to the Board this morning is a true and accurate representation of this situation at the present time?

A. Yes.

Q. And there's so many different undivided interest owners. Normally, I kind of go through a total that would be disbursed for each person. But in this particular case, can you just kind of summarize that?

A. Sure. The G. W. Cook Heirs 75% represents .0047500% of Tract 2. It looks like we're disbursing \$3,843.45 today.

Q. So---?

SHARON PIGEON: Through what date is that?

RITA BARRETT: I'm sorry?

SHARON PIGEON: Through what date is that total?

RITA BARRETT: That is of...I don't have a date. That is as of January the 31st of this year.

SHARON PIGEON: So, that total will---?

RITA BARRETT: Yes, ma'am, it will be more.

Q. So, what we're asking the Board to approve today is a disbursement based upon the revised exhibits that will be presented and then on a going forward basis that the order allow these parties to pay...be paid directly and that at least for these portions of Tract 2 that the escrow account be zeroed out?

A. Correct.

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

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: This account will be closed, is that---?

JIM KAISER: No. There's still people---

RITA BARRETT: No. There's still some folks who haven't---

JIM KAISER: It's just portion. These are the G. W. Cook Heirs. I mean, there's ten million of them.

RITA BARRETT: And we have some unknown and unlocateables.

MARY QUILLEN: I have just one question, Mr. Chairman. Is this all of the heirs in this Cook... G. W. Cook...is this all of the G. W. Cook Heirs or are there

more?

RITA BARRETT: It's a portion of the G. W. Cook Heirs in Tract 2. There are additional heirs that are---

MARY QUILLEN: In the same Tract?

JIM KAISER: Yes.

RITA BARRETT: Yes, ma'am.

MARY QUILLEN: Okay. Okay, gotcha.

JIM KAISER: So, Tract...there will still be escrow in Tract 2. This is just a portion of Tract 2.

MARY QUILLEN: Okay. Okay.

JIM KAISER: Some didn't sign split agreements and some are unknown and unlocateable. But that is a quite of few of them.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

MARY QUILLEN: Mr. Chairman, just one additional question. The split agreements that have not been signed, have they been offered the same split, the 75 for the heirs and 25 for the owner or the gas company?

RITA BARRETT: You'll have to ask Range Resources about that.

MARY QUILLEN: Okay.

RITA BARRETT: I can't---

Everyone with a lease has signed a split agreement.

SHARON PIGEON: We need to get you sworn and get that on the record.

(Mark Draper is duly sworn.)

MARK DRAPER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Mark Draper, a contractor for EQT Production.

Q. And is this well one of the wells that you've worked on Mr. Draper?

A. Yes.

Q. And what work did you do in regards to the disbursement hearing that we're here for today?

A. I work several months locating the heirs of G. W. Cook. I found all but the Emory Cline Presley Heirs. I think about 75% of them have leased. All of the ones that were leased have signed the 75/25 split. Only Michael

Yelton's is not on the docket today. It just came in.

BUTCH LAMBERT: Any other questions?

SHARON PIGEON: Her question was were they offered that?

BUTCH LAMBERT: Oh, yeah. I guess that is correct.

MARY QUILLEN: Yes. Were they all offered that same---?

MARK DRAPER: All the ones that were leased were offered the split, yes.

MARY QUILLEN: What about the ones that have not been leased? What offer...have you made the same offer to them?

MARK DRAPER: I would imagine they wouldn't be able to enter into a split agreement if their interest was not leased.

MARY QUILLEN: The split agreement determines what the split percentage is and would you offer that same split to the oil---?

MARK DRAPER: That would be...that would be up to Range to offer a split agreement to an unleased party.

MARY QUILLEN: Right. Okay.

MARK DRAPER: I can't speak to that.

SHARON PIGEON: So, are you saying that you didn't deal with any unleased parties?

MARK DRAPER: Not as far as the split agreements,
no, ma'am.

SHARON PIGEON: Okay.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

GARY EIDE: I have a question, Mr. Chairman.

BUTCH LAMBERT: Mr. Eide.

GARY EIDE: There was a correspondence from David
Asbury to Ms. Rita Berrett...Barrett.

RITA BARRETT: Barrett.

SHARON PIGEON: Barrett.

GARY EIDE: And there were three items on this
correspondence. Was that third item taken care of on the
rounding error?

RITA BARRETT: Yes. Actually what happened there,
there were some numbers that got transposed. Our divisional
analysis in Pittsburgh corrected that and responded to Mr.
Asbury last week.

GARY EIDE: Thank you.

RITA BARRETT: You're welcome.

BUTCH LAMBERT: So, do I have a motion.

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

BUTCH LAMBERT: Do I have a second?

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

JIM KAISER: Thank you.

RITA BARRETT: Thank you. Thanks, Mark.

BUTCH LAMBERT: I've noticed that our docket item number two just...has arrived. So, the Chairman would like to take this opportunity to ask Senator Puckett if he would like to come forward for comments. Good morning, Senator. We're glad to have you this morning.

SENATOR PHILLIP PUCKETT: Thank you, Mr. Chairman. It's good to be here. I apologize for being late. I've been trying to do a real job that I have. I have been out of town for a few days. Things sort of piled up and I had

to take care of some things this morning. But I appreciate you stopping what you're doing a minute to give me a chance to talk with you. Jeanette and I were...this has nothing to do with the record. We were traveling over the last four or five days and somewhere in our travel Jeanette was talking about what I do in the Senate and what I do in the banking community and what I do in our own community. She said, do you make anyone mad at you? Do you think anyone out there really, you know, doesn't like what you do? You know, reluctantly I sort of thought, well, I'm sure there's a lot of people that are mad at me and a lot of people that don't agree with everything that I've done and everything that I've said. But as far as someone that really just, you know, probably hated me or disliked me, I don't know of anyone out there. But through this process that I'm going to talk with you about this morning, I sort of sense the feeling that nobody likes what I'm doing on either side. It's a very difficult situation, I think, that we find ourselves in. It's obviously to me that everyone is not happy on both side of this issue.

What I want to talk with you about briefly this morning, and I don't want to speak for Delegate Phillips, but I'll be talking about some of the issues that Delegate Phillips and I have tried to address in the General

Assembly. I'm not here to speak for him. But I do think he shares many of the same concerns about this issue that I share. As you are well aware, Delegate Phillips and I carried a piece of Legislation that dealt with codifying case law in what is known as the Ratliff case determining who actually owns the gas. Maybe more clarifying as to who actually owns what in a severance deed. I want to briefly touch on that a little bit. In walking through this process, we've had a lot of cooperation from the gas and the coal industry. I don't think anyone up front said I don't think what you're doing here is going to help anybody even if you get the Bill passed. I've had some that would say to me it's another tool that individuals have to use in Court cases in whatever direction they want to move. The issue for myself and I believe for Delegate Phillips was to provide a tool here that would really make it pretty clear as to an individual who might have a Ratliff like deed. During our process in the General Assembly, we talked a lot about that deed. I don't have to tell you all what that deed says. You all are well aware of that. I have at times, I think, maybe overly simplified what I believe the Ratliff deed says. But our effort was to codify that into law to give this Board another tool to do two things. First, slow down the process that would put royalty money

into the escrow account. I don't have to reiterate to you what the escrow account is doing and how it's growing. The second piece of that was if we could start that process, there also could be a companion process that we would look back and escrow accounts that are Ratliff like in nature and maybe take some of the money out of the escrow account and give it to the rightful owner. I would say at this point, I think the Board has made some progress in getting money out of the escrow accounts. David has worked very hard to try to do that. We've tried to provide some new help to do that. As I've understood the process, it has been really a monumental task to try to walk through that process. I understand that a lot of people aren't happy with what I've said about if you have a Ratliff like deed because there's not many of those deeds around. It has been my observation as I've walked through this process that there a lot of those deeds around. They're very clear. I'm going to share one with you here in a few moments that I just looked at personally. I'm not an attorney. I'm not schooled in the gas and the coal industry and certainly not a person who would be as qualified to determine what a deed says. But I do think that I have the ability to sit down and read a document and interpret what it says. I don't mean that from a legal standpoint, but I mean that from a practical

standpoint. So, my purpose here today is again I don't expect to make everybody happy about what I'm going to say, but I do have some concern about how the Legislation is being looked upon now.

I know that the Board is looking at some new things to try and I know that you're trying to work out some issues of putting more information up on the Internet for us so that if I...and by the way, I have no interest in gas, coal or anything else that I know of. But if I did, it will make it easier for me to go on line and look at the tract that I'm interested in and see actually what's happening to it and how much money might be in the escrow account. So, I appreciate that and I appreciate the Board's efforts in that area. I think what I would say to the Board today...and I know there's an Attorney General's opinion out there. I don't know whether they've got the answer to that yet.

BUTCH LAMBERT: No, sir, we have not. I'd hoped to had today, but we did not get it.

SENATOR PHILLIP PUCKETT: I'd talked last week with you all and we were hoping maybe we'd have something by then. But I would just fall back to the Attorney General's opinion that Delegate Phillip's requested along with me to start this process back during the Legislative process. In that opinion, again just from a laymen's standpoint, it's a

pretty broad opinion that's written for the Board and the powers that this Board has. It's pretty broad. I know the law as I've read it says there's a couple of things that, you know, the Board can do and if those two things aren't met, one of them is a split agreement and one of them is a Court decision deciding who owns it and then you all can make an easy decision. Again, I think the powers of the Board are even much broader than that.

Let me speak to secondly the issue of what I think the process has been up to this point and how I think the process ought to evolve and change a little bit. Up to this point, if I'm a land person who is trying to permit a well for a gas company, I do all of the leg work and the due diligence of trying to determine who owns this tract and what the issues are. Once I do that, I bring that to the Board and I'm under sworn testimony to say to the Board, you know, here's what I found. Then I either have the option, based on what I found of saying that, you know, we have no conflicts here or there is a conflict and in that case then the Board in the past has been making the decision because the land person's sworn testimony, and I believe I'm correct, if I'm not, I hope someone will tell me real quick, the Board actually has not looked at any of those documents to speak of at all. You're taking my sworn testimony as a

land agent and you're really taking property or rights away from individuals whether it's a coal person or whether it's a person who claims ownership to the gas. I personally think the Board has a little broader authority than that and probably should have exercised it maybe a long time ago. I don't think it's unreasonable to expect this Board to have looked at those documents to see what I, as a land agent or a land person, might have thought was in conflict. Show me the money. Lay it down here and let me see what you think the conflict is and put that individual under, you know, oath to say that here's the conflict and here's why it's the conflict. Don't just say that the conflicts exist because the two parties say they exist. There needs to be a document that supports what the land person says. I don't think the Board, in all due respect, has done that in the past to the extent that I think you have the authority to do that. I don't know if the Attorney General's opinion that you have coming will actually, you know, change that in anyway. But I'm going to be anxious to see if that particular opinion is as broad as I thought the first one was. If I read the first Attorney General's opinion correct, this Board has pretty much all authority and all power.

The other thing that I would ask this Board to at

least consider from this point forward and I would hope we could work into a process that we could even go back and look at those that are already in escrow to try to release money that's there. But I would hope this Board would be willing to take a look at those documents and...I realize everyone is not going to fit into the situation that Senate Bill 376 addresses. If you don't have that kind of severance deed, then this Bill doesn't help you. But if you have a severance deed and it clearly says, and I'm going to read from here in a moment, it clearly says that all that has been severed is the rights to coal, and the one I'm going to read, says timber. It doesn't mention anything else. Then to me the Ratliff deed fits that and that's why they went to Court. And you know how I feel about the process of forcing everyone to go to go to Court. That's why we have the escrow account as we have it now because our people can't go to Court. They don't have the means to go to Court. They have to give up a third of what they want in most...or what they think they own in most cases for an attorney to handle them. I don't think that's the right thing for them to be required to do when they have a clear deed to that. So, I hope the Board will consider that in the future in looking at permitting gas wells. Consider taking a look at what's there. If somebody is not willing

to present this as a reason for conflict that they have a good deed...they have a deed that says this...they have a severance deed that says we own it. We own it all. If they just have a coal deed then they don't have a conflict. According to Virginia law that was passed in this past session, they don't have a conflict. I think this Board is bound personally to honor that. Now, if a coal owner brings a deed and has that, I don't have any issue with that. I'm not here for that cause. But I do think the Board has authority to do that. I'll be interested again to see what the Attorney General's opinion might say.

Let me close by saying a couple of things that I think are significantly important. Even though we differ and have our differences about how this process should work, I don't think there's anyone here in this room today that is not interested in helping to remove 25 plus million dollars out of the escrow account. That ought to be all of us' goal to do that. It's not the gas companies money. I honestly think many times the gas companies, you know, drill and put the escrow money out there. They get a lot of blame that's probably not theirs. They're walking through a process that has been given to them. Instead of putting that royalty into escrow, they'd just soon, you know, to write that check and have the agreement with the land owner and the gas

owner, whoever that is. So, I think we all have a common goal and common purpose here. I'm here on behalf of myself and particularly Delegate Phillips and all of the people that we represent in the 38 Senatorial District and the 2nd House District to plead with this Board to help us walk through this process. I want you to know if you think there's Legislation that you still need that you don't have authority to do what we are asking and what I think you want to do, then we're prepared to introduce that Legislation. We thought we had something here that really would be helpful as I look now at...it was a little bit disappointing that really all we have here maybe is another tool to go to Court with.

I think our goals should be to reduce the escrow account as quickly as possible and that any future issues that have come before the Board in the permitting process, I would encourage this Board to at least take a look at the evidence that a land person has stated under oath creates a conflict. I'm going to be surprised if we don't find some issues that probably are not near as in conflict as we have been maybe led to believe.

I received an email just last week and you've heard a lot from the Hale family already. But I want to read just a piece of this to give you the sense of

frustration that I think not just the Hale family but everyone who's involved in this escrow account sort of feels. I would say on both sides, the coal and the gas owners. They both feel the same way. They sort of...this email sort of addresses the process that I mentioned just a moment ago. This is from Jamie Hale. "I'm beginning to think that perhaps we've been looking to the wrong people to solve this problem. The gas companies are the ones who research the deeds in the beginning in order to get their permits. They are the ones who decide whether or not they are conflicting claims to the gas on a tract of land that will be affected by their wells. Therefore, should it not be their job to go to the Board and request the moneys be released from escrow to land owners whose only conflict was with a coal owner. All of the paperwork that we have on the gas wells surrounding our property already has the coal owner listed as owning the coal and that's not in dispute. We're not arguing that. The Carlos Hale family and heirs as owning the oil and gas. If the gas company gets the permit to pool the gas rights based solely on conflict between coal and gas owners then with the new Bills that we've passed." they no longer should have the right to pool those as I stated earlier, not in this email, but there's really no conflict if I can present that information.

I'm going to read a section here of this deed and I've looked at it more than once and for a long period of time. I can't imagine a deed being written any plainer than this. The issue is one that I know creates problems because of the date on it. The first thing I saw about this deed was the date on it that I thought somebody could probably conflict. But it goes back to 1887 between Spiral H. Hale and Martha J., his wife, of Buchanan County. It mentions who this deed is made to, parties of the second. It states where they are from. "Witnessed. In consideration," and it gives the amount. I don't need to read that. "hereby acknowledged that said parties of the first have sold and do grant unto the parties of the second their heirs and assignees, all coal of every description in, upon and underlying a certain tract of land, and the timber and privileges thereafter specified to this appurtenant tract of land. Said tract of land lying in Buchanan County, State of Virginia." It describes where it is and it goes to the metes and bounds of the deed. I don't know how...and the second party, you know, has signed this and agreed to it and recognized...back then nobody cared about gas. Nobody cared about coalbed methane gas. Didn't even use it. That still does not take away from the significance of this deed as what was severed. It's clearly indicated here that coal and

the timber are the two things that are severed. I can't read anything any plainer than that. When an individual has that type of severance deed, this Board it seems to me is obligated to take a look at that rather than taking mine testimony as a land person that we've got a conflict because someone on the coal side a 100 years later almost is saying, no, I don't think so. That's not what that means. I don't know how you make that any plainer in a deed. If this deed is not any good, then there's not a deed that's written that's any good. It's my opinion, and my opinion only, and say this in all due respect to the Board, that if you take a look what I consider to be a simple deed. A deed that was written in good faith by both parties and a deed that should stand up today. If a deed like this doesn't stand up today, I wonder whether my own deed to my property in Spring City has any value.

Again, I want you to know, I'm not here to create more problems for you. I want to solve this issue and Delegate Phillips and I need your help to do it. I'll be glad to answer any question anyone has or address any comments that I have made.

BUTCH LAMBERT: Thank you, Senator. We appreciate you coming today and sharing your comments with us. I think every member on this Board would like to see that escrow

account to zero. Nobody gains from that account. This Board doesn't... certainly...we don't gain from that money being 25 million, the State doesn't and you don't from a General Assembly member. I hope you understand that there's just these processes that we have to step through and to just to jump into anything haphazardly without clear direction from the Attorney General's office would not be in anybody's best interest. Not to us as the Board member and not to the citizens or not to those parties that say they are in conflict...have a conflicting claim.

Now, to follow up on your comment about the land owner or the land agent should come forward and present better evidence. This Board is in the process of taking an action to require additional information for those types of conflicting claims. I just want you to know that probably by next month we will have a process in place to require additional information from the company if they do say they're conflicting claims or if there's any unknown or unlocateables. We are diligently working on those issues. So, hopefully, we will have that opinion. If the opinion is available that this Board can determine deeds, then certainly we will do that and we will start releasing money immediately, I can assure of that. Any comments from the Board or questions from the Board for the Senator?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: I'd just like to say that I appreciate the work, and I know what the Senator went through in Richmond, and he really truly is speaking from his heart that he's trying to fix a problem. We want to cooperate and do what we can to help you with that process. We appreciate you being here today.

BUTCH LAMBERT: And we certainly do intend to cooperate with you and other General Assembly members on this process and we hope we can make it a smooth process and we can move forward with this and get that balance to zero quickly.

SENATOR PHILLIP PUCKETT: Thank you, Mr. Chairman. I certainly appreciate that. I want to reiterate again our door is always open. If there's something that we can do to help you in this process, we want to do it. I believe the people that helped us through the process want to do this too. So, if there are things that we need to be doing that helps what you all do, then we need to know about it. We'd like to have the Board involved in the process. We're going to be much to an advantage if we are working together with one another than we are in conflict. We don't want to be in conflict. I think as you've reiterated and I've said

earlier, our goal is to get a zero balance.

BUTCH LAMBERT: Absolutely.

SENATOR PHILLIP PUCKETT: First Bank & Trust won't like that, but I will like it. There's a lot of people seating here in the audience that will like that too. Thank you again for your time this morning.

BUTCH LAMBERT: Let's go ahead and take about a ten minute break.

(Applause.)

(Break.)

BUTCH LAMBERT: Okay, ladies and gentlemen, it's time to reconvene our hearings this morning. The next item on the docket is a petition from EQT Production Company for a disbursement of funds and authorization for direct payment on portion of Tract 3, unit VC-536504, docket number VGOB-08-0819-2306-01. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production. This is another disbursement and it's another G. W. Cook Heirs tract. We're asking that...to be allowed to disburse funds from a portion of Tract 3 in this particular case.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed here?

A. I am.

Q. And, again, we have a split agreement between these individuals and Range in the form of a 75/25 split?

A. Yes.

Q. And we have a letter from Mr. Asbury's office stating that he and Ms. Davis have both reviewed the subjected petition and find no differences in their files with our calculations in the disbursement petition, is that correct?

A. That's correct.

Q. I'll go ahead and maybe enter that into the record, if I could. It kind of helps us. As such, would you ask that the Board issue an order disbursing in according with the exhibits that we have provided them for this portion of Tract 3 and also ask that the order provide that going forward that those folks be allowed to be paid directly?

A. Yes.

JIM KAISER: Nothing further at this time, Mr.

Chairman.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, this is the same situation of the 75/25 split?

RITA BARRETT: Yes, ma'am.

MARY QUILLEN: And this exhibit that we have is that the escrowed amount is...the date on that 1/31/10---?

RITA BARRETT: Yes, ma'am.

MARY QUILLEN: ---is the same as the previous?

RITA BARRETT: Yes, ma'am.

MARY QUILLEN: Just a different tract?

RITA BARRETT: Uh-huh.

JIM KAISER: Just a different well.

RITA BARRETT: A different tract on a different well.

MARY QUILLEN: Oh, a different well and different tract. Correct, yes.

RITA BARRETT: It's a different tract and a different well.

JIM KAISER: Right.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Yes, sir, we'd ask that the

application be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item on the docket is a petition from EQT Production Company for a repooling of coalbed methane unit VCI-537521, docket number VGOB-09-0616-2541-01. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett for EQT Production.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, this is actually a repooling. We originally pooled this unit in June of 2009, is that correct?

A. That's correct.

Q. And why are we back before the Board again today?

A. After we pooled this well, we discovered additional parties in this heirship.

Q. Okay. That we had not originally listed in the first application?

A. That's correct.

Q. Okay. And are you familiar with this application?

A. I am.

Q. And we're seeking to repool the drilling rights in the drilling unit depicted at Exhibit A?

A. We are.

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

A. We do.

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

A. Yes.

Q. What is the interest under lease to EQT in the gas estate in this unit?

A. 97.815803%.

Q. And under lease in the coal estate?

A. 100%.

Q. Are all unleased parties set out at Exhibit B-3?

A. Yes.

Q. So, that means what remains unleased is 2.184197% of the gas estate?

A. That's correct.

Q. Are there any unknown or unlocateables in this unit?

A. Yes, there are.

Q. And were reasonable and diligent efforts made and attempts made to locate these unknown parties?

A. Yes.

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

A. Yes.

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

A. I am.

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. Yes. Twenty-five dollar paid up, five year term and one-eighth royalty.

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

A. Yes.

Q. Now, as to those who have not voluntarily agreed to lease, do you recommend that they be allowed the following statutory options with respect to their ownership interest in the unit: 1) Participation; 2) a cash bonus of paid up twenty-five 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. Yes.

Q. Do you recommend that the order provide that elections to respondents be in writing and sent to the applicant at EQT Production Company, P. O. Box 23536, Pittsburgh, Pennsylvania 15222?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate, but fails to pay their proportionate share of actual well costs then that respondent's election to participate should be treated as having been withdrawn and void?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs any cash sum becoming payable to that respondent be paid by the applicant within 60 days after the last date on which the respondent should have paid their share of the actual well costs?

A. Yes.

Q. Now, in this particular unit, the Board

does need to establish an escrow account, is that correct?

A. That's correct. Tracts 2, 3, 5 and 6.

Q. So, it would be for proceeds attributable to or applicable to Tracts 2, 3, 5 and 6?

A. That's correct.

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

A. EQT Production Company.

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

A. 2,389 feet.

Q. The estimated life of reserve...estimated reserves over the life of the unit?

A. 200 million cubic feet.

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

A. Yes.

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. Yes. The dry hole costs are \$125,455. The completed well costs are \$376,072.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Did you address Exhibit E?

RITA BARRETT: I just noticed that the coal exhibit is missing from this. I will provide that.

SHARON PIGEON: Did you testify as to the escrow?

RITA BARRETT: I'm sorry?

SHARON PIGEON: Did you testify as to the escrow?

JIM KAISER: Uh-huh.

RITA BARRETT: Yes, I did.

BUTCH LAMBERT: Any further questions?

KATIE DYE: Yes, Mr. Chairman.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Just...I'm just this is just a typographical error. You have Bryant Kiser listed as unknown and unlocateable. But you have him listed as leased.

RITA BARRETT: What page of that exhibit?

JIM KAISER: Page one.

KATIE DYE: It's on B...Exhibit B-2, page one of two. It's on Exhibit E, page two of fourteen

RITA BARRETT: Yeah, that's...that's a typo. I will get you completely revised Exhibits B, B-3 and E on this.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Yes, sir. We'd ask that the application be approved as submitted with the revised set of exhibits that Ms. Barrett referred to.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN AND 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 members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

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

SHARON PIGEON: Ms. Barrett, just so I can understand here, since we do have an address for this individual, so he's not an unknown or unlocateable on Exhibit E anymore for tract---

RITA BARRETT: I apologize. I didn't prepare these exhibits.

SHARON PIGEON: So, Tract 3 doesn't have any unknown or unlocateables, is that correct?

RITA BARRETT: I'm going to have to verify this.

SHARON PIGEON: All right.

RITA BARRETT: I apologize.

BUTCH LAMBERT: The next item on the docket is item nine. A petition from EQT Production Company for a well location exception for proposed well V-536036, docket number VGOB-10-0518-2701. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Rita McGlothlin Barrett. I'm employed by EQT Production Company in Clintwood, Virginia as regional land manager.

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

A. They do.

Q. Are you familiar with the application that we filed seeking a location exception for well V-536036?

A. I am.

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

A. Yes.

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

A. It's a 100% leased.

Q. And we are seeking an exception from well...EQT well 535960, is that correct?

A. That's correct.

Q. And does Equitable have the right to operate that reciprocal well?

A. Yes, we do.

Q. Are there any correlative rights issues?

A. No.

Q. Could you explain for the Board, in conjunction with the exhibits that you've prepared that I'll pass out, why we're seeking this exception?

A. It's based on topographical constraints and we're working with Virginia Electric Power Company on that Dominion project over in Virginia City.

Q. So, between topography and the request that you locate it in a certain area, the power company has requested that?

A. That's correct.

Q. Okay. And in your exhibit that's going to be passed around shows that?

A. Yes.

Q. And in the event that this location exception were not granted, would you project the estimated

loss of reserves?

A. 450 million cubic feet.

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

A. 5,691 feet.

Q. And are we requesting that the location exception cover conventional gas reserves to include the designated formations as listed in the application from surface to total depth drilled?

A. Yes.

Q. In your opinion, would granting 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-536036?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Barrett, is Dominion the land owner here?

RITA BARRETT: No, I don't think so.

BUTCH LAMBERT: It's listed as Forest Land Group on

our exhibit. So, how come Dominion is requesting the well location exception and not Forest Land Group?

RITA BARRETT: We're just working with Dominion to place this where it won't cause any problems with their project in Virginia City. We're just trying to accommodate them. The land owner is actually ACIN.

JIM KAISER: And have they been notified of this hearing?

RITA BARRETT: They have.

JIM KAISER: And did they file any objection to this application?

RITA BARRETT: They did not.

BUTCH LAMBERT: Okay.

JIM KAISER: And we're seeking an exception of about, what, 172 feet...176 feet?

RITA BARRETT: Yes.

BUTCH LAMBERT: Any other questions from the Board?

MARY QUILLEN: Mr. Chairman, I have just one clarification on this. You said you were working with American Electric Power.

RITA BARRETT: Yes. It's the Dominion Project in Virginia City.

MARY QUILLEN: But how is American Electric Power involved, do you know?

RITA BARRETT: I...I don't know.

JIM KAISER: My notes say Virginia Electric Power.

RITA BARRETT: I'm sorry, it's Virginia Electric
Power.

MARY QUILLEN: Okay. Okay. Yeah. Thank you.

RITA BARRETT: I just got my bill from AEP. So,
I'm thinking---

MARY QUILLEN: And you're still in shock?

RITA BARRETT: Yes, ma'am, I am.

MARY QUILLEN: Okay. That was my question because
I know they don't serve that area.

RITA BARRETT: I apologize. It is Virginia
Electric.

MARY QUILLEN: Thanks.

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?

DONNIE RATLIFF: So moved, 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 members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item on the docket is item ten. A petition from EQT Production Company for pooling of coalbed methane unit VCI-531377, docket number VGOB-10-0518-2702. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser, Rita Barrett on behalf EQT Production.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, do your responsibilities include the land involved in this unit and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What is the interest of EQT under lease in the gas estate in this unit?

A. 98.35818020%.

Q. And the coal estate?

A. 100%.

Q. Are all unleased parties set out at Exhibit B-3?

A. Yes.

Q. So, then it would be great to state that 1.64181980% of the gas estate remains unleased?

A. That's correct.

Q. Okay. In this particular unit, there are some unknown and unlocateable owners?

A. There are.

Q. And were reasonable and diligent efforts

made and sources checked to identify to locate these unknown heirs?

A. Yes.

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

A. Yes.

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

A. I am.

Q. Again, 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. Yes. Twenty-five dollar per acre for a five year paid up lease term and a 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, at this time, we'd ask that we be allowed to incorporate the testimony regarding

the statutory elections afforded any unleased parties and the ramifications and implications thereof first taken in item 2541-01 this morning.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to establish an escrow account for this unit?

A. Yes.

Q. And---?

A. Tract 3.

Q. Tract...so, proceeds from Tract 3 need to be deposited into escrow?

A. Correct.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,765 feet.

Q. Estimated reserves over the life of the unit?

A. 220...I'm sorry, 220 million cubic feet.

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

A. Yes.

Q. In your opinion, does it represent a

reasonable estimate of the well costs for this well?

A. Yes.

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

A. Yes. Dry hole costs are \$141,056. Completed well costs are \$353,030.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Let me ask a question about the AFE. The depth that you've testified to 2765, I noticed that the

production casing has 2795. Is there maybe someone who can talk about why that's about 30 feet longer?

(Chris Hinte is duly sworn.)

CHRIS HINTE

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. State your name for the Board, who you're employed by and in what capacity.

A. Chris Hinte. I worked for EQT Production out of Clintwood, Virginia as a regional drilling manager.

Q. And would you be kind enough to answer Mr. Harris' question.

A. That is something that we've done on everyone. Even the surface casing, you'll see is about 30 feet more. It's just a little extra casing we put just for extra money in there (inaudible) depth and as well as any kind of casing problems that we may have as well.

BILL HARRIS: So, this is like a contingency amount?

CHRIS HINTE: Yeah. Yeah, if you look at all of our AFEs, you'll see the production casing. We always put

costs in for 30 feet deeper than what it actually is as well as with the surfacing casing.

BILL HARRIS: Is there not a place on the AFE for contingency though? I mean, I'm sort of surprised because that's just sort of...well, 30 feet beyond the drilling.

CHRIS HINTE: Yeah.

BILL HARRIS: I hadn't noticed that previously.

CHRIS HINTE: That was something that was put in place before...before I started this job and it's just something that we've just continued on.

BILL HARRIS: Because there is...the bottom line item is contingencies. I would think that if there's any excess and I think you all are allowed a certain amount to put it there. This just seems like such...well, to me it's an obvious mismatch, you know. Obviously, it's not---.

CHRIS HINTE: And also, I mean, taking into account is how much casing prices changes up and down. So, that fluctuation will help---.

BILL HARRIS: Well, all of that is contingency though. Okay.

JIM KAISER: That's something, Mr. Hinte, maybe you might want to talk with your...the folks that you work with that put these together and talk to them about maybe moving some of that into that different line item.

BILL HARRIS: Yeah, because that just looks...wait a minute, you know, what's happening here? It's 30 feet longer than the depth. Well, I'm not asking necessarily for your opinion. But, I mean, I would think that if you looked at that you would think well something is wrong if they're going to estimate 30 feet more. But a contingency amount, which is allowed, to me that would be better to fold that into that in the future. You might want to---

MARY QUILLEN: Well, I just have one comment about that. By line item...putting it on a line item it helps to identify what those contingencies are because I know that contingencies have been questioned by Board...different Board members in...not specifically with your alls but others because it may be a little higher than they had expected. But what you all are doing is putting the contingency in there, but you're actually identifying and putting it and it in that line item to help explain what that is. It's not as wide open or...because I think we had this question before at one time. Just whatever helps you. I like...I like documentation and...you know---

CHRIS HINTE: We'll look into that.

MARY QUILLEN: ---if you think it's going to be a contingency for that casing, that helps us to, you know, kind of clarify where this goes rather than spending a lump

line item that can be hard to identify down the road somewhere. It's whatever---

JIM KAISER: I guess he can explain it under one item or under another because we've got 10,000 in every contingency, somebody is going to say, well, what does that include?

MARY QUILLEN: Exactly. Yeah, that helps to identify what it is particularly if this is a small amount. But I know it has been questioned before on other AFEs that there was a large amount in contingency and they really couldn't explain exactly what it is. It could be this or it, you know, could be used for that and so forth. I just happened to like it put on the line item showing where that possibility that that might be expected.

CHRIS HINTE: Okay.

BUTCH LAMBERT: There are also two line items for contingencies.

BILL HARRIS: Yeah.

MARY QUILLEN: Uh-huh.

BUTCH LAMBERT: 51 and 81. I have a question about Exhibit E, Ms. Barrett, page six of eleven.

RITA BARRETT: Page six?

BUTCH LAMBERT: Six of eleven, uh-huh. It's dealing with Mr. Timothy Redman. You've got him on there

twice. I know it's two separate facts, but why would he lease one small portion and not another?

RITA BARRETT: Timothy.

BUTCH LAMBERT: Redman.

RITA BARRETT: Redman.

BUTCH LAMBERT: It's also...you have it listed that way on B as well. I'm just curious. I mean---.

MARK DRAPER: I can answer that.

BUTCH LAMBERT: Okay. Come---.

JIM KAISER: Come on back up here. Mr. Draper, we'll remind you that you're under oath.

MARK DRAPER: Yes, sir.

BUTCH LAMBERT: Thank you, Mr. Draper. If you can...I mean, if I own two small tracts like that---?

MARK DRAPER: That's a good question. Again, I've spent extensive time identifying these heirs and unleased tracts. But Mr. Redman has tried over the years to acquire different interest from different people. So, some of the interest that he acquired was previously leased.

BUTCH LAMBERT: Oh, okay.

MARK DRAPER: So, he has got some unleased interest as well as some leased interest.

BUTCH LAMBERT: Okay. Thank you. I appreciate that. 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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. The next item on the docket is item number eleven. A petition from EQT Production Company for pooling of coalbed methane unit VC-531475, docket number VGOB-10-0518-2703. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the land involved in this unit and the surrounding area?

A. I am.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What is the percentage that EQT has under lease in this unit in the gas estate?

A. 90.38%.

Q. And in the coal estate?

A. 100%.

Q. Are all unleased parties set out at Exhibit

B-3?

A. They are.

Q. So, 9.62% of the gas estate remains
unleased?

A. That's correct.

Q. Okay. And we do have one unknown party in
Tract 1 of the gas estate, is that correct?

A. That's correct.

Q. Were reasonable and diligent efforts were
made and sources checked to identify and locate these
unknown heirs?

A. Yes.

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

A. Yes.

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

A. I am.

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

A. Yes. It's twenty-five dollar per acre paid
up bonus for a five year term and a one-eighth royalty.

Q. In your opinion, do the terms you've

testified to represent 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, at this time, we'd ask that we be allowed to incorporate the testimony taken regarding the statutory elections afforded any unleased parties first taken this morning in 2541-01.

BUTCH LAMBERT: Accepted.

Q. Now, Ms. Barrett, does the Board need to establish an escrow account for this unit?

A. Yes. Unit Tract 1 requires escrow.

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

A. EQT Production Company.

Q. The proposed depth of this well?

A. 2,399 feet.

Q. Estimated reserves over the life of the unit?

A. 225 million cubic feet.

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

A. Yes.

Q. In your opinion, does it represent a

reasonable estimate of well costs?

A. It does.

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

A. Yes. Dry hole costs are \$118,764 and completed well costs are \$317,890.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Barrett, on Exhibit E for the unknown and unlocateable, did you by any chance do the work on that one?

SHARON PIGEON: This is a Yellow Popular.

RITA BARRETT: I'm basing my testimony based on a certified title opinion. I'm basing my testimony on all curative that has been done on previous wells on this unit and previous testimony at these hearings and also conversations with my former co-worker, Don T. Hall, God rest his soul.

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

SHARON PIGEON: So, the answer to that question was no? He asked you if you did the title work.

RITA BARRETT: I did not do the title, but I do have a certified title opinion.

BUTCH LAMBERT: Okay. Thank you. 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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: I'll second it.

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

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you. Mr. Kaiser, it's approved.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item on the docket is item twelve. A petition from EQT Production Company for pooling of coalbed methane unit VC-502913, docket number VGOB-10-0518-2704. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Rita Barrett for EQT.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Rita, are you familiar with the application that we filed here seeking to pool any unleased interest in

this unit?

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 a voluntary lease agreement with each?

A. Yes.

Q. What percentage of the gas estate is under lease to EQT?

A. 59.57%.

Q. The coal estate?

A. 100%.

Q. Are all unleased parties set out at B-3?

A. Yes.

Q. So, the interest that remains unleased is 40.43% of the gas estate?

A. That's correct.

Q. Are there any unknown and unlocateables in this unit?

A. Yes.

Q. Again, were reasonable efforts made and

sources checked to identify and try to attempt to locate these unknown parties?

A. Yes.

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 this Board to force pool all unleased interest listed at B-3?

A. I am.

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. Yes. Twenty-five dollars per acre paid up for a five year term and a one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, again, we'd ask to

incorporate the statutory election option testimony first taken in 2541-01.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to establish an escrow account for this well?

A. Yes. Tracts 1, 2 and 3 need escrow due to conflicting claims.

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

A. EQT Production Company.

Q. The proposed depth of this well?

A. 2,150 feet.

Q. Estimated reserves over the life of the unit?

A. 230 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. Sure. The dry hole costs are \$152,271 and

completed well costs are \$362,671.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Again, Ms. Barrett, I'll ask you in Tract 3, did you do the research for the unknown---?

RITA BARRETT: I did not.

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

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Yes, sir. We'd ask that the

application be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

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

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item on the docket calling item thirteen. A petition from EQT Production Company for pooling of coalbed methane unit VCI-538710, docket number

VGOB-10-0518-2705. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, again, are you familiar with the acreage in this unit and the surrounding area?

A. I am.

Q. And are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What percentage of the gas estate is under

lease to Equitable?

A. 59.57%.

Q. The coal estate?

A. 100%.

Q. Are all unleased parties set out at B-3?

A. Yes.

Q. So, 40.43% of the gas estate remains unleased?

A. That's correct.

Q. And that's represented by Yellow Popular in Tract 1 and Mary McGlothlin Tract 3?

A. That's correct.

Q. The same parties that we had in the previous unit?

A. Correct.

Q. Okay. And, again, in your opinion, was due diligence exercised to locate each of the respondents named in Exhibit B?

A. Yes.

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

A. Yes.

Q. Could you, again, tell us what the fair market value of drilling rights in the unit here and in the

surrounding area are?

A. Yes. Twenty-five dollars per acre paid up for a five year paid up term and a one-eighth royalty.

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, we'd ask to incorporate the statutory election option testimony.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to establish an escrow account for this well?

A. Yes. Tracts 1, 2 and 3 need escrow due to conflicting claimants.

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

A. EQT Production Company.

Q. The total depth of this proposed well?

A. 1,795 feet.

Q. Estimated reserves over the life of the unit?

A. 230 million cubic feet.

Q. Has an AFE been reviewed, signed and

submitted to the Board as Exhibit C?

A. Yes.

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

A. It does.

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

A. Yes. The dry hole costs are \$133,667 and completed well costs are \$340,110.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Barrett, for Tract 1, did you do the research for the unknown and unlocateable?

RITA BARRETT: I did not.

BUTCH LAMBERT: Thank you. 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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Kaiser. It's approved. Calling docket item fourteen. A petition from EQT Production Company for

pooling of coalbed methane unit VCI-538630, docket number VGOB-10-0518-2706. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with this application where we're seeking to pool any unleased interest in this unit?

A. I am.

Q. Does EQT own drilling rights in it?

A. We do.

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

A. Yes.

Q. Okay. And what's percentage under lease to Equitable within the gas estate in this unit?

A. 52.027%.

Q. And the coal estate?

A. 100%.

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

A. They are.

Q. So, 47.973% of the gas estate remains unleased?

A. That's correct.

Q. And we do, again, have the unknown...well, actually Tracts 1 and 5 are both unknown and unlocateable folks, right?

A. That's correct.

Q. In your professional opinion, did you make all efforts necessary to attempt to locate and find these people?

A. We did.

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

A. I am.

Q. Again, are you familiar with the fair market value of drilling rights in this unit and in the

surrounding area?

A. I am.

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

A. Yes. It's twenty-five dollars per acre paid up bonus for a five year paid up term and a one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we be allowed to incorporate the statutory election option testimony.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to establish an escrow account for this unit?

A. We do. Tracts 1, 2, 3, 4 and 5 need escrow due to conflicting claimants.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,417 feet.

Q. Estimated reserves over the life of the unit?

A. 225 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. Yes. The dry hole costs are \$146,482 and completed well costs are \$331,286.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: A couple of questions, Ms. Barrett. On your plat...looking at your plat for Tract 2, is that...is that a mistake line just to the right of 2 or---?

RITA BARRETT: Yeah, that's...that's probably just something that when the surveyor when this was copied it just put a hash mark in there.

BUTCH LAMBERT: So, that should not be there?

RITA BARRETT: I don't think it's a road or anything like that.

BUTCH LAMBERT: Okay. So, it's not a boundary line or a road?

RITA BARRETT: No, sir. It is not.

BUTCH LAMBERT: And for Tracts 1 and 5, did you do the research for the unknown and unlocateables?

RITA BARRETT: No, sir, I did not.

BUTCH LAMBERT: Okay. 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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

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

RITA BARRETT: Thank you.

BUTCH LAMBERT: Calling docket item fifteen. A petition from EQT Production Company for pooling of coalbed methane unit VCI-531374, docket number VGOB-10-0518-2707. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, again, are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. I am.

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

A. We do.

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

A. Yes.

Q. What's the interest under lease to EQT within the gas estate in this unit?

A. 96.57027972%.

Q. And in the coal estate?

A. 100%.

Q. Are all unleased parties set out in B-3?

A. Yes.

Q. So, 3.42972028% of the gas estate remains unleased?

A. That's correct.

Q. And are there unknown and unlocateables in this unit?

A. Yes.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate these heirs by someone within EQT?

A. Yes.

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 this Board to force pool all unleased interest as listed at B-3?

A. Yes.

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

A. I am.

Q. Advise the Board as to what those are.

A. Yes. It's twenty-five dollars per acre for a paid up five year paid term and a one-eighth royalty.

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

within this unit?

A. Yes.

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

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, what's the escrow situation for this unit?

A. A portion of Tract 1 needs to be escrowed. We do have some royalty splits on portions of Tract 1.

Q. Okay. And they're depicted on Exhibit EE?

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 this proposed well?

A. 2,449 feet.

Q. Estimated reserves over the life of the unit?

A. 200 million cubic feet.

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

A. Yes.

Q. In your opinion, does it represent a

reasonable estimate of well costs for this well?

A. Yes.

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

A. Yes. The dry hole costs are \$143,599 and completed well costs are \$339,538.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: I was going to ask Ms. Barrett a question, Mr. Kaiser, but you beat me to it. Thank you. 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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

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

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Calling the next item on the docket, which is item sixteen. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530243, docket number VGOB-01...I'm sorry, docket number VGOB-10-0518-2708. 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: Good morning.

TIM SCOTT: Good morning.

BUTCH LAMBERT: It's good to see you before lunch, Mr. Scott.

TIM SCOTT: I can't believe it. I've never been number sixteen in my life.

(Laughs.)

(Gus Jansen and Phil Horn are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn and I'm land manager for Range Resources-Pine Mountain, Inc. One of my job descriptions is to get wells permitted and drilled.

Q. So, you're familiar with this application?

A. Yes, I am.

Q. And you also assisted in the preparation of this application, is that correct?

A. That's correct.

Q. Are you familiar with the ownership of the acreage underlying this unit?

A. Yes, I am.

Q. Okay. Can you tell us who the oil and gas, please?

A. Range Resources-Pine Mountain, Inc. owns Tract 1 and Tract 4 and Tracts 2, 3, 5 and 6 are privately owned.

Q. And...so, all of the parties who were required to be noticed today have received notice, right?

A. That's correct.

Q. Done by certified mail, is that correct?

A. That's right.

Q. Who operates the wells from which the well location exception is requested?

A. We operate V-535462 and Equitable operates P-381 and P-108 and we also own interest in P-381 and P-108 and Equitable owns interest in V-535462.

Q. Okay. So, you're both an owner and an operator, is that right?

A. That's correct.

Q. Okay. And I've indicated earlier that we've noticed everybody listed on Exhibit B, is that right?

A. That's correct.

Q. And have we filed proof of mailing with the Board?

A. Yes, you have.

TIM SCOTT: That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And are you familiar with this application?

A. Yes, I am.

Q. And you participated in the preparation of the application, is that right?

A. That's correct.

Q. Okay. Would you please, by using Exhibit AA, tell the Board why we're seeking an application...a well location exception today?

A. Yes. If the Board will refer to Exhibit A, which we've prepared, you'll see that there is not legal location at the proposed location of 530232 well. We have found a location in there to make an attempt to extract the stranded reserves in this area, which that drainage area is approximately 82.87 acres.

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

A. 5,615 feet.

Q. Is that correct?

A. Oh, I'm sorry. 4,721.

Q. Thank you. And what would be the potential loss of reserves if the application were not approved today.

A. 500 million cubic feet of gas.

Q. So, if the Board approves our application it will be to promote conservation, prevent waste and protect correlative rights, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Just to clarify for the record, there is a handwritten correction on Exhibit AA.

TIM SCOTT: Yes. Would you explain that, please, Mr. Jansen.

GUS JANSEN: Yes. I realized here that we had left a well of Exhibit AA and when the drafting person had put that well on, he basically copied the same well number over from the proposed well location without changing the number. So, I corrected that number.

SHARON PIGEON: And that number?

GUS JANSEN: Is the 535462 well.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: On Exhibit A, the plat...not AA, but Exhibit A, you don't have that signed at the bottom.

TIM SCOTT: The surveyor didn't sign it?

GARY EIDE: Mr. Chairman, ours is signed.

SHARON PIGEON: Yours is signed?

BUTCH LAMBERT: Oh, yours is?

GARY EIDE: Ours is signed and certified.

BUTCH LAMBERT: Okay. All right.

SHARON PIGEON: Diane will make sure we get copies of that. Thank you.

BUTCH LAMBERT: Mr. Jansen, one other question, on

the overlap, how will those folks be paid especially in Tracts 2, 3 and 5?

GUS JANSEN: It will be a double payment based on the proportional interest of each individual ownership.

BUTCH LAMBERT: Okay, thank you. 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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Scott, it's approved. Calling docket item seventeen. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530280, docket number VGOB-10-0518-2709. 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, Mr. Chairman. I think we figured out what happened on these Exhibit As. I think somebody in my office instead of using a small label has covered Mr. (inaudible) signature by putting the Exhibit A on there. So, I'll make sure that doesn't happen again for fear of death to the person who is doing that. I think that take care of it, but we'll double check that each time.

SHARON PIGEON: It said, "Preliminary Plat".

TIM SCOTT: It should be the final plat. What do you have over there?

BUTCH LAMBERT: Ours says, "Preliminary PL".

SHARON PIGEON: So, that story was---

TIM SCOTT: Well, that didn't work, did it?

SHARON PIGEON: That was a good story, but it didn't exactly work.

TIM SCOTT: I've got a signature on this one.

(Laughs.)

GARY EIDE: Yeah, we don't have a signed one.

TIM SCOTT: Okay. We'll get that.

GARY EIDE: We have---

SHARON PIGEON: So, you do not have a signed one

either?

GARY EIDE: Not on this one.

SHARON PIGEON: We can't trust either one of you.

GARY EIDE: This is a copy here. Wait a minute.
Wait a minute. Hold on.

BUTCH LAMBERT: I have one in my packet that
separate that's signed.

GARY EIDE: Wait a minute. Here's one. I've got
one that's signed and certified. That was a copy.

SHARON PIGEON: We have both in this one. We have
the preliminary and---

DIANE DAVIS: I don't make those copies.

BUTCH LAMBERT: Oh. I understand. We're just
saying that we do have one.

SHARON PIGEON: We know where the copies are
supposed to come from.

TIM SCOTT: Yes, you do. We had a...Mr. Jansen and
Mr. Horn were actually out of town. So, I was preparing
these things long distance with them. So, that's...some of
the things that are filed today were filed after the actual
filing date, supplementals.

BUTCH LAMBERT: Okay.

TIM SCOTT: I apologize for that.

BUTCH LAMBERT: Well, we got it. It's here. You

may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm the land manager for Range Resources-Pine Mountain, Inc. and getting these wells approved through the DGO is one my duties.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And you helped in the preparation of the application?

A. Yes, I did.

Q. And would you...we've got one well from which we're seeking a location exception, is that right?

A. That's correct.

Q. Okay. Who operates that well?

A. Range Resources-Pine Mountain, Inc. operates a well currently and our partner Equitable owns an

interest in that well also.

Q. And all of the parties who were required to be notified have been notified, is that right?

A. That's correct.

Q. And we've provided proof of mailing to the Board, is that correct?

A. Yes, you have.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Might...might you address just moving that to the north a little...northeast.

PHIL HORN: Mr. Jansen will address that next.

BILL HARRIS: I'm sorry. Okay, I'm just getting ahead of myself. Thank you.

TIM SCOTT: At least you've got a signed plat.

BILL HARRIS: Yes.

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. And, again, you've also participated in the preparation of this application, is that right?

A. That is correct.

Q. And you provided the Board with an Exhibit AA. Would you please tell the Board why we're seeking a location exception today for this particular well?

A. Yes. If the Board members will refer to Exhibit AA, you'll see the location of the proposed well 530280. The reasons for our request for an exception today are both the combination topography constraints, as well as cultural features, which involve existing power line and an existing public road that's in this area. There has been some past surface mining in this area and the public road has been relocated. We have located the approximate location of this relocated road in relation to the proposed well. And our well is sort of proposed in between the location of this existing power line and this road area. To move this well further to the north, we would be up in a

high wall area, which there's not enough room in those areas up there to locate a well. We also have future wells proposed to the north, which (inaudible) in the future too if we do that also. So, this was the best suitable location that we could find very well in this area.

Q. What's the potential...what's the strained acreage for this particular unit?

A. It's 109.21 acres.

Q. And the proposed depth of this well?

A. 7,304 feet.

Q. And if the application were not granted today, what would be the potential loss of reserves?

A. 400 million cubic feet of gas.

Q. And in your opinion, if the application is granted, it would prevent waste, protect correlative rights and promote conservation, is that correct?

A. Yes, it would.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman, just a quick clarification. The power line you're speaking, is that those diagonal lines with the dots?

GUS JANSEN: Yes, sir, that's correct.

BILL HARRIS: There's no legend here to explain. I

guess, we've probably seen enough of these to know, but I just wanted to be sure.

GUS JANSEN: Yeah, I should have pointed that out. Yes, that is indeed what is represented by the power line.

BILL HARRIS: And the relocated road is actually in blue there?

GUS JANSEN: In blue, correct.

BILL HARRIS: Thank you.

BUTCH LAMBERT: Mr. Jansen, you said there was surface mining in the area, but this map doesn't show any.

GUS JANSEN: Yes, sir, this topographic map is based on the current US GS information, which is based around the 1950s. It was updated in the '70s and this mining took place after that...after this mapping. We did not update it.

BUTCH LAMBERT: Well, you had us a real good picture the last time. We're not going to get those anymore?

GUS JANSEN: Yes, sir. I didn't anticipate bringing that. But I did not have time to prepare another document for that, so we just went ahead and indicated the road on this. It is a little bit difficult to see all of the high wall with the road and the power lines. All of those different features were a little more difficult to

show on that photo. But we will continue using---

BUTCH LAMBERT: This is the Flat Sparrow area?

GUS JANSEN: Yes, sir.

BUTCH LAMBERT: Okay. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

BUTCH LAMBERT: One abstention, Mr. Ratliff. Calling docket item eighteen. A petition from Range Resources-Pine Mountain, Inc. for a well location exception

for proposed well V-530278, docket number VGOB-10-0518-2710.
All parties wishing to testify, please come forward.

TIM SCOTT: Mr. Chairman, for that particular docket item we'll ask that be continued until next month. We have filed a revised application along with...because we've determined a new well will be shown on a revised Exhibit A and we've renoticed the parties and that's been provided to the Board.

BUTCH LAMBERT: Okay, thank you.

MARY QUILLEN: Mr. Chairman, just one little addition to that. We also need the signed Exhibit A of this...the plat.

BUTCH LAMBERT: Yeah, we didn't get that one.

TIM SCOTT: Lord, Lord, Lord. You do have the revised one?

BUTCH LAMBERT: No, we didn't get the---.

TIM SCOTT: No, it's coming---.

BUTCH LAMBERT: Oh, okay.

TIM SCOTT: ---for next month. I've already got them.

BUTCH LAMBERT: Okay. Docket item number nineteen, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530247, docket number VGOB-10-0518-2711. 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, your name, by whom you're employed and your job description.

A. Phil Horn, land manager for Range Resources-Pine Mountain, Inc. and one of my job descriptions is to see that we get wells permitted and drilled.

Q. Are you familiar with this application?

A. Yes, I am.

Q. Now, with regard to this particular unit, we had filed our application for the hearing today and then shortly after the application was filed we determined that there was another well that needed to be depicted on Exhibit A, is that right? P-5, is that right?

A. Yes. Also, we had some additional owners that we had to notify.

Q. And we've notified all of those---?

A. Yes.

Q. ---individuals, is that correct?

A. Yes.

Q. And we've provided proof of mailing to the Board, is that right?

A. Yes, you have.

Q. Along with the second applic...the revised application and the revised notice---?

A. That's correct.

Q. ---and Exhibit B? Are you familiar the ownership underlying this tract?

A. Yes, I am.

Q. And would you please tell us who owns the oil and gas under this property?

A. Range Resources-Pine Mountain, Inc. owns Tract 1 and then Hugh L. Bentley Revocable Living Trust and others own Tract 2.

Q. And we're seeking a well location exception from three well, is that right?

A. That's correct.

Q. And P-197, P-34 and P-5, is that right?

A. That's correct.

Q. Okay. Would you please tell us who operates those wells?

A. Those wells are operated by our partner Equitable Production Company.

Q. Okay. And, again, we've provided notice of this hearing to the parties listed on Exhibit B as revised, is that correct?

A. That's correct.

TIM SCOTT: That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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

Q. Are you familiar with this application?

A. Yes, I am.

Q. And you also participated in the preparation of the application, is that right?

A. That is correct.

Q. Now, you've provided the Board with Exhibit AA, is that correct?

A. That's correct.

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

A. Yes. Again, if the Board members will refer to Exhibit AA, you'll see the location there for proposed well 530247. It's located in between three offsetting wells. So, there is no legal location in this area. We've tried to position this well to maximize drainage and for gas development in this area. The drainage area associated with this well that would be strained without the well would be 94.198.

Q. So, there's no other location, is that correct?

A. That's correct.

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

A. 6,617 feet.

Q. And what's the potential for the loss of reserves if this application is not granted?

A. 300 million cubic feet.

Q. And if your opinion if this application is granted, it will promote conservation, prevent waste and protect correlative rights, is that correct?

A. That is correct.

TIM SCOTT: Okay. That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Let me just ask quick one.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Out of curiosity, there's a space to the north of this that's...are you all thinking about trying to fit something in there at a later date or is that---?

GUS JANSEN: Yes, sir. We're currently evaluating that reserve area. That is a little tougher surface location area up in there to do a well.

BILL HARRIS: Yeah, I noticed that.

GUS JANSEN: We have...we have looked at that area and are currently evaluating that now.

BILL HARRIS: Okay. I was just curious.

BUTCH LAMBERT: Any further questions?

(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?

MARY QUILLEN: Motion to approve.

GARY EIDE: Mr. Chairman, is your plat...excuse me. Is your plat signed?

BUTCH LAMBERT: Yes.

BILL HARRIS: We actually have two.

MARY QUILLEN: We had a revised one.

BUTCH LAMBERT: We've got two. One is not and one is.

GARY EIDE: Okay. Because our file is delinquent as far as that goes.

SHARON PIGEON: We will allow you to copy ours this time. How is that?

GARY EIDE: Never mind.

PHIL HORN: Do you want this blue line, Mr. Eide? Would you like this?

SHARON PIGEON: Now, there is a good Samaritan.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Scott. It's approved.

TIM SCOTT: Thank you.

BUTCH LAMBERT: Calling docket item twenty. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a drilling unit and pooling of conventional well V-530243, docket number VGOB-10-0518-2712. 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, sir.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, one more time, your name, by whom you're employed and your job description.

A. Phil Horn for Range Resources-Pine Mountain, Inc. as land manager and my job description, one of my duties is to get wells permitted and drilled.

Q. Now, this is the same well that we just saw a well location exception for, is that right?

A. That's correct.

Q. And how many acres does this unit contain?

A. 112.69.

Q. And Range Resources has leases covering this unit, is that right?

A. That's correct.

Q. Are we going to release...are we going to dismiss any respondents today?

A. No, we are not.

Q. And have you attempted to reach an agreement with those parties listed on Exhibit B-3?

A. Yes, have.

Q. What percentage of the unit does Range Resources have under lease?

A. 99.99%.

Q. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail and also notice was published in the Dickenson Star on April the 21st, 2010.

Q. Okay. Have you filed proof of publication and proof of mailings with the Board?

A. Yes, you have.

Q. And Range Resources is authorized to conduct business in the Commonwealth, right?

A. Yes, we are.

Q. And a blanket bond is on file?

A. That's correct.

Q. If you were to reach an agreement with the parties listed on Exhibit B-3, what terms would you offer?

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

Q. Do you consider that to be reasonable compensation for a lease?

A. Yes, I do.

Q. Okay. What percentage of the oil and gas estate is Range Resources-Pine Mountain seeking to pool?

A. .01%.

Q. And we don't have an escrow requirement, is that right?

A. No, we do not.

Q. And if the Board were to grant our application today, what would be the best use for any elections that would be...statutory elections that would be made?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. And this should be the address for all communications?

A. That's correct.

Q. And is Range Resources seeking to be the operator of this unit?

A. Yes, we are.

Q. And we're seeking to force pool those individuals listed on Exhibit B-3, is that correct?

A. That's right. Tract 6.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: I think we might need a signed Exhibit A. I don't have one.

SHARON PIGEON: I don't have one either. Do you have one?

GARY EIDE: We've got one.

SHARON PIGEON: Okay. So, we need copies.

GARY EIDE: You're welcome to copy ours.

(Laughs.)

SHARON PIGEON: Thank you. You're too kind.

BUTCH LAMBERT: Any further questions from the Board?

DONNIE RATLIFF: Mr. Chairman, I think I've got the original instead of a copy by mistake. So, I probably need to put this in David's---

SHARON PIGEON: You need to hand that over.

DONNIE RATLIFF: ---file.

BUTCH LAMBERT: Yeah, give it up.

SHARON PIGEON: You're going to abstain anyway.

DONNIE RATLIFF: Yes.

(Off record discussion.)

BUTCH LAMBERT: Any further discussion from the
Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Gus Jansen. I'm employed by
Range Resources-Pine Mountain, Inc. as manager of geology.

Q. You also assisted in the preparation of
this application, is that right?

A. That is correct.

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

A. 4,721 feet.

Q. And the estimated reserves?

A. 500 million cubic feet of gas.

Q. Now, we originally filed our application, the AFE was unsigned, is that right, and we've now provided the Board with a signed AFE?

A. That is correct.

Q. What's the estimated dry hole costs for this well?

A. Dry hole costs is \$266,337.

Q. And the completed well costs?

A. \$519,745.

Q. And we've, of course as I've indicated earlier, we've provided an AFE to the Board, is that right?

A. That is correct.

Q. And you participated in the preparation of that AFE?

A. I did.

Q. And it does include a reasonable charge for supervision, is that right?

A. Yes, it does.

Q. So, in your opinion if this application is granted, then it would be in the best interest of conservation, the prevention of waste and protection of correlative rights, is that right?

A. Yes, it will.

TIM SCOTT: Okay. That's all I have for Mr. Jansen.

BUTCH LAMBERT: I think we have an Exhibit A for the previous well. I'm not sure, but it looks identical. But this is a different...totally different well, isn't it?

TIM SCOTT: Well, the 530243 should be...we had one earlier for the well location exception and it should be the same...the same plat for this particular well.

BUTCH LAMBERT: Okay, that's it. We just need the signed plat. Any 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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes, but 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.

BUTCH LAMBERT: Okay. At this time, given the presentation that we heard from Senator Puckett and any other issues that may have occurred today. I'd like to open up at this time for comment from the Board or on other matters that we...this Board needs to discuss.

DONNIE RATLIFF: Mr. Chairman, I'm still troubled that we learned from the newspaper that we have some escrow accounts that there was no money being deposited in certain accounts. I'd like to ask the Board for consideration to be put on the agenda next month to ask each gas company to reconcile their escrow accounts. Since we're so late in the year this year, maybe look at a September date for 2009 and then ask each gas company to provide us with proof of reconciled accounts on July 1 thereafter.

BUTCH LAMBERT: Are you---?

DONNIE RATLIFF: There's not a check system. I mean, we're on the honor system that they do that. We don't have a check system anywhere in our system to make sure that the money is deposited other than when the Board goes in we

assume that the deposits were made appropriately. I just think if they had to reconcile their own accounts that it would save Diane and David from a lot of searching. It shouldn't be a big...a big issue. It may be a task the first time around, but after that---

BILL HARRIS: Can I ask you about your definition of reconcile?

DONNIE RATLIFF: To make sure that the money on December 31 that the Board order required to be paid into the account...we get production numbers, but we don't get any proof that payments are made into escrow accounts. I'm asking that the gas company reconcile their own accounts on December 31 every year. This year since we're already into May, we may look at September 1 requirement date this year, but this year and thereafter on July 1, that gives them six months after they close their books to go back to December 31 and just assure us by some type of certification that the escrow accounts are up to date and the money that's supposed to be deposited in each account is there because we don't have a check system. We don't have a...there's no bal...check and balance there other than we rely on the Board order and we've learned from reading that what we thought was happening wasn't always happening.

MARY QUILLEN: And that was a pretty broad

statement that there were accounts with zero money in it. We don't know what that is or, I mean, what that refers to that there was...that was just a broad statement that was made that there were accounts with zero balance in them.

DONNIE RATLIFF: Some of that was gob units, I think.

BUTCH LAMBERT: Yeah, some of that gob units and---

MARY QUILLEN: And, again, it may be perfectly fine.

BUTCH LAMBERT: But they was very broad. I understand.

MARY QUILLEN: Yeah. It just makes everybody look bad and the way it was written it reflects badly on us as a Board as an oversight and on the companies that are supposed to be depositing the money. I think that would just help clarify that.

BUTCH LAMBERT: So, Mr. Ratliff, so I understand, you're just asking for that to be placed on the docket for discussion for next month?

DONNIE RATLIFF: For next month. And that way everybody knows what we're going to do and if they've got comments or problems it will create with the gas companies, they can come forward and explain what those problems may

be.

BUTCH LAMBERT: Mr. Eide and Ms. Davis, could you see that that's docket item number two for next month?

GARY EIDE: It's done.

BUTCH LAMBERT: Thank you. Any other comments from the Board?

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: I was glad to see Mr...Senator Puckett in. Of course, his comments, I think, were very appropriate. I'm not sure how we're...you know, if we as a Board have the knowledge, training, certification or whatever to interpret some of these deeds that they're talking about. So, I don't know...I haven't looked at enough myself to even know what the language variation might be. But I know, you know, we're hearing, you know, if it clear cut says this, then, you know...but is there anyone other than coal companies that look at these deeds? I know our Board never does because we always said that it's not up to us to interpret. But is there some middle person in there that could help us out or what can we do? Because I...you know, I believe we need to move forward on whatever the new state law entails, but I'm not sure how to move forward.

BUTCH LAMBERT: You make a very good point, Mr. Harris. That's the concern I, as Chairman, have had with advise from the Counsel is that does anyone of us on this Board have the expertise to determine leases?

MARY QUILLEN: Exactly.

BUTCH LAMBERT: Now, if we get the Attorney General's opinion back that we must interpret leases, I think that we need to proceed by asking for assistance other than us sitting here as a seven member Board making a decision on a lease. I don't...I don't...as a citizen, I don't feel comfortable doing that because I don't think that I have the expertise to do that.

MARY QUILLEN: Well, I feel like that...you know, and particularly he referred to a very old deed. If there was a conflict somewhere there had got to be something that was opposite of what he was reading in that deed that was interpreted as a conflict. You never know down the road what other parties had as what they think is a true document.

So---

BUTCH LAMBERT: Well, the concern that I---

MARY QUILLEN: ---I don't feel comfortable doing it and I don't think anybody on this Board is qualified to do that.

BUTCH LAMBERT: Well, if someone comes to us with that deed that we heard about this morning with a 1800 deed, what do we know what happened after that.

MARY QUILLEN: Exactly. That's my point exactly.

BUTCH LAMBERT: So, I think we all know and understand that there's a whole lot of issues that that one Senate Bill didn't clear up anything for us to make me feel comfortable with. I don't have the expertise to make those kind of calls.

BILL HARRIS: I really think it's a move in the right direction, but I'm---

BUTCH LAMBERT: Absolutely.

BILL HARRIS: ---not sure how...how we're going to do that. Again, unless you give us all training on deed interpretation or something like that.

BUTCH LAMBERT: Well, hopefully, if the Attorney General's---

MARY QUILLEN: That would take an attorney and we're not going to be attorneys to make those kinds with the expertise and minerals and property management or interpretation of deeds of property. This is the only time that I have ever heard that when there are disputes in ownership of property that it is not settled in the Courts. I have never, ever heard of a citizen Board or citizen that

will make a decision based on dispute of ownership of property. Have you?

BUTCH LAMBERT: No. And if you will recall a couple of months ago at a Board meeting, we had one attorney stand up and try to say that there's no conflict here and this is clear cut. We were ready to proceed and the coal company stood up and said, now, wait a minute. There is a conflict.

MARY QUILLEN: We've got this...yes, we've got this document. So, that's my point exactly is we don't know what has happened beyond...and most of these come from very old, old documents. We don't know in the intervening years what documents and opinions and...that have come down or people are in possession of. I don't think that we...any of us are qualified to make a statement that this one is the true document and this one is not. I know I personally don't.

BUTCH LAMBERT: I'm certainly hopeful that if we get an opinion from the Attorney General that we do have the authority to make those kinds of calls that we get some clear direction on how we do that and if we don't, I can assure you I'm going to ask, as the Chairman of this Board, how do I do that because I don't---?

MARY QUILLEN: Good, good. Because I'll tell, you won't have any Board if that's...you know, if that's the

case, you won't have...you won't have any Board members because I don't think that anybody is going to take that kind of responsibility and open themselves up because we are not given any...any kind of assurance that...you know, that we're going to have the legal right and the training and the background and someone that's going to be sitting there and it's going to be...it's going to be a full time job.

DONNIE RATLIFF: And I think if you look at the difference between Senator Puckett's Bill and Delegate Kilgore arbitration Bill---

MARY QUILLEN: Exactly.

DONNIE RATLIFF: When you lay those down and read them, I think that the two Bills conflict with each other.

MARY QUILLEN: I do too.

DONNIE RATLIFF: And I raise that question in Richmond as we were debating those Bills. On the attorney that...I missed last month and I apologize, but I've got a--
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BUTCH LAMBERT: You've got a job, don't you?

DONNIE RATLIFF: ---day job.

SHARON PIGEON: One that pays you, I bet.

DONNIE RATLIFF: But when the attorney got up and read surface and minerals except coal, in my mind, that was pretty clear. I had someone to email me a 1930 decision...I

mean, my old chemistry book...it had been a long time since I had chemistry, but a mineral was a solid. But there was a decision in the 1930s that said that mineral is a gas. It was talking about conventional gas wells. That just put me in disbelief of everything that I had known. The problem...I know where Senator Puckett is going and what he wants, but I don't think we'll ever be consistent. If this Board all agrees and this group is consistent, what does the next Board do if they don't follow our lead? I just think it's opening up a can of worms that we won't stop if we're forced to sit down and interpret deeds. I don't feel comfortable doing it. But that's what the Senator wants.

BUTCH LAMBERT: Well, I think we'll have to reduce our docket to about two docket items a month because that's about all we'll get through.

MARY QUILLEN: Uh-huh.

BUTCH LAMBERT: Okay. We'll wait. We were hoping that we would...we had some kind of assurance that we might get that decision prior to this month's meeting, but we didn't. So, we're going...hopeful that we'll get it before next month. Okay, any further discussions?

(No audible response.)

BUTCH LAMBERT: The last item on the agenda is the consideration and approval of the April 2010 minutes. Are

there any corrections or additions that need to be made or deletions to the minutes?

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: The minutes are approved. At this time, this Board hearing will be adjourned.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 7th day of June, 2010.

NOTARY PUBLIC

My commission expires: August 31, 2013.