

1 IN THE COUNTY OF RUSSELL

2 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
3 VIRGINIA GAS AND OIL BOARD
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8 FEBRUARY 21, 2012

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10 APPEARANCES:

11 **BOARD MEMBERS:**

12 MARY QUILLEN - PUBLIC MEMBER
13 BILL HARRIS - PUBLIC MEMBER
14 BRUCE PRATHER - GAS AND OIL REPRESENTATIVE
15 DONNIE RATLIFF - COAL REPRESENTATIVE
16 KEITH ALLEN COMPTON - PUBLIC MEMBER
17 KATIE DYE - PUBLIC MEMBER

18
19 **CHAIRMAN:**

20 BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD
21
22 RICK COOPER - DIRECTOR OF THE DIVISION OF GAS & OIL AND
23 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD
24 DIANE DAVIS AND JIM LOVETT - STAFF MEMBERS OF THE DGO
25 SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

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BUTCH LAMBERT: Good morning, ladies and gentlemen. It's time to begin the proceedings this morning. I'd like to remind you that if you have cell phones or other communication devices, please put those on vibrate or turn them off. If you must take a call, please do so out in the hall. These proceedings are being recorded and we need...our recorder needs to be able to hear all that is taking place so she can effectively report the proceedings. At this time, I'll ask the Board members to please introduce themselves and I'll begin with Mrs. Dye.

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

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

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

ALLEN COMPTON: Allen Compton, Clintwood.

DONNIE RATLIFF: Donnie Ratliff representing coal.

BRUCE PRATHER: Bruce Prather representing the oil and gas industry.

MARY QUILLEN: Mary Quillen, a public member.

BUTCH LAMBERT: Thank you. At this time, we'll enter into public comment period. I have on the sign in sheet this morning, Penny Ball. Please come forward and state your name for

1 the record.

2 PENNY BALL: My name is Penny Ball. I come because we
3 found that we own the mineral rights to our property and they're
4 saying that...they had said that we didn't. They're putting a
5 well right across in front of us. If we own the mineral rights,
6 they don't have the right-of-ways and stuff. I wanted to see if
7 we could get it stopped until we can get this all straightened
8 out before...before...before it's pumping gas because it's, you
9 know...and then get this all worked out and straightened out
10 before they go any further. I had sent in some documents showing
11 that...to DMME that, you know, helped identify the mineral rights
12 issues. Like I said, I think that's all. I just wanted to see
13 what we could do, you know.

14 BUTCH LAMBERT: Thank you, Ms. Ball. Are there any that
15 wishes to participate in public comments that didn't sign in.

16 AUDIENCE MEMBER: We didn't sign in.

17 CATHERINE JEWELL: Catherine Jewell. I just have a
18 quick question. About, Jesus, what is it now, almost two years
19 ago there was an audit that was supposed to be done. I'd like
20 to see if...where we are on that and what the status and if there's
21 a report out? I notice that there is, you know, funds
22 disappearing or being transferred out of escrow accounts to fund
23 this audit and I'd just like an update.

24 BUTCH LAMBERT: Ms. Jewell, if you'll stick around until
25

1 the end of the hearings, we'll have an update from the staff.

2 CATHERINE JEWELL: Okay. Thank you.

3 BUTCH LAMBERT: Any others?

4 (No audible response.)

5 BUTCH LAMBERT: Okay. Hearing no others, item number
6 two on the docket is the Board on its own motion will receive
7 testimony from CNX Gas Company, LLC and T. Shea Cook concerning
8 a final order of the Court concerning Gary Davis, et al vs. CNX
9 Gas Company, LLC and Coal Mountain Mining, LLP. This is docket
10 number VGOB-96-1024-0524 and 07-0318-0537. All parties wishing
11 to testify, please come forward.

12 MARK SWARTZ: Good morning. Mark Swartz and Anita
13 duty.

14 SHEA COOK: Shea Cook for the Davis Heirs.

15 BUTCH LAMBERT: Good morning. If I could address this,
16 this agenda number originated from a request for information that
17 I had presented to Mr. Cooper. Both Mr. Cooper and CNX had
18 provided the information to my satisfaction and responsive to
19 that issue. So, at this point, I'm asking that this particular
20 agenda be dismissed from the docket.

21 MARK SWARTZ: We never object to that kind of a request.

22 (Laughs.)

23 BUTCH LAMBERT: Okay.

24 SHARON PIGEON: It is pretty rare...so rarely.

25

1 MARK SWARTZ: No, it happens occasionally.

2 BUTCH LAMBERT: Okay. Mr. Cook, this item will be
3 dismissed.

4 SHEA COOK: I think I'm involved in the second...the
5 third item.

6 BUTCH LAMBERT: All right. We're calling docket item
7 number three. A petition from CNX Gas Company, LLC for
8 disbursement of funds from escrow regarding Tracts 1 and 2 and
9 authorization for direct payment of royalties to Coal Mountain
10 Mining, CNX, Allie Clowers, Buford Davis, Billy Davis, Joe Davis,
11 Bobby Davis, Gary Davis and Wayne Davis. This is docket number
12 VGOB-95-1024-0524-01. All parties---

13 SHEA COOK: Shea---

14 BUTCH LAMBERT: ---wishing to testify, please come
15 forward.

16 SHEA COOK: Shea Cook on behalf of Allie Clowers and the
17 other Davis Heirs.

18 MARK SWARTZ: Mark Swartz and Anita Duty on behalf of
19 the operator.

20 (Anita Duty is duly sworn.)

21 BUTCH LAMBERT: Okay, Mr. Swartz, do you have anything?

22 MARK SWARTZ: Yes.

23 ANITA DUTY

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

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DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what are your responsibilities insofar as they...your job responsibilities insofar as they pertain to escrow accounts and disbursements from accounts?

A. To prepare the petition and to set out the percentages to be paid.

Q. Okay. Did this matter Y-33 actually came on for hearing on January the 17th, correct?

A. Yes.

Q. And it was continued until this month?

A. It was.

Q. Do you recall why?

A. We were unable to get the accounts to agree.

Q. Okay.

A. Reconcile.

Q. And the problem at that point was you were missing some of the bank's records?

A. Yes.

Q. And...and the exercise that you go through with

1 regard to comparing the bank records to the operator's records
2 is you try to...you take each of the payments that the operator
3 has made historically to the escrow agents and there have been
4 a collection of them and then you try to look at the bank records
5 to make sure that they reflect the deposit equal to the amounts
6 that were paid?

7 A. That's correct.

8 Q. Did you finally accumulate enough of the
9 records so that you could complete that undertaking?

10 A. We did.

11 Q. Okay. And we compared then all of the bank
12 records to the operator's records with regard to payments and then
13 with corresponding deposits what did you determine?

14 A. That their balances were within \$200.

15 Q. Okay. They deposits were there and the
16 difference would be the bank's fees and/or interest?

17 A. Yes.

18 Q. Okay. Are you satisfied that the bank's
19 accounts are...due reflect that the deposits that they should?

20 A. Yes.

21 Q. Okay. Have you prepared a spreadsheet
22 indicating how the disbursements should be made?

23 A. I have.

24 Q. Is that the last page of the application?

25

1 A. Yes.

2 Q. Okay. And this...it looks like this was
3 prepared and balanced as of 10/31/2011, is that correct?

4 A. Yes.

5 Q. And the amount at that point in time due all of
6 the owners from this escrow account was how much?

7 A. \$233,007.39.

8 Q. And if we look at the totals in your notes, it
9 looks like if this disbursement is approved it will actually close
10 out this escrow account?

11 A. It will.

12 Q. Okay. And the wells that have been
13 contributing to this account are?

14 A. Y-33A, Y-33B and Y-33C.

15 Q. And have you identified on Exhibit A-1 the
16 companies and people that should receive the disbursements?

17 A. I have.

18 Q. Okay. And who are they and what are the
19 percentages that the escrow agent should use?

20 A. For Tract 1 Coal Mountain and CNX Gas Company,
21 LLC should each receive 20.5595% of the escrow account. For
22 Tract 2 Allie Clowers should receive 7.3---

23 SHEA COOK: I would object to the actual figures being
24 presented in open hearing. I think that these individuals have

25

1 a privacy interest to maintain in their financial information.

2 MARK SWARTZ: She is reading percentages.

3 BUTCH LAMBERT: Percentages only and no amounts.

4 SHEA COOK: Okay. All right.

5 A. For Allie Clowers, Buford Davis, Billy Davis,
6 Joe Davis, Bobby Davis and Gary Davis they should each receive
7 7.3601% of the escrow account and Larry Davis 14.7202%.

8 Q. And when the escrow agent makes the
9 disbursement should the agent actually use the percentages that
10 you have just read into the record as opposed to some dollar amount
11 reported on A-1?

12 A. Yes.

13 Q. Okay. And then after these disbursements are
14 made, that should zero out the account?

15 A. Yes.

16 Q. And, obviously, are you requesting that the
17 Board's order be modified...prior orders be modified to allow you
18 to pay these folks directly given...consisted with the Court
19 decision?

20 A. Yes.

21 Q. Okay. Do you know if the pooling goes away now
22 or were there other people that were pooled besides...I mean, can
23 we vacate the pooling order? Do you know off the top of your head?

24 A. I do not. Let me look.

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Q. Okay.

(Anita Duty reviews her file.)

A. Yes.

Q. So, it looks like we could also in the
disbursement order actually vacate the pooling order because we
now have---?

A. No.

Q. No? No?

A. No.

Q. Okay. (Inaudible) Okay. Never mind.

A. She's deceased.

Q. So, we'll just close out the escrow
account---?

A. Yes.

Q. ---and the pooling order will stay in place?

A. I'm sorry.

MARK SWARTZ: Okay.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Duty, I have one question. I
noticed in the January hearing you testified that to continue this
one because your balances...your amount didn't match the bank's
amount and that's what...you wanted time to work that out.

ANITA DUTY: Yes.

1 BUTCH LAMBERT: Now, you testified to this sheet that
2 on 10/31 they are correct. Is that what I heard you say?
3 According to 1A or A1 that you gave us that's dated 10/31/11 that
4 shows the amounts to be correct?

5 ANITA DUTY: Yes. That was the...that was the balance
6 in the account. We just...we were off about \$30,000. We
7 actually went back to paper ledger sheets that we have from the
8 very first escrow agent that we found the missing information.
9 This is the balance and this is the---

10 BUTCH LAMBERT: This balance is correct? You just had
11 to go back and find the errors in your balance sheet?

12 ANITA DUTY: Well, we had to find the matching deposits
13 in the bank's records.

14 BUTCH LAMBERT: Okay.

15 ANITA DUTY: And they were on paper and not on files.

16 BUTCH LAMBERT: Okay.

17 ANITA DUTY: Electronic files.

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

20 (No audible response.)

21 BUTCH LAMBERT: Mr. Cook?

22 SHEA COOK: I have no questions.

23 BUTCH LAMBERT: Do you have anything that you would like
24 to present?

25

1 SHEA COOK: No, sir.

2 BUTCH LAMBERT: Okay. Anything further, Mr. Swartz?

3 MARK SWARTZ: Just to kind of...between the two of you
4 you actually confused me, okay.

5 Q. The 233,007.39 on Exhibit A1 that was the bank's
6 balance as of 2/31/11?

7 A. Yes.

8 Q. And what you were missing was a collection of
9 deposits from the various banks to get you close to that number.
10 That was the \$30,000 issue.

11 A. That's exactly right.

12 BUTCH LAMBERT: Okay.

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

14 BUTCH LAMBERT: Do I have a motion?

15 MARY QUILLEN: May I have...ask one question, Mr.
16 Chairman? Just one---.

17 BUTCH LAMBERT: Ms. Quillen.

18 MARY QUILLEN: Was the documentation...you said the
19 bank documentation, was that from the prior escrow agent?

20 ANITA DUTY: Yes. This account went back all the way
21 to like '96 and we had to get...we had to get like---.

22 MARY QUILLEN: So, it was in that information that we
23 were trying to get with the change of escrow agents, is that
24 correct?

25

1 ANITA DUTY: Yes. There wasn't any electronic
2 spreadsheets---

3 MARY QUILLEN: Right.

4 ANITA DUTY: ---like they have now.

5 MARY QUILLEN: Right. Thank you. That's it.

6 BUTCH LAMBERT: Any other questions?

7 (No audible response.)

8 BUTCH LAMBERT: Do I have a motion?

9 DONNIE RATLIFF: Motion to approve, Mr. Chairman.

10 BRUCE PRATHER: Second.

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

13 (No audible response.)

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

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

16 BUTCH LAMBERT: Opposed, no.

17 KATIE DYE: I'll abstain.

18 BUTCH LAMBERT: One abstention Mrs. Dye. Thank you,
19 folks. That's approved.

20 SHEA COOK: Thank you, Judge.

21 MARK SWARTZ: Thank you, Shea.

22 BUTCH LAMBERT: We're calling docket item number four.

23 A petition from CNX Gas Company, LLC for the disbursement of funds
24 from escrow regarding tract 4 and authorization for direct

25

1 payment of royalties for unit O(-1). This is docket number
2 VGOB-07-08-21-1984-02. All parties wishing to testify, please
3 come forward.

4 MARK SWARTZ: Mark Swartz and Anita Duty.

5

6 ANITA DUTY

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

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

10 Q. State your name for us, Anita.

11 A. Anita Duty.

12 Q. Who do you work for?

13 A. CNX Land Resources.

14 Q. And what are your job responsibilities with
15 regard to disbursement requests?

16 A. To prepare the petitions and to look over the
17 documentation.

18 Q. And the reason for this request for a
19 disbursement is what?

20 A. A Court order.

21 Q. And that actually determined who owned a 100%
22 of the royalties?

23 A. Yes.

24 Q. Okay. And the disbursement request presumably
25

1 is to disburse money to those people who were the prevailing
2 parties in the litigation?

3 A. Yes.

4 Q. Okay. You provided the Board with...and the
5 Director with a revised exhibit this morning.

6 A. I did.

7 Q. And the reason for that?

8 A. We wanted to make the ownership on the tract ID
9 and exhibits consisted with the Court order to show the CBM was
10 owned in Tract 4 by the Pobst group.

11 Q. As opposed to be in conflict, which presumably
12 was what the original one showed?

13 A. Yes.

14 Q. In this case, did you...did you compare your
15 payment records with the deposit records of the bank?

16 A. Yes.

17 Q. And when you did that, what did you determine?

18 A. We were...we were within \$30.

19 Q. Okay. And have you prepared an escrow
20 disbursement calculation?

21 A. Yes.

22 Q. And you ran...you compared the balances as of
23 what date?

24 A. December the 31st, 2011.

25

1 Q. And at that time, there was how much on deposit?

2 A. \$2,454.25.

3 Q. Okay. And will this...will a disbursement as
4 proposed here close out this escrow account?

5 A. It will.

6 Q. Okay. Who is to receive the disbursement and
7 what percentages should the escrow agent use when making the
8 disbursements?

9 A. Another reason for the revisions in the
10 agreement with the Pobst Group they give 50% of their royalty
11 interest to Levisa Coal Company just as an agreement among
12 themselves. That was another reason for the provision.

13 BUTCH LAMBERT: And do you have a copy or have you seen
14 that agreement?

15 ANITA DUTY: Yes.

16 BUTCH LAMBERT: Okay.

17 A. Okay. For Fairview Limited Partnership, they
18 should receive 12 ½% of the escrow account. Cal Ervin, F. H.
19 Combs, Testamentary Trust, Martha Combs, John Pobst, Jr.,
20 Virginia Linewick, Richard K. Pobst and Catherine Pobst should
21 each receive 4.1667%. Mary Jennings should receive 8.3333% and
22 Levisa Coal Company should receive 50% of the escrow account.

23 Q. And when the escrow agent makes this
24 disbursement, it should use the percentages that you've just

25

1 reported as opposed to the dollar amounts?

2 A. Yes.

3 Q. And are you requesting as operator the right to
4 pay these folks directly in the future?

5 A. Yes.

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

7 BUTCH LAMBERT: Any questions from the Board?

8 (No audible response.)

9 BUTCH LAMBERT: Anything further, Mr. Swartz?

10 MARK SWARTZ: No.

11 BUTCH LAMBERT: Do I have a motion?

12 MARY QUILLEN: Motion to approve.

13 BRUCE PRATHER: Second.

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

16 (No audible response.)

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

18 All in favor, signify by saying yes.

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

20 BUTCH LAMBERT: Opposed, no.

21 KATIE DYE: I'll abstain.

22 BUTCH LAMBERT: One abstention Mrs. Dye. We're calling
23 docket item number five. A petition from CNX Gas Company, LLC
24 for the disbursement from escrow regarding Tracts 15 and 19 and

25

1 authorization of direct payment of royalties for unit VP8SGU1,
2 docket number VGOB-95-1024-0526-04. All parties wishing to
3 testify, please come forward.

4 MARK SWARTZ: Mark Swartz and Anita Duty.

5

6 ANITA DUTY

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

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

10 Q. Anita, state your name for us, please.

11 A. Anita Duty.

12 Q. Who do you work for?

13 A. CNX Land Resources.

14 Q. And your duties with regard to petitions for
15 disbursements from escrow are what?

16 A. To prepare the petitions and to review the
17 royalty agreements.

18 Q. Okay. And to look at the bank records and the
19 deposits?

20 A. And the bank records, yes.

21 Q. Okay. The reason for this disbursement
22 request is what?

23 A. A royalty split agreement.

24 Q. Okay. Have you seen that agreement?

25

1 A. Yes.

2 Q. And in general, what split does it provide?

3 A. 50/50.

4 Q. Okay. And have you followed a 50/50 split in

5 your Exhibit A1?

6 A. I have.

7 Q. Okay. This is a sealed gob unit, correct?

8 A. Yes.

9 Q. And the disbursement here affects just two of

10 the tracts?

11 A. Yes.

12 Q. And the escrow account will need to be

13 maintained after these disbursements?

14 A. It will.

15 Q. Okay. Turning to Exhibit A1, you did a balance

16 comparison as of what date?

17 A. December the 31st, 2011.

18 Q. Okay. And when you did that, you compared the

19 bank records to the payment records of the operator. What did

20 you determine?

21 A. They were in balance.

22 Q. Okay. And at that time, 12/31/11, how much was

23 in the account?

24 A. \$396,064.50.

25

1 Q. And it's obvious when we look at who is
2 receiving funds here that there is...there is going to be a
3 substantial amount remaining on deposit?

4 A. Yes.

5 Q. Okay. Who are you proposing receive the
6 disbursements and what percentages should the escrow agent use?

7 A. For Tract 15, Torch Oil and Gas Company should
8 receive 3.849% of the escrow account. Betty Gibson should
9 receive 1.9245% and Cathy Murray should also receive 1.9245%.
10 For Tract 19, Torch Oil and Gas Company should receive 0.0857%
11 of the escrow account and Betty Gibson and Cathy Murray should
12 each receive 0.0429% of the escrow account.

13 Q. Now, are you also requesting that in the event
14 this disbursement request is approved that you be allowed to pay
15 these folks directly in the future?

16 A. Yes.

17 Q. And when the escrow agent makes the
18 disbursement it should use the percentages and not some dollar
19 amount?

20 A. Correct.

21 Q. And you have provided the Board here, because
22 the escrow accounts are going to continue with both
23 revised...with a revised Exhibit E and a revised Exhibit EE?

24 A. Yes.

25

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

2 BUTCH LAMBERT: Any questions from the Board?

3 (No audible response.)

4 BUTCH LAMBERT: Anything further, Mr. Swartz?

5 MARK SWARTZ: No.

6 BUTCH LAMBERT: Do I have a motion?

7 MARY QUILLEN: Motion to approve.

8 BRUCE PRATHER: Second.

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

11 (No audible response.)

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

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

14 BUTCH LAMBERT: Opposed, no.

15 KATIE DYE: I'll abstain.

16 BUTCH LAMBERT: One abstention Mrs. Dye. We're calling
17 docket item number six. A petition from CNX Gas Company, LLC for
18 disbursement of funds from escrow for a portion of Tracts 1 and
19 4 and authorization for direct payment of royalties for unit
20 DD-28, docket number VGOB-01-0918-0921-02. All parties wishing
21 to testify, please come forward.

22 MARK SWARTZ: Mark Swartz and Anita Duty.

23 BUTCH LAMBERT: Sir, please be seated. You'll just
24 need to state your name for the record.

25

1 A. To prepare the petition to make sure the
2 accounts are in order and to review the agreements.

3 Q. Okay. And what is the reason for this request?

4 A. Royalty split agreements.

5 Q. Have you...have you reviewed that?

6 A. I have.

7 Q. And, in general, what are the terms in terms of
8 how was the split provided for?

9 A. 50/50.

10 Q. Okay. Is Rondal Damon Rose a person that
11 signed that agreement?

12 A. Yes.

13 Q. Okay. Have you prepared a disbursement
14 exhibit on a 50/50 basis?

15 A. Yes.

16 Q. And is that your Exhibit A at the end of the
17 petition?

18 A. Yes.

19 Q. Okay. The escrow account balance calculation
20 was as of what date?

21 A. December the 31st, 2011.

22 Q. Okay. And at that point, what was the amount
23 on deposit with the escrow agent?

24 A. \$37,529.06.

25

1 Q. And did you compare the operator's payment
2 records with the collection of deposits made and tracked by the
3 banks, and if so, what did you find?

4 A. They were in balance.

5 Q. Okay. Have you listed on Exhibit A the people
6 that are proposed to receive this disbursement and the
7 percentages that the escrow agent should use to make the
8 disbursement?

9 A. Yes.

10 Q. Okay. And could you identify them by name and
11 then the percentage that pertains to them?

12 A. Okay. Delano Jenelle...wait, let me start at
13 the top. Torch Oil and Gas Company should receive a total of
14 5.3432% of the escrow account.

15 Q. And this is with regard to Tract 1, correct?

16 A. Tract 1, yes.

17 Q. Okay.

18 A. Delano Jenelle should receive 3.0395%, Carol
19 Mullins 0.4048%, Thomas Christian 0.3238%, Catherine Wheeler,
20 Christopher Christian and David Christian should each receive
21 0.3238% and Diana Calfee 0.6072%.

22 Q. Okay. With regard to Tract 4?

23 A. Coal Mountain should receive a total of
24 9.9639%. Patricia Harman should receive 0.2902%, Rondal Rose

25

1 0.0967%, Sheila Janowski 0.3731% and then an additional interest
2 that she inherited should also pay her 0.0622%, Virgil Rose and
3 Darrell Rose 3.9179% each and Tessie Vandyke 1.306%.

4 Q. And the wells that have been contributing to
5 this escrow account are?

6 A. DD-28 and DD-28A.

7 Q. And will this account need to be maintained in
8 existence after these disbursements?

9 A. It will.

10 Q. Okay. Are you requesting as operator to be
11 allowed to pay the folks that are going to be receiving these
12 disbursements if this application is approved directly in the
13 future?

14 A. Yes.

15 Q. Have you provided the Board with a revised
16 Exhibit E that would pertain in the event the disbursement is
17 approved as well as a revised Exhibit EE that will pertain if the
18 disbursements are approved?

19 A. Yes.

20 MARK SWARTZ: That's all I have.

21 BUTCH LAMBERT: Any questions from the Board?

22 BRUCE PRATHER: Mr. Chairman, I think I've got a
23 question. I was listening to your owner...maybe it wasn't the
24 percentage, but maybe it was acreage. But maybe that's where my
25

1 mistake is. But, anyway, the numbers weren't what you were
2 given. I think I was looking at the acreage percentage.

3 ANITA DUTY: Were you looking at the revision?

4 BRUCE PRATHER: Yeah.

5 ANITA DUTY: Yeah.

6 BRUCE PRATHER: I think that's what I was doing. I
7 think I was looking at the acreage instead of the percentage.

8 ANITA DUTY: Okay.

9 BRUCE PRATHER: Okay. So, you're probably all right.

10 BUTCH LAMBERT: Mr. Prather, would you like for her to
11 go through those percentages again just to be sure?

12 BRUCE PRATHER: No, that's all right. I just made a
13 mistake.

14 BUTCH LAMBERT: Ms. Duty, I have one question.
15 According to the staff of the Board who has been monitoring the
16 accounts, we're showing 5.29104 acres escrowed. I think your
17 calculations show 6.64957. Do you know what the difference or
18 what the different may be?

19 ANITA DUTY: I wasn't aware of that until just now.
20 So---

21 DIANE DAVIS: I hadn't called you on this one. Do you
22 have any...may I ask a question?

23 BUTCH LAMBERT: Ms. Davis, can you help us out here?

24 DIANE DAVIS: Can you tell me what you show in each tract

25

1 as being escrowed before the disbursement?

2 ANITA DUTY: Right now?

3 DIANE DAVIS: Do you have that with you?

4 ANITA DUTY: Yeah.

5 DIANE DAVIS: Just give me those acreage.

6 ANITA DUTY: Tract 1 is 4.062. Tract 2 is .25...well,
7 it's actually 3.

8 DIANE DAVIS: Okay.

9 ANITA DUTY: And 4 is 2.3375.

10 DIANE DAVIS: How much?

11 ANITA DUTY: 2.3375.

12 DIANE DAVIS: That's where we differ. Go back
13 and---

14 ANITA DUTY: Well, there is a note...there's a note over
15 here to me to tell you that the fractional interest in that
16 heirship changed. There was a deposit made to correct the
17 interest. That's...I mean, we can talk about this afterwards if
18 you want.

19 DIANE DAVIS: Whatever the Board...but, I mean, this is
20 what...based on the last...last Exhibit E that I have. This is
21 what my acreage was.

22 ANITA DUTY: Well, if I would have known that you had
23 a problem I could have gave you the answers probably. I didn't
24 know that there was a problem.

25

1 BUTCH LAMBERT: Ms. Davis, if we move forward with the
2 testimony that we've been provided will this somehow---?

3 DIANE DAVIS: If she can solve that Tract 4 for me, which
4 they've been able to do all of the others when I've had questions
5 because we've had three others that we had questions on.

6 BUTCH LAMBERT: But this won't close out the escrow
7 though?

8 ANITA DUTY: No.

9 BUTCH LAMBERT: There will still be...in other words,
10 if there is a slight acreage difference, it won't matter if we
11 move forward? We can correct it as we come back?

12 (No audible response.)

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

15 (No audible response.)

16 BUTCH LAMBERT: Mr. Rose.

17 RONDAL DAMON ROSE: Yes. I received a letter from CNX
18 Gas Company. It says I signed a split agreement---.

19 MARY QUILLEN: Excuse me just a moment. They have not
20 been sworn in.

21 BUTCH LAMBERT: Yes, they have.

22 MARY QUILLEN: They have?

23 BUTCH LAMBERT: Yes.

24 MARY QUILLEN: Oh, I'm sorry.

25

1 COURT REPORTER: No, they have not.

2 BUTCH LAMBERT: Oh, they haven't.

3 SHARON PIGEON: Well, we need to get them---.

4 BUTCH LAMBERT: Oh, we need to swear them in. I'm
5 sorry, Ms. Quillen.

6 (Rondal Damon Rose and Helen Rose are duly sworn.)

7 RONDAL DAMON ROSE: Okay. The paper said I signed a
8 split agreement. I did not sign one. I'd like to see a copy of
9 where I did sign it. Then on down through here my mother and
10 youngest sister have been battling the IRS that she owes taxes
11 on a \$120,000 each. Where is the \$120,000? Who signed the
12 check? What happened to it? I want a copy of it. Then she said
13 I had \$36,000 and some dollars in escrow. I've got a paper right
14 here showing that I've got \$36.30 in escrow. Where is the rest
15 of it at?

16 BUTCH LAMBERT: Well, as to that question, Mr. Rose,
17 again, she just read the percentages that...if we look at your
18 percentages versus what you're due, according to the exhibits
19 that we have been provided, it shows \$36.30. I don't recall Ms.
20 Duty testifying \$36,000.

21 MARY QUILLEN: He's probably talking about the amount
22 that was in the overall escrow account---.

23 BRUCE PRATHER: The total gross.

24 MARY QUILLEN: ---which is every bodies. It's not
25

1 just one person.

2 RONDAL DAMON ROSE: Is that every bodies?

3 BUTCH LAMBERT: Yes. Yes, sir.

4 RONDAL DAMON ROSE: Okay. What about the \$120,000 my
5 mother and sister were supposed to receive? She has been
6 battling the IRS. She has got papers right here. They said that
7 she had to back up and pay the taxes on it.

8 HELEN ROSE: '010. '010.

9 RONDAL DAMON ROSE: Where did it...did it go?

10 BUTCH LAMBERT: I...this Board can't answer that
11 question.

12 RONDAL DAMON ROSE: Well---.

13 BUTCH LAMBERT: In fact, I'll ask Ms. Duty if she has
14 any information.

15 MARK SWARTZ: Apparently, the bank sent out some
16 exciting W-9s or 1099s.

17 HELEN ROSE: No, we got a statement...we got 2---.

18 RONDAL DAMON ROSE: It came from the IRS.

19 HELEN ROSE: We got \$28. But this is from the IRS.
20 They said we got a \$120,000 each.

21 COURT REPORTER: One at a time.

22 RONDAL DAMON ROSE: And that right there, she could lose
23 everything that she has got if she had to pay the taxes and stuff
24 on it. Where did it go? Who signed the checks?

25

1 MARK SWARTZ: Let me see the notice from the IRS.

2 HELEN ROSE: We had to take it to the H & R Block and
3 get it fixed.

4 RONDAL DAMON ROSE: But I have wrote a letter to the gas
5 company, which I hadn't got nothing back yet from it.

6 MARK SWARTZ: Is Julie Hunt in this unit?

7 HELEN ROSE: That's my daughter.

8 RONDAL DAMON ROSE: Youngest sister.

9 MARK SWARTZ: Is she in this unit?

10 RONDAL DAMON ROSE: Yeah.

11 BRUCE PRATHER: I don't see her on there.

12 HELEN ROSE: It may be listed as Julie Rose.

13 RONDAL DAMON ROSE: But both of them has received a thing
14 from the IRS on taxes on a \$120,000.

15 MARY QUILLEN: What are the names on those, Mr. Swartz?

16 MARK SWARTZ: Well, the name on the notice from the IRS
17 is to Julie L. Hunt.

18 HELEN ROSE: It may be listed as Rose because back when
19 all of this started she hadn't got married then.

20 MARY QUILLEN: There's nobody by that name listed on
21 this.

22 HELEN ROSE: Julie...Julie Rose.

23 RONDAL DAMON ROSE: At the time her name was Rose.

24 MARY QUILLEN: There's nothing---.

25

1 SHARON PIGEON: She's on here.

2 DONNIE RATLIFF: In Tract 4?

3 SHARON PIGEON: Tract 4.

4 HELEN ROSE: And they was someone else got one of these
5 too because the woman from the IRS...I mean, from H & R Block she
6 told me to get the bank's number where she had given me where they
7 sent and got a statement from the bank. We had got \$28 and
8 something for the '010.

9 BUTCH LAMBERT: \$27.63.

10 HELEN ROSE: They was aiming for us to pay the back tax
11 and everything on it because this was for '010. They told us at
12 the bank that was a cliche in the computer. I don't think it made
13 three cliches.

14 MARK SWARTZ: Well, I guess they got their answer then.
15 I mean, you called the bank and they told you they made a mistake.

16 HELEN ROSE: Well, the woman...the woman from H. R.
17 Block called the bank.

18 BRUCE PRATHER: Well, if they---

19 RONDAL DAMON ROSE: And the bank made three mistakes.

20 MARK SWARTZ: I mean, I can't speak for the bank. I
21 don't represent them.

22 RONDAL DAMON ROSE: Okay. But there are nine of us in
23 it. How come the rest of us didn't get nothing like that? If
24 three mistakes was made, all of us should have got something.

25

1 MARK SWARTZ: Well, you know, I'm not the IRS and I'm
2 not the bank. I don't know.

3 RONDAL DAMON ROSE: Well, I want a thing showing me where
4 it went and everything.

5 HELEN ROSE: Where did the money go to?

6 RONDAL DAMON ROSE: If it happened at the IRS, the IRS
7 don't mistakes, do they?

8 MARK SWARTZ: All the time.

9 RONDAL DAMON ROSE: Well, they don't admit it.

10 MARK SWARTZ: Oh, yeah, they do.

11 BUTCH LAMBERT: Excuse me, folks. Is the name Julie
12 Leanora Anne Rose?

13 RONDAL DAMON ROSE: Yes.

14 BUTCH LAMBERT: Okay. We have documentation that she
15 was disbursed \$27.63.

16 HELEN ROSE: Look on the back of there, the paper from
17 the IRS.

18 BUTCH LAMBERT: We...we don't have that...those
19 records.

20 SHARON PIGEON: We don't get anything like that.

21 BUTCH LAMBERT: We don't get those. All we have is what
22 the company disbursed to her, \$27.63 in or about February of last
23 year.

24 HELEN ROSE: Yeah, that's where the...the woman at
25

1 H & R Block sent in got from the bank. That's what they had down.
2 But this come from the IRS. We had a problem getting this fixed
3 up.

4 BUTCH LAMBERT: Well, if the bank gave you that same
5 amount, then your problem is with the IRS and not the company or
6 this Board.

7 HELEN ROSE: Well, we got it fixed. We was just
8 wondering what went with the money.

9 RONDAL DAMON ROSE: Where would the IRS got the
10 information that she received a \$120,000?

11 BUTCH LAMBERT: We can't answer that question for you,
12 sir. I have no idea. We're just showing what our records...I'm
13 just telling you what our records show that has been disbursed.

14 HELEN ROSE: Well all I know is we had to...and they
15 still owe...they even sent an envelope wanted me...wanted us to
16 start paying payments on it.

17 BRUCE PRATHER: Mr. Chairman.

18 SHARON PIGEON: The IRS has apparently made a mistake.

19 BUTCH LAMBERT: Mr. Prather.

20 MARK SWARTZ: Like I said, I think the bank sent them---.

21 BRUCE PRATHER: If H & R Block did your taxes---.

22 SHARON PIGEON: Some kind of mistake---.

23 BRUCE PRATHER: ---on this thing, wouldn't H & R
24 Block---?

25

1 BUTCH LAMBERT: Let's all...let's all...wait a minute.
2 Let's all talk one at a time.

3 BRUCE PRATHER: If H & R Block did the taxes for you,
4 wouldn't H & R Block find out what the discrepancy is? I mean,
5 that's normally the way this is done.

6 HELEN ROSE: Well, they called the bank and the bank said
7 we got \$28 and something a piece. But this...the IRS sent out
8 that we got a \$120,000.

9 BRUCE PRATHER: It looks to me like H & R Block ought
10 to take care of you. But, I mean, that's---

11 HELEN ROSE: Well, they did fix it. We had to go to H
12 & R Block and get it took care of. But we was wondering what went
13 with the \$120,000 that we was supposed to have to back up and pay
14 taxes on.

15 BRUCE PRATHER: That I don't know.

16 SHARON PIGEON: That was just a mistake. There was no
17 \$120,000.

18 HELEN ROSE: And there was somebody else besides us too
19 that was supposed to have got one. But that was confidential.
20 I couldn't find out or ask the lady at H & R Block.

21 BRUCE PRATHER: That wouldn't be the gross amount, would
22 it?

23 HELEN ROSE: Oh, yeah, I called somebody at the gas
24 company and the gas...I believe they said it was a cliche in the

25

1 computer. And then I asked them about the split agreement and
2 they told me that it was because it was split between so many
3 people. But then...no, that's not right. They've got his name
4 down here like a split agreement. None of us never signed
5 anything.

6 RONDAL DAMON ROSE: And I'd like to have a copy of where
7 we signed it.

8 MARK SWARTZ: Here is a copy of your split agreement that
9 you signed and was notarized.

10 RONDAL DAMON ROSE: Well---

11 HELEN ROSE: That's a paper they first brought around
12 wanting to know could they go onto the land.

13 ANITA DUTY: No.

14 HELEN ROSE: Did we split it then?

15 RONDAL DAMON ROSE: Did the split take place when they
16 first came around and we signed the papers?

17 MARK SWARTZ: This was signed March the 23rd, 2002.
18 This is somebody's...I mean, if that's not signature, somebody
19 signed your name. But some...but it was notarized by a notary
20 public on the 23rd day of March, 2002 and it's a split agreement.

21 HELEN ROSE: Well, that wouldn't what he told us it was
22 for. We should have read that.

23 RONDAL DAMON ROSE: Well, there's always a way that they
24 get around stuff like that.

25

1 MARK SWARTZ: Is that your signature?

2 RONDAL DAMON ROSE: Well---.

3 MARK SWARTZ: No, this.

4 HELEN ROSE: Yeah.

5 RONDAL DAMON ROSE: Yeah, it looks like it.

6 MARK SWARTZ: Well, it looks like you signed the split
7 agreement, doesn't it?

8 RONDAL DAMON ROSE: Well, at the time it did not say it
9 was a split agreement. They just wanted us to sign the release
10 papers for them to drill.

11 MARK SWARTZ: "The parties agree to accept 50% of any
12 royalties that would otherwise be due them." Do you see that?

13 HELEN ROSE: Okay. Okay, well, let me ask you a
14 question.

15 RONDAL DAMON ROSE: Yeah, I see it.

16 MARK SWARTZ: Okay. And you're saying it's not a split
17 agreement?

18 HELEN ROSE: Well, what I...what I...can I ask you
19 something? I know to start with the gas company got so much out
20 of it probably for doing their work and it was to be split then.
21 But to our understanding, are they splitting it again? The coal
22 company getting to...if he gets half of the other half, is the
23 coal company still getting another half on these few that's on
24 the front of this paper here is what I was wondering? Does

25

1 anybody know?

2 BUTCH LAMBERT: No, Ms. Rose, that's not it. The split
3 agreement that he signed---

4 HELEN ROSE: Well, why...why wasn't everybody's name
5 here?

6 BUTCH LAMBERT: Because those are individual
7 agreements. That's not just one agreement that covers everybody
8 and everybody signs the same agreement.

9 HELEN ROSE: Well, when he signed that evidently we all
10 got one.

11 SHARON PIGEON: Individually.

12 BUTCH LAMBERT: Individually.

13 HELEN ROSE: Yeah. Because to start with when...I was
14 thinking it was a Mr. Smith. I do not know. He come out there
15 at the house and he said they was going to drill... well, they
16 was going on it to drill whether anybody agreed on it or not. They
17 had the right to. He give us the papers to sign because we told
18 him well the land was just there. They didn't nobody live on it.
19 It wasn't worth nothing to none of us or anything. He had us to
20 sign a paper because it was on a Saturday. The way it worked I
21 got them all together. They come out...he came out there and
22 brought the papers. We didn't think anymore about it. What I
23 couldn't understand why this few here on the front here is got
24 like a split agreement, to my understanding, they have to split

25

1 their part again and it goes to the coal company instead of the
2 gas company. So...see there's very few on here. Some of these
3 is my nieces. I went to talk to them and they said they never
4 signed nothing, but their name was here on this too. I thought
5 that since these few was on here that they had said that they had
6 come up with another paper to split the...even though they
7 got...you get half of the gas royalties that you had to pay your
8 half to the coal company. So, maybe I misunderstood it.

9 BUTCH LAMBERT: Well, your split agreement is probably
10 with the coal company and not with the gas company.

11 HELEN ROSE: And why would it have been him when there's
12 nine of us?

13 BUTCH LAMBERT: Well, ma'am, I can't answer that
14 question. What we're here today is to decide on this particular
15 unit with Mr. Damon Rose that has signed a 50/50 split agreement.
16 That's what we're here to hear today. Now, if what you're talking
17 about for another disbursement case you're more than welcome to
18 come back and testify to that one at that time. But today we're
19 only to hear this one particular one that Mr. Rose has signed the
20 split agreement for.

21 HELEN ROSE: And see in his letter here we've
22 got...eight of us got just a thing showing how much the royalties
23 was. Well, he got this letter and he said something about they
24 tried to keep everybody informed and if it wasn't for each one

25

1 in the family getting different things, this is the first time
2 we've ever know anything about a meeting. So, I don't know. If
3 it hadn't been---.

4 RICK COOPER: Mr. Chairman, we just---.

5 BUTCH LAMBERT: Mr. Cooper.

6 RICK COOPER: If I could speak. We just enquired to
7 Debbie Davis about a computer cliché to see if we could chase that
8 down and she did say that 2010 she did have an incorrect upload,
9 which the Roses were part of that. She made those corrections
10 in October of 2011 and she testified in front of the Board with
11 those corrections. That she brought those corrections back in
12 front of the Board in November.

13 BUTCH LAMBERT: That's right.

14 HELEN ROSE: Well, see we never know they had a Board
15 meeting. We...this is the first meeting we've heard anything
16 about.

17 BUTCH LAMBERT: Is this the first time that they've been
18 disbursed and would receive notice?

19 ANITA DUTY: Yes, Mr. Rose. But Ms. Rose has already
20 been disbursed previously.

21 BUTCH LAMBERT: Okay. So, she was probably notified at
22 that time?

23 ANITA DUTY: Yes.

24 BUTCH LAMBERT: Okay.

25

1 MARK SWARTZ: Well, in addition, after...if this
2 disbursement is approved, there will still be Roses in escrow
3 because, you know, Exhibit E still has some...I mean, some of them
4 have been disbursed already. We're requesting some more be
5 disbursed. But there's some that, you know, haven't been
6 disbursed.

7 BUTCH LAMBERT: Well, that was going to be my response
8 back to Ms. Rose. She testified that everyone was receiving
9 different amounts. That's highly possible. Based upon the
10 split agreements or how much you own in the unit, you all won't
11 receive the same amount.

12 MARY QUILLEN: And there's 10 pages of listing of
13 owners.

14 HELEN ROSE: Yeah. He has got right here, I guess.
15 Yeah, I know there was about...there was over 300 of us, you know.
16 I know that. But I couldn't figure out why just me and my daughter
17 got this telling us we had already...it shocked me when I called
18 the IRS to see what it was.

19 MARY QUILLEN: Well, that does...I mean, we have no
20 control over that.

21 HELEN ROSE: Well, they got it from somewhere
22 because---

23 SHARON PIGEON: Well, he just told you that the bank said
24 it was a computer error and they came before the Board in November

25

1 and brought that information to the Board's attention.

2 HELEN ROSE: Well, see, we didn't get this until it was
3 time to fix taxes this time.

4 SHARON PIGEON: Well, the IRS probably was lagging
5 behind in making the correction. But apparently it has been
6 made.

7 HELEN ROSE: And we never even got a W-2 form or
8 anything.

9 BUTCH LAMBERT: Mr. Swartz, do you have anything
10 further?

11 MARK SWARTZ: No, I do not.

12 BUTCH LAMBERT: Mr. Rose, do you have anything further?

13 RONDAL DAMON ROSE: No.

14 BUTCH LAMBERT: Any further questions from the Board?

15 (No audible response.)

16 BUTCH LAMBERT: Do I have a motion?

17 MARY QUILLEN: Motion to approve.

18 BRUCE PRATHER: Second.

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

21 (No audible response.)

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

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

24 BUTCH LAMBERT: Opposed, no.

25

1 KATIE DYE: I'll abstain.

2 BUTCH LAMBERT: One abstention Mrs. Dye. Thank you,
3 folks. We're calling docket item number seven. A petition
4 from CNX Gas Company, LLC for the disbursement of funds from
5 escrow regarding Tract 2A an authorization for direct payments
6 of royalties from unit AX-117, docket number
7 VGOB-01-0918-0921-02. All parties wishing to testify, please
8 come forward.

9 MARK SWARTZ: Mark Swartz and Anita Duty.

10 BUTCH LAMBERT: You may proceed, Mr. Swartz.

11

12 ANITA DUTY

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

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. SWARTZ:

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

17 A. Anita Duty.

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

20 A. Okay.

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

23 A. Okay.

24 Q. Who do you work for?

25

1 A. CNX Land Resources.

2 Q. And with regard to disbursement requests, what
3 are your job responsibilities?

4 A. To prepare the petitions, to make sure the
5 accounts are in order---.

6 BUTCH LAMBERT: Excuse me, Anita. Folks, if you all
7 need to...excuse me. Ladies and gentlemen, if you need to have
8 a discussion, please take it out in the hall. We need to be able
9 to hear. You may proceed.

10 A. To prepare the petition, to make the accounts
11 are in order and review the agreements.

12 Q. Okay. This is a request for a disbursement
13 from an escrow account established pertaining to unit AX-117,
14 correct?

15 A. Yes.

16 Q. It pertains to what tract?

17 A. Tract 2A.

18 Q. And after the disbursement is made, will it
19 still be necessary to maintain an escrow account for this unit?

20 A. Yes.

21 Q. Okay. Have you provided the Board with a
22 revised Exhibit A-1 today?

23 A. Yes.

24 Q. Okay. The reason for this request for a
25

1 disbursement is what?

2 A. A royalty split agreement.

3 Q. Have you actually seen the agreement?

4 A. Yes.

5 Q. And, in general, what does it provide?

6 A. A 50/50 split.

7 Q. Okay. And have you done a 50/50 split in
8 preparing Exhibit A-1?

9 A. Yes.

10 Q. Your Exhibit A-1 compared the operator's
11 records and the collection of bank's records as of what date?

12 A. December the 31st, 2011.

13 Q. And when you compared the payments the operator
14 had made to the deposits that the banks had booked, what did you
15 find?

16 A. We were within \$15.

17 Q. Okay. Who is it that you propose receive the
18 disbursements and what percentages should the operators...should
19 the escrow agent use?

20 A. Swords Creek Land Partnership should receive a
21 total of 4.3118%, Beulah Brown should receive 2.1559% and Ralph
22 Reedy and Ella Ruth Cook should each receive 1.078% of the escrow
23 account.

24 Q. Okay. And, again, we're talking about Tract
25

1 2A?

2 A. 2A, yes.

3 Q. And the difference between the Exhibit A-1 that
4 accompanied the petition and the revised one that we're seeing
5 today is apparently Francis Brown was removed?

6 A. She was.

7 Q. And why was that?

8 A. She did not have an agreement.

9 Q. Okay. So, when you went back and looked at the
10 agreements you discovered she did not have one?

11 A. Correct.

12 Q. Okay. And the wells that are contributing to
13 this escrow account are which wells?

14 A. AX-117 and AX-117A.

15 Q. And are you requesting as operator that the if
16 the Board approves the disbursement that you be allowed to pay
17 the folks that are receiving the disbursement directly in the
18 future?

19 A. Yes.

20 Q. And when the escrow agent makes the
21 disbursement they should apply the percentages that you've
22 supplied today to the balance on the date of the disbursement?

23 A. They should.

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

25

1 BUTCH LAMBERT: Any questions from the Board?
2 SHARON PIGEON: Will this close Tract 2A?
3 ANITA DUTY: No.
4 MARK SWARTZ: Actually in that regard, have you provided
5 the Board with a revised Exhibit E and a revised Exhibit EE?
6 ANITA DUTY: I have.
7 BUTCH LAMBERT: Anything further, Mr. Swartz?
8 MARK SWARTZ: No.
9 BUTCH LAMBERT: Do I have a motion?
10 MARY QUILLEN: Motion to approve.
11 BRUCE PRATHER: Second.
12 BUTCH LAMBERT: I have a motion and a second. Any
13 further discussion?
14 (No audible response.)
15 BUTCH LAMBERT: All in favor, signify by saying yes.
16 (All members signify by saying yes, but Katie Dye.)
17 BUTCH LAMBERT: Opposed, no.
18 KATIE DYE: I'll abstain.
19 BUTCH LAMBERT: One abstention Mrs. Dye. Calling item
20 number eight, a petition from CNX Gas Company, LLC for the
21 disbursement of funds from escrow regarding Tracts 1, 5B, 8A, 8B,
22 8C, 8D, 8E, 10B and 11 and authorization for direct payment of
23 royalties from unit W-9, docket number VGOB-97-0121-0526-01.
24 All parties wishing to testify, please come forward. You may
25

1 proceed, Mr. Swartz.

2 MARK SWARTZ: Mark Swartz and Anita Duty.

3

4

ANITA DUTY

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

6

DIRECT EXAMINATION

7

QUESTIONS BY MR. SWARTZ:

8

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

9

A. Anita Duty.

10

Q. And who do you work for?

11

A. CNX Land Resources.

12

Q. And with regard to petition for disbursements,

13

what are your job responsibilities?

14

A. To supervise the preparation of the

15

application, to review the royalty split agreements and to make

16

sure the accounts are in order.

17

Q. Okay. And this pertains to a disbursement

18

request from an escrow account maintained for drilling unit W-9?

19

A. Yes.

20

Q. And it relates the tracts that you've

21

identified in the petition, correct?

22

A. Yes.

23

Q. And after...if the disbursement were approved

24

and made, would the escrow account still need to be maintained?

25

1 A. It would.

2 Q. And in that regard, have you provided the Board
3 today with revised Exhibit...a revised Exhibit E and revised
4 Exhibit EE that would pertain after the disbursements were made?

5 A. Yes.

6 Q. Okay. The reason for the disbursement
7 request?

8 A. Either...some of these are CBM deeds and then
9 there are also just normal royalty split agreements.

10 Q. Okay. The splits or divisions, I assuming,
11 pertaining to Harrison-Wyatt, LLC or the 50/50 deed situation?

12 A. Yes.

13 Q. And essentially in the 50/50 deed they have
14 crossed conveyed the property to each other?

15 A. Yes.

16 Q. And then with regard to the remainder of the
17 folks that are no adverse to Harrison-Wyatt it would be
18 traditional split agreements?

19 A. Yes.

20 Q. Have you seen those agreements?

21 A. I have.

22 Q. Okay. And what do they provide?

23 A. 50/50.

24 Q. Okay. And have you used either the

25

1 Harrison-Wyatt cross conveyance 50/50 deeds or the split
2 agreements in preparing the revised Exhibit A-1?

3 A. Yes.

4 Q. Okay. And what was the date that you used as
5 a bench mark for the comparison?

6 A. December the 31st, 2011.

7 Q. And as of that date, what was the total amount
8 on deposit for this unit?

9 A. \$149,969.27.

10 Q. Okay. And who are the folks that you are
11 proposing receive disbursements if this application is approved
12 and what percentages should the escrow agent use to make those
13 disbursements and start with Tract 1?

14 A. Okay. For Tract 1 Harrison-Wyatt should
15 receive a total of 3.6799%, the Morgan Living Trust should receive
16 2.9574%, Neiman Morgan Trust 0.3697%, Eddie Cooper 0.1008%,
17 Robert Wyatt, Jr. 0.0504%, Nancy Shortridge and Lana Cox should
18 each receive 0.1008%. For Tract 5B Harrison-Wyatt and Janet
19 Brown should each receive 0.4436% of the escrow account. For
20 Tract 8A Harrison-Wyatt and Janet Brown should each receive
21 1.398% of the escrow account. For 8B Harrison-Wyatt and Janet
22 Brown should each receive 0.3697%. Tract 8C Harrison-Wyatt and
23 William Rife should each receive 0.531%. Tract 8D
24 Harrison-Wyatt and Cynthia Rife should each receive 0.1748%.

25

1 For Tract 8E Harrison-Wyatt and Cynthia Rife should each receive
2 0.5713%. For Tract 10B Harrison-Wyatt and Buchanan County
3 Housing Limited Partnership should each receive 3.2867% of the
4 escrow account. For Tract 11 Harrison-Wyatt and CNX Gas Company
5 should each receive 0.2016% of the escrow account.

6 Q. In the event this petition is approved and these
7 disbursements are made are you also requesting that the operator
8 be allowed to pay these people directly in the future?

9 A. Yes.

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

11 BUTCH LAMBERT: Any questions from the Board?

12 SHARON PIGEON: Did you tell us which wells were
13 contributing?

14 MARK SWARTZ: No, we did not and we were hoping you
15 wouldn't notice. So, we'll try to answer that question.

16 ANITA DUTY: This is actually...this unit is underneath
17 a sealed gob now. So, it would have been...

18 Q. Well, how many wells are in W-9 and then we'll
19 kind of work off of that, Anita?

20 A. There are four.

21 Q. Okay. And give the letters.

22 A. It's W-9, W-9A, W-9B and W-9C.

23 Q. And the question that we can't resolve because
24 we don't have enough data at the moment is we don't know when those

25

1 four wells went online. So, some of them contributed to the frac
2 account and some of them contributed to the sealed gob account.
3 They would all be in there, but we don't know how to make the
4 division.

5 A. Right.

6 Q. There were four wells in that unit and those are
7 the four, correct?

8 SHARON PIGEON: Thank you.

9 A. Yes, that's correct.

10 BUTCH LAMBERT: Anything further, Mr. Swartz?

11 MARK SWARTZ: No.

12 BUTCH LAMBERT: Do I have a motion?

13 MARY QUILLEN: Motion to approve.

14 BRUCE PRATHER: Second.

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

17 (No audible response.)

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

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

20 BUTCH LAMBERT: Opposed, no.

21 KATIE DYE: I'll abstain.

22 BUTCH LAMBERT: One abstention Mrs. Dye. We're calling
23 docket item number nine. A petition from CNX Gas Company, LLC
24 for the disbursement of funds from escrow regarding Tract 2 and

25

1 authorization for direct payment of royalties from unit AX-116,
2 docket number VGOB-01-0918-0920-01. All parties wishing to
3 testify, please come forward.

4 MARK SWARTZ: Mark Swartz and Anita Duty again.

5

6 ANITA DUTY

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

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

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

11 A. Anita Duty.

12 Q. Who do you work for?

13 A. CNX Land Resources.

14 Q. And what are your job responsibilities with
15 regard to petitions for disbursements from escrow?

16 A. To supervise the preparation of the petition,
17 to the review the royalty agreements and to make sure the accounts
18 are in order.

19 Q. And this disbursement request pertains to unit
20 AX-116, is that correct?

21 A. Yes.

22 Q. And Tract 2?

23 A. Yes.

24 Q. And would it be necessary that the escrow
25

1 account be maintained even in the event these disbursements are
2 made?

3 A. It would.

4 Q. And have you provided the Board today with a
5 revised Exhibit E and a revised Exhibit EE that would pertain if
6 and after the disbursements are made?

7 A. Yes.

8 Q. Okay. Have you also provided the Board with a
9 revised Exhibit A-1 today?

10 A. I have.

11 Q. And the difference again is Francis Brown was
12 originally listed and it turns out she didn't have a split
13 agreement, so she has been removed?

14 A. Yes.

15 Q. Okay. The comparison...well, did you do a
16 comparison of the payments made by the operator to the deposits
17 by the banks?

18 A. Yes.

19 Q. As of what date?

20 A. December the 31st, 2011.

21 Q. And when you compared those...that information
22 or those documents, what did you discover?

23 A. We were within \$13.

24 Q. Okay. And the amount on deposit with the
25

1 bank's escrow agent on 12/31/2011 was what?

2 A. \$313.23.

3 Q. And it's obvious that if you make these
4 disbursements there's still going to be money?

5 A. Yes.

6 Q. Okay. And who are you proposing receive
7 disbursements from Tract 2 and what percentages should the escrow
8 agent use?

9 A. Swords Creek Land Partnership should receive
10 5.5831%, Beulah Brown should receive 2.7916% and Ralph Reedy and
11 Ella Cook should each receive 1.3958% of the escrow account.

12 Q. And the wells that contributed to this account?

13 A. AX-116 and AX-116A.

14 Q. And as operator are you requesting that in the
15 event this application is approved that as operator you be allow
16 to pay these folks directly in the future?

17 A. Yes.

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

19 BUTCH LAMBERT: Any questions from the Board?

20 (No audible response.)

21 BUTCH LAMBERT: Anything further, Mr. Swartz?

22 (No audible response.)

23 BUTCH LAMBERT: Do I have a motion?

24 MARY QUILLEN: Motion to approve.

25

1 BRUCE PRATHER: Second.

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

4 (No audible response.)

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

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

7 BUTCH LAMBERT: Opposed, no.

8 KATIE DYE: I'll abstain.

9 BUTCH LAMBERT: One abstention Mrs. Dye. At this
10 time, we're going to take a short recess for about 10 minutes.
11 We'll resume at about 15 after.

12 (Break.)

13 BUTCH LAMBERT: We're calling docket item number 10.

14 The Board on it's own motion will hear corrective testimony and
15 receive the revised exhibits from CNX Gas Company, LLC for unit
16 G-4, docket number VGOB...Mrs. Davis, could you look at that
17 docket number for me and read that, please?

18 DIANE DAVIS: 11-1220-3009.

19 BUTCH LAMBERT: So, that's 11-1220-3009, okay. Thank
20 you.

21 ANITA DUTY: It should be G-45.

22 DIANE DAVIS: Yeah.

23 BUTCH LAMBERT: Okay. Could you read...Mrs. Davis,
24 could you read it into the record for us, please, just to be sure

25

1 that we've got the right one?

2 DIANE DAVIS: Yes. It's docket number...it's for units
3 G-4---.

4 ANITA DUTY: 45.

5 DIANE DAVIS: 45. That's where my mistake is. I'm
6 very sorry. It is for G-45, docket number 11-1220-3009.

7 BUTCH LAMBERT: Okay. Thank you.

8 DIANE DAVIS: It was my mistake. I'm very sorry.

9 BUTCH LAMBERT: It's all right. Thank you. You may
10 proceed, Mr. Swartz.

11 MARK SWARTZ: Thank you. Mark Swartz and Anita Duty.

12

13

14

15

16

17

18

ANITA DUTY

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

20

DIRECT EXAMINATION

21

QUESTIONS BY MR. SWARTZ:

22

Q. Anita, this...could you tell the Board what

23

caused you to request an opportunity to come back with some

24

revised exhibits?

25

1 A. I received a call from Ertel Whitt. He handles
2 the...I guess all of the work for LBR Holdings. He informed me
3 that we have the fractional interest incorrect. When we looked
4 back our title, we agreed with him. So, I told him that I would
5 come back to the Board and just correct the fractional interest.

6 Q. Okay. And have you provided the Board today
7 with three revised exhibits?

8 A. Yes.

9 Q. Okay. First of all, with regard to B-3 what
10 changed, just in general?

11 A. Just everybody's fractional interest is
12 actually I think in half.

13 Q. Okay. So, the acreages and the percentages
14 changed?

15 A. Yes.

16 Q. Okay. And with regard to Exhibit E...with
17 regard to Exhibit E, it would just be the percentages and the
18 acreage changing the folks all remained the same, correct?

19 A. Yes.

20 Q. Okay. And then with regard to Exhibit A, page
21 two, the interest that you're pooling, obviously, would have
22 changed as well and you've reflected that change?

23 A. Yes. It would have went down.

24 Q. Okay. So, with these three revised exhibits
25

1 then do we have the record correct now with regard to LBR Holdings,
2 LLC and the cousins?

3 A. Yes.

4 MARK SWARTZ: That's all I have.

5 BUTCH LAMBERT: Any questions from the Board?

6 DONNIE RATLIFF: Mr. Chairman.

7 BUTCH LAMBERT: Mr. Ratliff.

8 DONNIE RATLIFF: Has there been any disbursements or
9 anything?

10 ANITA DUTY: No. This was a pooling that we just...that
11 we did in December.

12 DONNIE RATLIFF: Okay.

13 DIANE DAVIS: We haven't...we haven't processed the
14 order yet either.

15 BUTCH LAMBERT: Oh.

16 DONNIE RATLIFF: Oh.

17 MARY QUILLEN: But the totals didn't change, is that
18 correct?

19 MARK SWARTZ: I'm sorry, what?

20 MARY QUILLEN: The totals didn't change.

21 ANITA DUTY: The totals to be pooled?

22 MARY QUILLEN: The total of interest...the total of
23 leased and unleased?

24 ANITA DUTY: It did change. It has actually gone down.

25

1 MARY QUILLEN: And what was the new total percentage?

2 ANITA DUTY: 1.8938%.

3 SHARON PIGEON: And that's correctly reflected here on
4 this Exhibit, page two, that you've given us today?

5 ANITA DUTY: Yes.

6 MARK SWARTZ: It basically went down by half. It's
7 consistent with what Anita was saying.

8 MARY QUILLEN: Okay.

9 MARK SWARTZ: It was...what we were pooling when we were
10 here in December we believe was 3.7875, correct, Anita?

11 ANITA DUTY: Correct.

12 MARK SWARTZ: And now we're down to?

13 ANITA DUTY: 1.8938.

14 MARY QUILLEN: Okay. That's (inaudible). Thank you.

15 BUTCH LAMBERT: Any other questions?

16 (No audible response.)

17 BUTCH LAMBERT: Anything further, Mr. Swartz?

18 MARK SWARTZ: No.

19 BUTCH LAMBERT: Do I have a motion?

20 MARY QUILLEN: Motion to approve.

21 BRUCE PRATHER: Second.

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

24 (No audible response.)

25

1 Q. Now, this pertains to an application to create
2 a drilling unit under statewide rules and to pool that unit,
3 correct?

4 A. Yes.

5 Q. Who is the applicant?

6 A. CNX Gas Company, LLC.

7 Q. And is CNX Gas Company, LLC a Virginia Limited
8 Liability Company?

9 A. It is.

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

12 A. Yes.

13 Q. And who is it that the applicant is requesting
14 be designated as the operator if this application is approved?

15 A. CNX Gas Company.

16 Q. Okay. And in that regard, has CNX Gas Company
17 registered as an operator with the Department of Mines, Minerals
18 and Energy and the Division of Gas and Oil?

19 A. Yes.

20 Q. And does CNX Gas Company Limited have the
21 required bond on file?

22 A. They do.

23 Q. Okay. And the kind of unit? Again, this a
24 statewide unit?

25

1 A. Yes.

2 Q. And have you provided the Board with a plat
3 showing the unit?

4 A. I have.

5 Q. Okay. And that unit, if we look at the tract
6 identifications, contains how many acres?

7 A. 112.89 acre...or .69, sorry.

8 Q. And the radius of the circle I think 1250
9 probably.

10 A. Yes.

11 Q. Okay. And you've got the proposed
12 well...actually, it's already permitted. But you've got the
13 well in the middle of this circle, correct?

14 A. Yes.

15 Q. The T2CV well that you're seeking to create the
16 unit and pool, right?

17 A. Yes.

18 Q. Okay. And there's also it turns out either a
19 well or a proposed well CBM T1 that's just going to be slightly
20 into the unit in terms of location and that's shown sort of on
21 the southwest part of the circle, correct?

22 A. Yes.

23 Q. And to the extent that the T1 unit and the T2
24 unit overlap, would the folks in both units be paid twice, one

25

1 from each well?

2 A. They would.

3 Q. Okay. What did you do to notify the
4 respondents that we were going to have a hearing today with regard
5 to creating a drilling unit and with regard to pooling that unit?

6 A. We mailed by certified mail return receipt
7 requested on January the 20th, 2012. We published the notice and
8 location map in the Bluefield Daily Telegraph on January the 30th,
9 2010.

10 Q. And have you provided your certificates with
11 regard to mailing and your proof of publication to the Director
12 or are you going to today?

13 A. Yes.

14 Q. Okay.

15 A. I did.

16 Q. You did?

17 A. Yes.

18 Q. Okay. When it was published in the paper, what
19 appeared in the paper?

20 A. The notice and location map.

21 Q. So, the circle map that we've already talked a
22 little bit about was also (inaudible)?

23 A. Yes.

24 Q. Okay. Do you want to add any folks as
25

1 respondents today?

2 A. No.

3 Q. Do you want to dismiss any people as
4 respondents?

5 A. Yes, I do.

6 Q. Okay. And that sort of brings us to the revised
7 exhibits that you filed today, correct?

8 A. Yes.

9 Q. What did you...what exhibit did you revise or
10 exhibits did you revise and then tell us why?

11 A. We revised the Exhibit B-3 to remove EQT as
12 having an oil and gas lease. We also revised the tract ID to
13 reflect the same.

14 Q. Okay. And what caused you to do that?

15 A. I received a call from Mr. Irvin from Levisa.

16 Q. And he told you that the EQT lease was no longer
17 in effect or there wasn't one?

18 A. And then...yes. And then he sent me the email
19 where he (inaudible). So, we were all in agreement.

20 Q. Okay. So, you've got...you deleted EQT as a
21 lessor in Tract 4A and 4B?

22 A. Yes.

23 Q. And that's...are those the only changes that
24 you've made to the tract IDs that you're submitting today as

25

1 revisions and to B-3 that you're submitting?

2 A. It is.

3 Q. Okay. And with regard to this unit, do you
4 have...have you provided the Board with an AFE or a drilling cost
5 exhibit?

6 A. Yes.

7 Q. Okay. And what is the cost of this well?

8 A. \$786,535.50.

9 Q. Okay. And the depth of the well?

10 A. 7,085 feet.

11 Q. And just to...I think we've probably already
12 said this, but let's make sure. This is a conventional well,
13 correct?

14 A. Yes.

15 Q. Okay. And is it already permitted?

16 A. Yes.

17 Q. And what's the permit number?

18 A. 9237.

19 Q. Okay. And it looks like it has been drilled?

20 A. yes.

21 Q. Okay. And when we were going through
22 here...normally, we don't have an escrow requirement in a
23 conventional, correct?

24 A. Correct.

25

1 Q. Because we wouldn't have a conflict. But here
2 when we were looking in advance of the hearing today, when we were
3 looking at Tract 4B it turns out at page seven of eight there are
4 some folks that we have unknown addresses.

5 A. Yes.

6 Q. So, at least on a temporary basis until tract
7 these people down in tract...that are identified in Tract 4B there
8 is going to be an escrow requirement, correct?

9 A. That's correct.

10 Q. And are you going to submit after today an
11 Exhibit E that would reflect that?

12 A. Yes.

13 Q. So, you would just lift the names out of Exhibit
14 B-3 under Tract 4B that you've stated the addresses are unknown
15 and supply those in the form of an Exhibit E?

16 A. Yes. I think it's 4A and 4B.

17 Q. Let me look here. It is both. So, it would be
18 both 4A and 4B, correct?

19 A. Yes.

20 Q. The amount of acreage or interest in this...the
21 amount of acreage in this unit that the operator has already been
22 able to acquire is what percentage of the ownership?

23 A. 79.5856% of the unit.

24 Q. And you're seeking to pool interests held by
25

1 what percentage?

2 A. 20.4144%.

3 Q. Okay. And to the extent anyone might want to
4 participate in this unit, you've provided the well costs,
5 correct?

6 A. Yes.

7 Q. And you've provided the percentages?

8 A. Yes.

9 Q. Okay. And so they would be able to figure that
10 out?

11 A. Yes.

12 Q. To the extent that people are deemed to be
13 leased in this unit, what...what would be the standard lease terms
14 that you would ask the Board to include?

15 A. \$5 per acre per year with a five year paid up
16 term and a one-half royalty.

17 Q. Is it your opinion that drilling a statewide
18 unit as depicted in your Exhibit A is a reasonable way to develop
19 the conventional gas resource here?

20 A. Yes.

21 Q. And is it your further opinion that if you
22 combine a pooling order pooling the respondents with the people
23 that you've already in contract with that the correlative rights
24 of all owners will be protected?

25

1 A. Yes.

2 Q. And the escrow account, in addition, would
3 protect the people that we can't find at the moment in Tracts A
4 and B?

5 A. It would.

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

7 BUTCH LAMBERT: Any questions from the Board?

8 MARY QUILLEN: Mr. Chairman, I have just one little
9 clarification. On the AFE...and you testified that the total
10 depth of this well is 7,085 feet. But on number five on the
11 application it says 6200 is the---

12 BRUCE PRATHER: This isn't the horizontal well, is it?

13 ANITA DUTY: No.

14 (Anita Duty and Mark Swartz confer.)

15 MARK SWARTZ: Well, we have Mr. Fulmer here. So, we
16 can...where is he?

17 BUTCH LAMBERT: He just went out the door.

18 ANITA DUTY: The application is incorrect. It is
19 the...the exhibit is incorrect.

20 MARY QUILLEN: It is the 7,085?

21 ANITA DUTY: It is.

22 MARY QUILLEN: Oh, okay. Okay. Okay.

23 MARK SWARTZ: The guy is just never around when you need
24 him, is he?

25

1 SHARON PIGEON: There he comes.

2 MARK SWARTZ: Tom.

3 BUTCH LAMBERT: Tom, would you state your name for the
4 record, please and raise your right hand.

5 TOM FULMER:

6 (Tom Fulmer is duly sworn.)

7

8 TOM FULMER

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

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SWARTZ:

12 Q. Would you state your name for us, again?

13 A. Tom Fulmer.

14 Q. Okay. Who do you work for?

15 A. Consol Energy.

16 Q. Okay. The question arose with regard to a
17 conflict between the well depth with regard to T2CV well. In the
18 application, it's for some reason or another 6889 and then I'm
19 showing you the AFE that you signed on January the 13th, '12 which
20 shows 7,085 depth.

21 A. It's the actual depth.

22 Q. Okay.

23 A. It's the actual depth.

24 MARK SWARTZ: Thank you.

25

1 TOM FULMER: You're welcome.

2 MARY QUILLEN: Thank you.

3 SHARON PIGEON: So, was this 62 maybe the estimated
4 prior to drilling?

5 ANITA DUTY: I don't know if it has any significance.
6 I think it's just there.

7 SHARON PIGEON: It's just wrong?

8 ANITA DUTY: Yeah. It's wrong. Yeah.

9 SHARON PIGEON: Okay. Thank you.

10 BUTCH LAMBERT: Any other questions from the Board?
11 (No audible response.)

12 BUTCH LAMBERT: Anything further, Mr. Swartz?

13 MARK SWARTZ: No.

14 BUTCH LAMBERT: Do I have a motion?

15 MARY QUILLEN: Motion to approve.

16 BRUCE PRATHER: Second.

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

19 (No audible response.)

20 BUTCH LAMBERT: All in favor, signify by saying yes.
21 (All members signify by saying yes, but Katie Dye.)

22 BUTCH LAMBERT: Opposed, no.

23 KATIE DYE: I'll abstain.

24 BUTCH LAMBERT: One abstention Mrs. Dye. Calling

25

1 docket item number twelve. A petition from CNX Gas Company, LLC
2 for the repooling of unit Q-44, docket number
3 VGOB-00-0321-0780-03. All parties wishing to testify, please
4 come forward.

5 MARK SWARTZ: Mark Swartz and Anita Duty.

6 BUTCH LAMBERT: You may proceed, Mr. Swartz.

7

8 ANITA DUTY

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

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SWARTZ:

12 Q. State your name for us, please.

13 A. Anita Duty.

14 Q. Who do you work for?

15 A. CNX Land Resources.

16 MARK SWARTZ: Mr. Chairman, incorporate Anita's
17 testimony with regard to her employment, with regard to the
18 operator and applicant and with regard to standard lease terms.

19 BUTCH LAMBERT: Accepted.

20 MARK SWARTZ: Thank you.

21 Q. Anita, is this a...this unit was already
22 pooled, correct?

23 A. It was.

24 Q. And it was pooled back in 2000 it looks like?

25

1 A. Yes.

2 Q. Okay. And this a repooling then?

3 A. Yes.

4 Q. And it's an Oakwood 80?

5 A. Yes.

6 Q. What did you do to notify the respondents that
7 we were going to have a hearing today?

8 A. I mailed by certified mail return receipt
9 requested on January the 20th, 2012. I published the notice and
10 location map in Bluefield Daily Telegraph on January the 27th,
11 2012.

12 Q. It looks like you handed those certificates
13 with regard to mailing and proof of publication to the Director
14 shortly before this question.

15 A. Yes.

16 Q. Okay. With regard to the interest that the
17 applicant has at the present time in this Q-44 unit, what is that?

18 A. We've acquired a 100% of the coal owner's claim
19 to the CBM, 94.8783% of the oil and gas owner's claim to the CBM
20 and we're seeking to pool 5.1217% of the oil and gas owner's claim
21 to the CBM.

22 Q. Okay. And they're how many wells in this unit?

23 A. One.

24 Q. Okay. And it's in the drilling window?

25

1 A. Yes.

2 Q. Okay. And the cost estimate with regard to
3 this unit was the one...that we're using today is the one that
4 Les Arrington prepared it looks like February the 18th, 2000. Do
5 you see that?

6 A. Yes.

7 Q. And that's where the number in the application
8 of what amount?

9 A. \$242,999.88.

10 Q. And that's where that number comes from?

11 A. It is.

12 Q. Because when we repool we go back and use the
13 same numbers to the extent that we can?

14 A. Yes.

15 Q. Okay. And at the present time, there's not a
16 second well proposed within this unit, correct?

17 A. Correct.

18 Q. Okay. And we have over the years already in
19 existence an escrow account, correct?

20 A. Yes.

21 Q. And we have had some split agreements?

22 A. We have.

23 Q. Okay. And have you prepared in conjunction
24 with this application for repooling an updated Exhibit E and an

25

1 updated Exhibit EE?

2 A. Yes.

3 Q. Okay. And that would pertain then to the
4 S...both the escrow account and with regard to folks who have
5 royalty split agreements?

6 A. Yes.

7 Q. Okay. And the reason for this repooling is
8 what?

9 A. This is one of the...I think this is the last
10 unit that we have to repool of the series because the line between
11 the James McGuire tract and the C.L. Ritter tract has changed.
12 It's like a...it's like a diagonal line. So, we've picked up all
13 the units. I think this is the last one that we need to come back
14 and repool.

15 Q. Okay. So, it's just one boundary line that
16 changed---?

17 A. Yes.

18 Q. ---in terms of remapping?

19 A. Yes.

20 Q. Okay. And that would have caused the
21 percentages to change on either side of that line?

22 A. Yes.

23 Q. And does the...do the tract identifications
24 submitted with this repooling reflect that change?

25

1 A. It does.

2 Q. Okay. Do you have a recap of the tracts that
3 were affected by the change without driving you crazy or can we
4 look at the line and---?

5 A. Yeah. I'm pretty sure it was...because that
6 line is diagonal through there I think it affected all of them.

7 Q. Okay. So, the line that we're talking about
8 is...is it this line here?

9 A. Yeah.

10 Q. Okay.

11 (Anita Duty and Mark Swartz confer.)

12 Q. So, it affected to some extent every tract?

13 A. It did.

14 Q. Okay. So, in terms of what needs to be done in
15 the order, we need to give people an opportunity to participate
16 again at the original terms, correct?

17 A. Yes.

18 MARK SWARTZ: Okay. I think that's all I have with
19 regard to the repooling.

20 BUTCH LAMBERT: Any questions from the Board?

21 DONNIE RATLIFF: Mr. Chairman.

22 BUTCH LAMBERT: Mr. Ratliff.

23 DONNIE RATLIFF: If you're offering the participation
24 right back...I don't have an AFE. Do you have an AFE?

25

1 BUTCH LAMBERT: No, I don't have an AFE.

2 DONNIE RATLIFF: You testified that it was in the
3 original packet.

4 MARK SWARTZ: Well, it should be buried in here
5 somewhere.

6 MARY QUILLEN: Uh-huh.

7 DONNIE RATLIFF: Did you find it?

8 MARY QUILLEN: Uh-huh.

9 MARK SWARTZ: Kind of in the---.

10 SHARON PIGEON: This is a front to back---.

11 MARK SWARTZ: ---middle.

12 SHARON PIGEON: It's on the backside.

13 MARY QUILLEN: It's on the backside of page. Just flip
14 through. It's on the backside, I think.

15 ALLEN COMPTON: They're trying to save paper, Donnie.

16 DONNIE RATLIFF: I'm sorry. Strike my question.

17 BUTCH LAMBERT: Wait a minute. I haven't found it yet
18 either.

19 SHARON PIGEON: It's on page 32.

20 BUTCH LAMBERT: Page what?

21 SHARON PIGEON: Page 32 of 32 on the backside of that.

22 MARY QUILLEN: Yeah. It's on the back of 32 of 32.

23 DONNIE RATLIFF: Wow.

24 MARK SWARTZ: Apparently, because I'm geezer and her

25

1 staff knows that, I don't get double sided copies. So, it's hard
2 for me to make that mistake. I'm sorry.

3 MARY QUILLEN: Well, I had to look.

4 MARK SWARTZ: Yeah, but you found it.

5 MARY QUILLEN: We were looking for it. Yes.

6 BUTCH LAMBERT: I found it. I have it. Any other
7 questions from the Board?

8 (No audible response.)

9 BUTCH LAMBERT: Anything further, Mr. Swartz?

10 MARK SWARTZ: No.

11 BUTCH LAMBERT: Mrs. Davis.

12 DIANE DAVIS: I just wanted to ask a question just for
13 record clarification. We've had two disbursements. What
14 happens with regard to correcting that?

15 ANITA DUTY: Depending on whether it's a plus or minus
16 to the account, we will take care of that internally because we're
17 already paying those people directly. So, if we owe them money,
18 we'll go ahead and pay them because at the same time that we do
19 these repoolings or after it is approved my group also sends a
20 package over to our accounting department to let them know that
21 it's okay to make the changes. So---.

22 DIANE DAVIS: Do they know...are they notified any way
23 that it was changed to either they're getting more or getting
24 less?

25

1 MARK SWARTZ: They will get a check or they will get a
2 recoup. They will know. You bet.

3 DIANE DAVIS: Okay.

4 MARK SWARTZ: What happens is---.

5 ANITA DUTY: We don't take anything back if we overpay.
6 That's just something that we don't do.

7 MARK SWARTZ: Okay.

8 ANITA DUTY: If we owe them they will get---.

9 DIANE DAVIS: So, you don't take back if---?

10 ANITA DUTY: We don't take back, no.

11 DIANE DAVIS: Okay.

12 MARK SWARTZ: And just to refresh all of that. I think
13 some people know this. When you have a change like this you
14 literally go back to day one with production and start over and
15 rerun it forward.

16 ANITA DUTY: Yes.

17 DIANE DAVIS: Okay.

18 MARK SWARTZ: Just so you know.

19 DIANE DAVIS: Thank you.

20 BUTCH LAMBERT: Any other questions?

21 (No audible response.)

22 BUTCH LAMBERT: Anything further, Mr. Swartz?

23 MARK SWARTZ: No.

24 SHARON PIGEON: Mark, just so I don't have to look
25

1 through all of this, can you tell me the Commonwealth was involved
2 in any of this? If you don't know, that's all right. I can look.

3 MARK SWARTZ: It will be easy to figure out.

4 ANITA DUTY: I think no.

5 MARK SWARTZ: I don't see a road on the plat, so I'm
6 guessing...because we would have mapped it, you know. So, it
7 does not look like the Commonwealth is involved.

8 SHARON PIGEON: Thank you.

9 BUTCH LAMBERT: Anything further, Mr. Swartz?

10 MARK SWARTZ: No.

11 BUTCH LAMBERT: Do I have a motion?

12 MARY QUILLEN: Motion to approve.

13 BRUCE PRATHER: Second.

14 BUTCH LAMBERT: I have a motion to approve and a second.

15 Any further discussion?

16 (No audible response.)

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

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

19 BUTCH LAMBERT: Opposed, no.

20 KATIE DYE: I'll abstain.

21 BUTCH LAMBERT: One abstention Mrs. Dye. Calling
22 docket item number 13. A petition from CNX Gas Company, LLC for
23 the repooling of unit V-46. This is docket number
24 VGOB-98-1020-0690-01. All parties wishing to testify, please

25

1 come forward.

2 MARK SWARTZ: Mark Swartz and Anita Duty. We
3 might...we've got the same mapping issues in these...in this unit
4 and the one that follows, Mr. Chairman. It might make sense to
5 put them together.

6 BUTCH LAMBERT: Okay. We're also calling a
7 petition...unit 14...docket 14. A petition from CNX Gas
8 Company, LLC for repooling of unit W-46, docket number
9 VGOB-98-1020-0689-01. All parties wishing to testify, please
10 come forward.

11 MARK SWARTZ: Mark Swartz and Anita Duty.

12 BUTCH LAMBERT: You may proceed, Mr. Swartz.

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ANITA DUTY

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

19

DIRECT EXAMINATION

20 QUESTIONS BY MR. SWARTZ:

21

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

22

A. Anita Duty.

23

24

MARK SWARTZ: Mr. Chairman, I'd like to incorporate
Anita's testimony with regard to the first pooling that we talked

25

1 about today concerning her employment, the applicant and operator
2 and standard lease terms.

3 BUTCH LAMBERT: Accepted.

4 MARK SWARTZ: Thank you.

5 Q. Anita, we've put together V-46 and W-46. These
6 are both repoolings, is that correct?

7 A. Yes.

8 Q. Okay. And both of them involve 80 acre Oakwood
9 units, is that correct?

10 A. Yes.

11 Q. Okay. And, in general, we're back in front of
12 the Board to repool these units because?

13 A. Basically just for...just remapping and
14 procedures and basically all the tracts changed a little. All
15 of these units are kind of out in their five year mine plans
16 (inaudible). That's kind of the reason they was coming up.

17 Q. Okay. And with regard to both V-46 and
18 W-46, when you apply the mapping changes to the tract
19 identifications and the interest to the folks of the unit
20 virtually all of them changed to some extent?

21 A. Yes.

22 Q. So, in terms of the repooling, if it's approved
23 in the order these folks would get another shot at participating,
24 correct?

25

1 A. Yes.

2 Q. And with regard to...we'll get into the common
3 elements in a minute here. But with regard to V-46, if we look
4 at the plat, they're actually four wells in or proposed for that
5 unit, correct?

6 A. Yes.

7 Q. And historically...well, strike that. Is
8 there a mine under here or planned to be under here?

9 A. Planned.

10 Q. Okay. And what mine is that?

11 A. The Buchanan Mine.

12 Q. Okay. And this is degas...these are degas
13 wells in anticipation of that mining?

14 A. Yes.

15 Q. Okay. Do we have a procedure that we followed
16 over the years in terms of how many wells we would seek to charge
17 to a given unit?

18 A. Yes. One per panel.

19 Q. Okay. And how many panels intercept V-46?

20 A. Two.

21 Q. Okay. And so one of the things that we're also
22 doing with regard to V-46 today is we're including the cost of
23 a second well, is that correct?

24 A. Yes.

25

1 Q. And so you've provided the Board, first of all,
2 with Les Arrington's cost estimate from September the 17th of
3 1998---?

4 A. Yes.

5 Q. ---with regard to the well that was included
6 when this was originally pooled?

7 A. Yes.

8 Q. And now we have a new estimate for a second well
9 and this is the V-46C well as of January the 19th of 2012, correct?

10 A. Correct.

11 Q. And as long as we're on that, what is
12 the...what's the amount and the information with regard to the
13 V-46C well?

14 A. The estimated cost is \$363,500.20, permit
15 number 12,197 and the total depth is 2,686 feet.

16 Q. Okay. And that's the second well that goes
17 into the total cost of \$619,592.40 for the participation in this
18 unit?

19 A. 30, yes.

20 Q. 30?

21 A. Yes.

22 Q. 30, okay. All right. Now, with regard to
23 notice and those sorts of issues. With regard to both V-46 and
24 W-46, what did you do to tell the respondents that we were going

25

1 to have a hearing today with regard to repooling these units?

2 A. We mailed by certified mail return receipt
3 requested on January the 20th, 2012. We published the notice and
4 location map in the Bluefield Daily Telegraph on January the 28th,
5 2012.

6 Q. Okay. And the publication and mailing dates
7 were the same for both units?

8 A. It was.

9 Q. Okay. And when you published, you published
10 the map for each of the units?

11 A. Yes.

12 Q. And have you provided the Director with copies
13 of your certificates of mailing and proof of publication with
14 regard to the publications in the mail?

15 A. Yes.

16 Q. Okay. With regard to V-46, what are the
17 interests the operator has acquired as of today and what is it
18 that you're seeking to repool?

19 A. We have acquired 97.3027% of the oil and gas
20 owner's claim to the CBM. We're seeking to pool 2.6973% of the
21 oil and gas owner's claim to the CBM.

22 Q. Okay. And with regard to W-46, what is the
23 interest...the percentage of the interest that you've...the
24 total that you've acquired as of today and what is it that you're

25

1 seeking to pool in regard to W-46?

2 A. We've acquired a 100% of the coal owner's claim
3 to the CBM and 92.7763% of the oil and gas owner's claim to the
4 CBM. We're seeking to pool 7.2237% of the oil and gas owner's
5 claim to the CBM.

6 Q. With regard to W-46, have you also provided
7 cost information with regard to the wells?

8 A. Yes.

9 Q. Okay. And, again, we have a September the
10 17th, 1998 cost estimate that Mr. Arrington provided when these
11 were originally pooled?

12 A. Yes.

13 Q. And now we have a new one as of what date?

14 A. January the 19th, 2012.

15 Q. And in W-46 it's...the new well is...or the
16 second well is W-46A, is that correct?

17 A. Yes.

18 Q. The proposed depth?

19 A. 2,440 feet.

20 Q. And is this well permitted?

21 A. Yes. 12,117.

22 Q. Okay. And then if you add the cost of the
23 original...the original cost estimate from when the unit was
24 pooled to the second estimate, we come up with a total of what?

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A. \$619,592...no, wait.

(Mark Swartz and Anita Duty confer.)

A. \$698,744.04.

Q. And that's for W-46?

A. Yes.

Q. Okay.

SHARON PIGEON: Could you repeat that because that's not
what's in our---

ANITA DUTY: For W-46?

(No audible response.)

ANITA DUTY: \$698,744.04.

Q. And then the total for V-46 was?

A. \$619,592.30.

Q. Have you provided---

(Mark Swartz and Anita Duty confer.)

Q. Have you provided the Board with revised
exhibits with regard to these two units today?

A. Yes.

Q. Okay, let's start with V-46. What have you
provided by way of revised exhibits?

A. An Exhibit A, page two.

Q. And has the outstanding interest to be pooled
decreased since this was originally pooled?

A. Yes.

1 Q. Because?

2 A. Of leases---.

3 Q. Okay. And have---?

4 A. ---acquired.

5 Q. And have you provided the Board with an Exhibit

6 B-2 that lists the people that were originally pooled as

7 respondents who have subsequently leased to you all?

8 A. Yes.

9 Q. And those folks are listed on Exhibit B-2?

10 A. Yes.

11 Q. And is it your desire to dismiss the people

12 identified in Exhibit B-2 as respondents?

13 A. Yes.

14 Q. And have you revised Exhibit B-3 to shorten the

15 list by the names of the folks that you have listed in B-2?

16 A. Yes.

17 Q. Okay. And the changes in Exhibits E and EE are

18 what?

19 A. Also acquired royalty split agreements for

20 them.

21 Q. Okay. So, your updated EE would be royalty

22 split agreements acquired since the original pool into this unit?

23 A. Yes.

24 Q. Okay. And have you provided the Board with

25

1 revised exhibits for W-46?

2 A. Yes.

3 Q. And, again, we have some leases subsequent to
4 the initial pooling in 1998?

5 A. Yes.

6 Q. And you're dismissing the people that you've
7 leased and you're revising Exhibit B-3 accordingly?

8 A. Yes.

9 MARK SWARTZ: I think, Mr. Chairman, that's all I have
10 with regard to the repooling in these two units.

11 SHARON PIGEON: It was your testimony that the mapping
12 corrections concerning docket number 14 will also result in all
13 parties getting election options again, is that correct?

14 MARK SWARTZ: She's going to check but I think that
15 was---.

16 ANITA DUTY: It's the same.

17 SHARON PIGEON: It's the same situation?

18 MARK SWARTZ: Yeah. It looks they're...yeah. So,
19 there have been substantial across the Board changes---?

20 ANITA DUTY: Yes.

21 MARK SWARTZ: ---in this unit as well, Anita?

22 ANITA DUTY: There has.

23 SHARON PIGEON: So, the answer is yes?

24 MARK SWARTZ: There have been significant changes.

25

1 They would have to participate. Well, they wouldn't have to, but
2 they would have...they would have the option.

3 SHARON PIGEON: They would have the option again?

4 MARK SWARTZ: Correct.

5 BUTCH LAMBERT: Have the option for both V-46 and
6 W-46---?

7 MARK SWARTZ: Correct.

8 ANITA DUTY: Yes.

9 BUTCH LAMBERT: ---because of revised mapping?

10 ANITA DUTY: Yes.

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

13 (No audible response.)

14 BUTCH LAMBERT: Anything further, Mr. Swartz?

15 MARK SWARTZ: No.

16 BUTCH LAMBERT: Do I have a motion on docket items 13
17 and 14?

18 MARY QUILLEN: Motion to approve.

19 BRUCE PRATHER: Second.

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

22 (No audible response.)

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

24 (All members signify by saying yes, but Katie Dye and
25

1 Donnie Ratliff.)

2 BUTCH LAMBERT: Opposed, no.

3 KATIE DYE: I'll abstain.

4 BUTCH LAMBERT: One abstention Mrs. Dye.

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

6 BUTCH LAMBERT: Two abstentions Mrs. Dye and Mr.
7 Ratliff. We're calling docket item number 15. A petition from
8 CNX Gas Company, LLC for repooling of unit BE-119, docket number
9 VGOB-04-1019-1346-01. All parties wishing to testify, please
10 come forward.

11 MARK SWARTZ: Mark Swartz and Anita Duty.

12 BUTCH LAMBERT: You may proceed, Mr. Swartz.

13

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18 ANITA DUTY

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

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. SWARTZ:

22 Q. Okay. State your name for us, please.

23 A. Anita Duty.

24 Q. Who do you work for?

25

1 A. CNX Land Resources.

2 MARK SWARTZ: Mr. Chairman, I'd like to incorporate her
3 testimony with regard to the applicant and the proposed operator,
4 her employment and standard lease terms, if I might.

5 BUTCH LAMBERT: Accepted.

6 MARK SWARTZ: Thank you.

7 Q. Anita, this is a repooling?

8 A. Yes.

9 Q. And in this case though, we don't have an
10 Oakwood unit, we've got a Middle Ridge, correct?

11 A. Correct.

12 Q. And it has 58.74 acres?

13 A. Yes.

14 Q. What did you do to notify the respondents that
15 we were going to have a hearing today to repool BE-119?

16 A. We mailed by certified mail return receipt
17 requested on January the 20th, 2012. We published the notice and
18 location map in the Bluefield Daily Telegraph on January the 28th,
19 2012.

20 Q. And have you provided the Director with copies
21 of your certificates with regard to mailing and the proof of
22 publication?

23 A. Yes.

24 Q. Okay. What interest does the operator
25

1 applicant have acquired in this unit and what are you seeking to
2 pool?

3 A. We've acquired 100% of the coal owner's claim
4 to the CBM, 63.3531% of the oil and gas owner's claim to the CBM
5 and seeking to pool 36.7469% of the oil and gas owner's claim to
6 the CBM.

7 Q. And the reason for this repooling...it looks
8 like there are two reasons. One is a mapping issue?

9 A. Yes.

10 Q. And that mapping issue does not affect
11 everybody's interest, does it?

12 A. No.

13 Q. Okay. The tracts percentages and acreage that
14 have changed as a result of the mapping are which ones?

15 A. I've got 1, 2, 4 & 5.

16 Q. So, the only one that hasn't changed is 3?

17 A. And 6.

18 Q. 3 & 6, okay. So, 3 and 6 are the same and 1,
19 2, 4 and 5 have changed. So, 1, 2, 4 and 5 would have an
20 opportunity to participate again in the first well if they chose,
21 right?

22 A. Yes.

23 Q. And everybody would have an opportunity to
24 participate in the second well that we're going to be talking

25

1 about in there?

2 A. Yes.

3 Q. Okay.

4 (Mark Swartz and Anita Duty confer.)

5 Q. Okay. The original well in this unit was...you
6 provided a well cost estimate back in September of '04, correct?

7 A. Yes.

8 Q. And that's signed by Mr. Arrington?

9 A. Yes.

10 Q. And that original...for the first well that
11 cost estimate was what?

12 A. \$241,149.93.

13 Q. So, for the people that the Board tracks would
14 have an opportunity to participate again in that well? That
15 would be the operating number?

16 A. Yes.

17 Q. Okay. And then with regard to the new well, the
18 second well in this unit, that everyone would have an opportunity
19 to participate. What's the information with regard to that well?

20 A. The estimated cost is \$324,666. The permit
21 number is 12,282 and the estimated depth is 2,835 feet.

22 Q. Okay. And these are both frac wells, correct?

23 A. Yes.

24 Q. And it turns out, I think, that both... they're

25

1 both in the drill...yes, it looks like they're both in the
2 drilling window?

3 A. They are.

4 Q. Okay. And have you provided the Board with an
5 Exhibit E?

6 A. Yes.

7 Q. And this unit has already been in escrow,
8 correct?

9 A. It has.

10 Q. And this is just a continuation of that?

11 A. Yes.

12 Q. And there's several reason why. There appears
13 to be a conflict, right?

14 A. Yes.

15 Q. And then we have some address unknown folks?

16 A. Yes.

17 Q. And tracts that are affected by the escrow are
18 which tracts?

19 A. Tracts 3 and 4.

20 Q. Okay. And that needs to continue?

21 A. Yes.

22 Q. Okay. Is it your opinion that drilling a
23 second frac well in the drilling window of this unit is a
24 reasonable way to produce more coalbed methane for the owner's

25

1 and claimants in this unit?

2 A. Yes.

3 Q. Okay. And if the Board repools this unit, is
4 it your opinion that the correlative rights of all owners and
5 claimants will continue to be protected?

6 A. Yes.

7 Q. We're not adding any people here. We're just
8 changing some boundary lines, correct?

9 A. Correct.

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

11 BUTCH LAMBERT: Any questions from the Board?

12 (No audible response.)

13 BUTCH LAMBERT: Anything further, Mr. Swartz?

14 MARK SWARTZ: No.

15 BUTCH LAMBERT: Do I have a motion?

16 MARY QUILLEN: Motion to approve.

17 BRUCE PRATHER: Second.

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

20 (No audible response.)

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

22 (All members signify by saying yes, but Katie Dye and
23 Donnie Ratliff.)

24 BUTCH LAMBERT: Opposed, no.

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KATIE DYE: I'll abstain.

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

BUTCH LAMBERT: Two abstentions, Mr. Ratliff and Mrs. Dye. Thank you, folks. At this time we're calling docket item 16. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530325, docket number VGOB-12-0221-3033. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Lida Sinemus and Phil Horn for the applicant.

BUTCH LAMBERT: Folks, please state your name for the record.

BETTY DOTSON: I'm Betty Dotson from Clintwood, Virginia.

MELVIN DOTSON: I'm Melvin Dotson from Idaho.
(Betty Dotson, Phil Horn, Betty Dotson and Melvin Dotson 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:

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

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

6 Q. And you're familiar with this application, is
7 that right?

8 A. Yes, I am.

9 Q. You're also familiar with the ownership of
10 minerals encompassed by this unit?

11 A. Yes, I am.

12 Q. And the owners, are they set forth on Exhibit
13 B?

14 A. That's correct.

15 Q. Who operates the wells from which the well
16 location is sought today?

17 A. EQT Production Company and Range also owns an
18 interest in those wells.

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

21 A. That's correct.

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

24 A. By certified mail and also by publication in the
25

1 Dickenson Star on January the 25th, 2012.

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

4 A. Yes, you have.

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

6 BUTCH LAMBERT: Any questions from the Board?

7 MELVIN DOTSON: I do.

8 BUTCH LAMBERT: Wait, sir, just a minute. We've got a
9 procedure here that we need to follow. We'll get to you just in
10 a second.

11 MELVIN DOTSON: Okay. That will be fine.

12 BUTCH LAMBERT: You may continue, Mr. Scott.

13

14 LIDA SINEMUS

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

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. SCOTT:

18 Q. Ms. Sinemus, would you please state your name,
19 by whom you're employed and your job description?

20 A. Yes. My name is Lida Sinemus. I'm employed by
21 Range Resources-Pine Mountain, Inc. and I'm a senior geologist
22 for them.

23 Q. Are you familiar with this application?

24 A. I am.

25

1 Q. Would you please tell the Board why we're
2 seeking a well location exception for this particular unit today?

3 A. On this unit, there is no legal statewide
4 spacing location available.

5 Q. How much acreage will be stranded if this
6 application were not granted today?

7 A. 80.83 acres.

8 Q. Is this a topographic issue for the location?

9 A. Not as much as just there is no legal location.

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

11 A. 5,691 feet.

12 Q. And what would be the potential loss of reserves
13 if the application were not permitted?

14 A. 450 million cubic feet.

15 Q. And then if the Board grants this application
16 it would prevent waste, promote conservation and protect
17 correlative rights, is that correct?

18 A. It is.

19 TIM SCOTT: That's all I have for Ms. Sinemus.

20 BUTCH LAMBERT: Any questions from the Board?

21 (No audible response.)

22 BUTCH LAMBERT: Mr. Dotson.

23 MELVIN DOTSON: Okay. What affect is that going to have
24 on V-504248 and also V-504484 and V-505241? What affect is this

25

1 fracing going to have...what kind of an affect is going to have
2 on these wells?

3 BUTCH LAMBERT: Mr. Horn, can you answer that? I don't
4 see any of those numbers on---

5 PHIL HORN: Those are coalbed methane wells that take
6 in part of the same acreages that he referred to, I believe.

7 MELVIN DOTSON: At 5,000 feet there is no coal.

8 TIM SCOTT: This is a conventional well. It's not a
9 coalbed methane well.

10 BUTCH LAMBERT: This is not a coalbed well. Sir, this
11 is a conventional gas well that goes below the coal seams.

12 SHARON PIGEON: This application is not about those
13 wells.

14 MELVIN DOTSON: I'm aware of that. But what kind of an
15 affect is it going to have on them wells? We've got...we've got
16 to know because it might dry them wells up and one of them is paying
17 three cents a month. That is real great to take our land and give
18 us three cents a month.

19 BUTCH LAMBERT: Mr. Horn, do you know how much...how
20 much below the coalbed wells that this well is...the total depth?

21 PHIL HORN: I would think it would be at least 1500 feet
22 or maybe further.

23 BUTCH LAMBERT: And this is not a horizontal well? It's
24 just a vertical well?

25

1 PHIL HORN: Yes, sir.

2 BUTCH LAMBERT: Okay. So, Mr. Horn, in your opinion,
3 and, Ms. Sinemus, I'll ask you the same question since you're the
4 geologist, do you believe this will have...this well will have
5 any impact on the coalbed wells, the fracing of this well?

6 LIDA SINEMUS: The fracing of this well will not have
7 any impact on a coalbed methane well.

8 BUTCH LAMBERT: Okay.

9 MELVIN DOTSON: I don't believe that's correct. I do
10 not believe that's correct.

11 BRUCE PRATHER: I've got a question.

12 BUTCH LAMBERT: Mr. Prather.

13 BRUCE PRATHER: How much piping are you running on your
14 new well? How much casing are you running below your coal seam?

15 PHIL HORN: We run down through the bottom of the coal
16 zones.

17 BRUCE PRATHER: Yeah. Okay, how much is that? Do you
18 cement it all the way back to surface? I assume you did?

19 PHIL HORN: We haven't drilled this well yet.

20 BRUCE PRATHER: Oh, you haven't drilled it?

21 LIDA SINEMUS: We haven't drilled it yet.

22 PHIL HORN: No, sir.

23 BRUCE PRATHER: But you are intending to cement that
24 well back to the surface?

25

1 PHIL HORN: Yes, sir.

2 LIDA SINEMUS: Yes, sir.

3 BUTCH LAMBERT: And your casing will be below the coal
4 seams?

5 PHIL HORN: Yes, sir.

6 LIDA SINEMUS: Yes, sir.

7 BRUCE PRATHER: The casing will be above the coal seams.
8 So, there's no problem.

9 MELVIN DOTSON: Well, to pool the gas is 2,000 mile long.
10 It starts in Alabama and Mississippi and ends up in the Canadian
11 Maritime. The only place it's called coalbed methane is right
12 here. You can't tell me that they are not getting it from the
13 Appalachian Shale and if he says anything other than that, he's
14 perjuring himself.

15 TIM SCOTT: Your Honor...Mr. Chairman, this is a
16 conventional well. These statements from Mr. Dotson are
17 completely irrelevant to this application and I object.

18 BUTCH LAMBERT: I agree. I agree. Mr. Dotson,
19 this...again, please understand, this is a conventional well not
20 associated with the coal seam at all. They have proposed we have
21 testified...they have testified to that they will be casing below
22 the coal seams and grouting back to the surface.

23 MELVIN DOTSON: Well, the only thing there is...the
24 reason there is any methane in the coal is it escapes from the

25

1 shale because the shale goes from 2,000 mile long from
2 Mississippi, Alabama and to the Canadian Maritime. Right here
3 we call a methane well to give them a step up. I'm asking that
4 my brother Thurston Dotson's letter be read into the record.

5 TIM SCOTT: I'm going to object to that as well. I've
6 read it and it's permitting issues. It has nothing to do with
7 either the well location exception request, nor does it have
8 anything to the force pooling application before the Board today.

9 BUTCH LAMBERT: Mr. Cooper, you have that letter and
10 you've read the letter. Is it...is it permitting issues?

11 RICK COOPER: It is permitting issues with one
12 exception. He is objecting that he is a royalty owner. But
13 they're all permitting issues.

14 BUTCH LAMBERT: He objects because he says he's a
15 royalty owner in a conventional well?

16 RICK COOPER: Correct.

17 BUTCH LAMBERT: Could you read that part of the letter
18 that---?

19 RICK COOPER: I can. Again, this letter is from Mr.
20 Thurston Dotson from Helena, Montana. On part C, number one, he
21 objects number one of permitted objections, "It directly impinges
22 on the royalty owner's gas and oil interest. The identified
23 source of gas in the project description is coalbed methane. I
24 contend that this is error because the gas from the development

25

1 is from the Appalachian Shale formation and as such the gas is
2 the property of the surface owner. In that circumstance, this
3 project constitutes theft of my personal property. Therefore,
4 it would be delayed until the operators negotiate the sale of the
5 gas to the surface owners (the rightful owners) with the
6 appropriate compensation to them. It is my opinion that if this
7 project is approved by the state of Virginia, the state then would
8 be complicit in that they have transferred my personal property
9 to a third party without adequate compensation to me with the
10 natural gas extracted from the well." "General comment: The
11 project as describe in this plan is deficit in every aspect of
12 the operation. The information is sketchy and weak and all
13 descriptions of the drilling operations and also the lack of any
14 environmental review document for public comment is glaring by
15 its absence. Due to the serious deficits in this plan as noted
16 by the project should not proceed until all objections are
17 satisfactorily resolved."

18 BUTCH LAMBERT: But I think you read the...correct me
19 if I'm wrong, you read that there was a conflict in the coalbed---?

20 RICK COOPER: Correct.

21 BUTCH LAMBERT: ---ownership and not the conventional
22 owner?

23 RICK COOPER: Correct.

24 BUTCH LAMBERT: Okay, thank you. Thank you. Ms.

25

1 Sinemus, in your...in your professional opinion, again, just
2 state for the record, do you think...or do you believe that this
3 well will in anyway will impact the coalbed methane wells?

4 LIDA SINEMUS: No, it will not. With the proper
5 casing---

6 MELVIN DOTSON: I object.

7 LIDA SINEMUS: ---through the coalbed, the fracing of
8 the conventional formations will not affect the coalbed
9 formations.

10 BUTCH LAMBERT: Okay. Thank you.

11 MELVIN DOTSON: I strongly object.

12 BUTCH LAMBERT: Well, thank you for your objection, sir.
13 It's noted. Anything further, Mr. Scott?

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

15 BUTCH LAMBERT: Any questions from the Board?

16 (No audible response.)

17 BUTCH LAMBERT: Do I have a motion?

18 DONNIE RATLIFF: Motion to approve.

19 MARY QUILLEN: Second.

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

22 BETTY DOTSON: Yes.

23 BUTCH LAMBERT: I'm sorry, I'm calling---

24 BETTY DOTSON: Our names are incorrect on your
25

1 addresses---.

2 BUTCH LAMBERT: I'm sorry, ma'am. You're out of order.

3 BETTY DOTSON: I'm sorry.

4 BUTCH LAMBERT: I'm calling for a vote.

5 BETTY DOTSON: Okay.

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

8 (No audible response.)

9 BUTCH LAMBERT: Do I have a motion to approve? I had
10 a motion to approve and a second. All in favor, signify by saying
11 yes.

12 (All members signify by saying yes, but Allen Compton.)

13 BUTCH LAMBERT: Opposed, no.

14 ALLEN COMPTON: Abstain.

15 BUTCH LAMBERT: One abstention Mr.---

16 ALLEN COMPTON: Compton.

17 BUTCH LAMBERT: I'm sorry. One abstention. Thank
18 you, folks. That's approved. Any last comments? Ms. Dotson?

19 BETTY DOTSON: Are you directing that to me now?

20 BUTCH LAMBERT: Yes, ma'am.

21 BETTY DOTSON: Okay. I would like to get my name...the
22 name of my husband changed from Dobby to Doug.

23 BUTCH LAMBERT: Okay. So noted. Mr. Horn, could you
24 note that, please? Thank you.

25

1 MELVIN DOTSON: I want to thank you. We might see you
2 again.

3 BUTCH LAMBERT: Yes, sir. Thank you. You're welcome
4 anytime. We're calling docket item 17. A petition from Range
5 Resources-Pine Mountain, Inc. for a well location exception for
6 proposed well 900007, docket number VGOB-12-0221-3034. All
7 parties wishing to testify, please come forward.

8 TIM SCOTT: Mr. Chairman, we're going to continue this
9 until March. There was a---.

10 BUTCH LAMBERT: Continue it until March?

11 TIM SCOTT: We had to revise our application. It has
12 already been sent to the other parties on Exhibit B as well as
13 being filed with the Director.

14 BUTCH LAMBERT: Thank you, Mr. Scott. That will be
15 continued until March. We're calling docket item number 18. A
16 petition from Range Resources-Pine Mountain, Inc. for a well
17 location exception for proposed well 900068, docket number
18 VGOB-12-0221-3035. All parties wishing to testify, please come
19 forward.

20 TIM SCOTT: Again, Tim Scott, Lida Sinemus and Phil Horn
21 for Range Resources-Pine Mountain, Inc.

22 BUTCH LAMBERT: You may proceed, Mr. Scott.

23 TIM SCOTT: Thank you, Mr. Chairman.

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PHIL HORN

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

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 employed by Range Resources-Pine Mountain, Inc. as the manager of land. One of my job descriptions is to try to get wells permitted and drilled.

Q. Are you familiar with this application, is that correct?

A. Yes, I am.

Q. And also the ownership of the minerals underlying this unit?

A. That's correct.

Q. And those individuals or companies are set forth on Exhibit B, is that right?

A. That is right.

Q. Who operates well number 808871?

A. Range Resources-Pine Mountain, Inc. does.

Q. So, your...there's no issue with regard to competing operating, is that right?

A. That's correct.

Q. And how was notice of this hearing provided to

1 the parties listed on Exhibit B?

2 A. By certified mail.

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

5 A. That is correct.

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

7 BUTCH LAMBERT: Any questions from the Board?

8 (No audible response.)

9 BUTCH LAMBERT: You may continue---.

10 BRUCE PRATHER: I've got...I've got one question.

11 BUTCH LAMBERT: I'm sorry, Mr. Prather.

12 BRUCE PRATHER: I assume this is your property that you
13 bought off of Chesapeake, isn't it?

14 PHIL HORN: Yes, sir.

15 BRUCE PRATHER: It's not your stuff that you're in joint
16 ownership with Equitable?

17 PHIL HORN: That's correct.

18 BRUCE PRATHER: Okay. That's what I thought.

19 PHIL HORN: Yes, sir.

20 BUTCH LAMBERT: Okay, Mr. Scott, you may continue.

21 TIM SCOTT: Thank you.

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23 LIDA SINEMUS

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

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DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Ms. Sinemus, your name, by whom you're employed and your job description.

A. My name is Lida Sinemus. I work for Range Resources-Pine Mountain, Inc. and I'm senior geologist for them.

Q. And you're familiar with this application, is that right?

A. I am.

Q. And please tell the Board why we're seeking a well location exception for this particular unit?

A. This particular unit is due to topographic restraints due to the steep terrain. We were constrained topographically.

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

A. The proposed depth of this well is 5,603 feet.

Q. And what's the...what would be the stranded acreage if this application were not approved?

A. 600 million cubic feet.

Q. Of the acreage?

A. Oh.

Q. What would be the acreage?

A. Oh, I'm sorry. 107.94 acres.

Q. Okay. And the potential loss of reserves?

1 A. That is 600 million cubic feet.

2 Q. Thank you very much. Now, if the Board
3 approves our application today, it would prevent waste, protect
4 correlative rights and promote conservation, is that correct?

5 A. It is.

6 TIM SCOTT: Okay. That's all I have for Ms. Sinemus.

7 BUTCH LAMBERT: Any questions from the Board?

8 (No audible response.)

9 BUTCH LAMBERT: Anything further, Mr. Scott?

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

11 BUTCH LAMBERT: Do I have a motion?

12 MARY QUILLEN: Motion to approve.

13 BRUCE PRATHER: Second.

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

16 (No audible response.)

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

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

20 BUTCH LAMBERT: Opposed, no.

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

22 BUTCH LAMBERT: One abstention Mr. Ratliff. We're
23 calling docket item number 19. A petition from Range
24 Resources-Pine Mountain, Inc. to establish a drilling unit and

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1 pooling of well number V-530325, docket number
2 VGOB-12-0221-3036. All parties wishing to testify, please come
3 forward.

4 TIM SCOTT: Again, Mr. Chairman, Tim Scott, Lida Sinemus
5 and Phil Horn for the applicant.

6 BUTCH LAMBERT: Mr. Dotson, please state your name for
7 the record.

8 MELVIN DOTSON: My name is Melvin Dotson.

9 BUTCH LAMBERT: You may proceed, Mr. Scott.

10 TIM SCOTT: Thank you, Mr. Chairman.

11

12 PHIL HORN

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

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. SCOTT:

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

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

20 Q. And this particular unit is subjected to
21 statewide spacing, is that correct?

22 A. That's correct.

23 Q. So, it contains 112.69 acres?

24 A. That's right.

25

1 Q. And Range has acreage under lease in this unit,
2 is that right?

3 A. That is correct.

4 Q. Are we going to dismiss any party's respondent
5 today?

6 A. No.

7 Q. With regard to those individuals who are listed
8 on Exhibit B-3, have you attempted to reach agreements with those
9 individuals?

10 A. Yes, we have.

11 Q. What's the percentage of the unit does Range
12 have under lease?

13 A. 98.15034653%.

14 Q. And how was notice of this hearing provided to
15 the parties listed on Exhibit B?

16 A. It was by certified mail and also published in
17 the Dickenson Star on January the 25th, 2012.

18 Q. We have unknowns, is that right?

19 A. That's correct.

20 Q. And you provided Mr. Cooper with the...with
21 your attempts to locate these individuals, right?

22 A. That's correct.

23 Q. So, in your professional opinion, was due
24 diligence exercised to try and locate these people?

25

1 A. Yes.

2 Q. Okay. Have you filed proof of publication and
3 the mail certification with the Board?

4 A. Yes, we have.

5 Q. And Range is authorized to conduct business in
6 the Commonwealth, is that right?

7 A. That's correct.

8 Q. And there's a bond on file?

9 A. Right.

10 Q. And what would be the lease terms that you would
11 offer to any unleased parties listed on Exhibit B-3?

12 A. \$25 per acre for a five year paid up lease that
13 provides for a one-eighth royalty.

14 Q. Okay. Do you consider those to be fair terms
15 for a lease in this area?

16 A. Yes.

17 Q. And what percentage is Range seeking to pool?

18 A. 1.8496534%.

19 Q. And you just testified that we have some
20 unknowns, is that right?

21 A. That's correct.

22 Q. What percentage...what tracts are affected and
23 would be subjected to escrow?

24 A. Tract 5.

25

1 Q. And what's the percentage?

2 A. .65319899%.

3 Q. And we're asking the Board to pool those parties
4 listed on Exhibit B-3, is that right?

5 A. That's correct.

6 Q. Now, if the Board approves our application
7 today, what would be the address that any party reviews in making
8 an election pursuant to the order?

9 A. Range Resources-Pine Mountain, Inc., P. O. Box
10 2136, Abingdon, Virginia 24212.

11 Q. And that should be the address for all
12 communications?

13 A. Yes.

14 Q. And you're also asking that Range be named
15 operator for this unit, is that right?

16 A. That's right.

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

18 BUTCH LAMBERT: Any questions from the Board?

19 (No audible response.)

20 BUTCH LAMBERT: You may continue, Mr. Scott.

21 TIM SCOTT: Thank you, Mr. Chairman.

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23 LIDA SINEMUS

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

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DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Ms. Sinemus, your name, by whom you're employed and your job description, please.

A. My name is Lida Sinemus. I'm employed by Range Resources-Pine Mountain, Inc. I'm a senior geologist.

Q. And you're familiar with this application, is that right?

A. I am.

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

A. 5,691 feet.

Q. And what are the estimated reserves?

A. 450 million cubic feet.

Q. You're also familiar with the well costs, is that right?

A. Yes.

Q. And what's the estimated dry hole cost?

A. Dry hole cost is \$266,995.

Q. And the completed well cost?

A. \$519,366.

Q. And those figures are reflected on that AFE that was provided to the Board---

A. Yes.

Q. ---in the application, is that right?

1 A. Yes.

2 Q. And there's a reasonable charge for supervision
3 set out on the AFE, is that right?

4 A. It is.

5 Q. And, in your opinion, if this application were
6 granted, it would prevent waste, promote conservation and protect
7 correlative rights, is that also correct?

8 A. It is.

9 TIM SCOTT: Okay. That's all I have for Ms. Sinemus.

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

12 MELVIN DOTSON: Well, object on the same grounds that
13 I did before. We're not going to get a fair shake out of this
14 because we've...I come a long way to this hearing from eastern
15 Washington. I flew last Friday. I thought that at least we
16 could get some...some kind of understanding of where this gas
17 comes from. The only reason it's in the coal it escapes from the
18 shale below. There is no way you can take and honestly approve
19 a well on coalbed methane. There is no way that could happen
20 because anytime that you get a methane, methane rises. It rises
21 quickly. Anytime there's a little infraction in the shale it
22 will arise into the coal. There is no way you can honestly say
23 it's coalbed methane. You can look at me for a week and it's still
24 the same thing.

25

1 BUTCH LAMBERT: Well, thank you for your comments.

2 MELVIN DOTSON: Well, I thank you too.

3 BUTCH LAMBERT: Anything further, Mr. Scott?

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

5 BUTCH LAMBERT: Do I have a motion?

6 MARY QUILLEN: Motion to approve.

7 BRUCE PRATHER: Second.

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

10 (No audible response.)

11 BUTCH LAMBERT: All in favor, signify by saying yes.
12 (All members signify by saying yes, but Donnie Ratliff
13 and Allen Compton..)

14 BUTCH LAMBERT: Opposed, no.

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

16 BUTCH LAMBERT: One abstention Mr. Ratliff.

17 ALLEN COMPTON: Abstain. Abstain.

18 BUTCH LAMBERT: Oh, two abstentions Mr. Compton and Mr.
19 Ratliff. Thank you, folks.

20 TIM SCOTT: Thank you.

21 MELVIN DOTSON: Well, thank you very much because
22 there's no use for us to object. You're going to overrule us and
23 there you go. Thank you very much.

24 BUTCH LAMBERT: Where did Diane go?

25

1 RICK COOPER: She went to get Sara and Shirley.

2 BUTCH LAMBERT: Do you need to take five...five minute?

3 RICK COOPER: I've still got a couple of items.

4 BUTCH LAMBERT: Well, we can take a give minute break
5 until they come.

6 RICK COOPER: Okay.

7 BUTCH LAMBERT: Okay. We're going to take a five
8 minute. We're going to wait for some staff that needs to come
9 down for our next agenda item.

10 (Break.)

11 BUTCH LAMBERT: At this time, we're going to enter into
12 docket item number 20. The Board will receive an update of Board
13 and Division activities from the staff. Mr. Cooper, I know that
14 we have invited two of the ladies down who has been helping us
15 out with the audit. We want to bring those folks in front of the
16 Board and express to them how...well, go ahead. We'll do that
17 later. Go ahead.

18 RICK COOPER: All right. We can express thanks. But
19 where we're at on the audit, we can see the finish line, you know,
20 whether it be a month or two months it's really hard to predict.
21 But we're really close. You know, we had a number three
22 position...three people and number three and we decided due to
23 the fact that we were closer to the end of the program it was more
24 feasible just to use the two instead of hiring a third person and

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1 retraining. So, as of now, we're going to be down to one. Sara
2 is leaving as of the end of this week. So, we're down to one.
3 But I still probably maintain the position that with one and the
4 time period that's left it's probably more economical just to keep
5 Shirley continuing on and finishing the project in lieu of trying
6 to hire a second person or retraining them. It would be just
7 beneficial to all of the parties if we just keep Shirley to
8 continue doing that. Again, we're within two months I would
9 think of finishing. We've got to finish that and we've got to
10 do some analysis and then we'll turn it over to the accountant
11 after that point. But, you know, maybe next month we can give
12 a better detail of where we're at. But I'm still thinking that
13 Sara and Shirley is still doing...well, they've done a really good
14 job. I think you'll see when Corbin Stone does the audit that,
15 you know, the time has been worthwhile.

16 BUTCH LAMBERT: Before we got any further, Rick, you
17 said we could see the finish line. Can you give us just an update
18 of how many companies have submitted? We've gone through and
19 looked at all of the records. Who have we got left to do?

20 RICK COOPER: Well, it's probable easier to tell you who
21 we lack. We've got all of the companies with the exception of
22 we don't have the Ratliff No. 1, there's an Evan No. 1, which are
23 just, you know, working interest wells. So, it's really not all
24 that relevant. If I miss on Sara, let me know, or Shirley. We

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1 also lack Chesapeake. I think Chesapeake, who Range owns, we've
2 had a lot of trouble trying to get that. We have not obtained
3 the Chesapeake information. As of today, we've probably called
4 them 15 times and emails. We have not got the Chesapeake.
5 That's 14 wells and all of the other data. I would say we're
6 somewhere between 75 and 85% through the EQT. Other than that,
7 everyone else is finished.

8 BUTCH LAMBERT: Okay. Just continuing on, because I
9 know these things and I think the Board should hear this, you did
10 invite Mr. Stone...Corbin Stone down to review the process that
11 we have done...the ladies have done so far. Pardon me, I didn't
12 do any of it. Can you give us what his assessment was?

13 RICK COOPER: He did an assessment of that and he said
14 the layout looked real well. He did do a quick check of some
15 further analysis that we need to do prior to submitting it to him.
16 He found approximately a 100 wells that we need to take a second
17 look at and see if we can determine, you know, the positive or
18 negative balance whichever it is prior to submitting it to them.
19 So, once we finish arranging all of the data like we're now, we'll
20 go into the analysis stage and that should take one to two months.
21 Again, we're almost through with the formatting phase. One or
22 two months to do the analysis of about a 100 escrow accounts to
23 see if we can get the differences closer prior to submitting it
24 to the auditor.

25

1 BUTCH LAMBERT: And just for the Board's information,
2 Rick and I have talked and we think it would be valuable if once
3 Mr. Stone reviews the information if he would come back before
4 the Board for another analysis of his opinion before we proceeded
5 further to finish the audit.

6 RICK COOPER: Right. And we have talked about that.
7 He has agreed to come in front of the Board when we get to that
8 point prior to conducting the final audit.

9 BUTCH LAMBERT: And just also for the Board's
10 information, the DMME internal auditor has been continuing
11 looking at the process that has been taking place with the review
12 of all of these accounts and he has been down at least monthly.
13 Is that...would that be correct?

14 RICK COOPER: Yes, he has.

15 BUTCH LAMBERT: And his...his assessment is that the
16 ladies have done an excellent job and we're only finding a 2% to
17 a 5% margin of error, which according to him and Mr. Stone is well
18 within the accounting limits. So, things are not looking as bad
19 as we had originally thought at the very beginning of this when
20 Mr. Stone provided us an update of a 20% error rate. That does
21 not seem to be there. Is that correct?

22 RICK COOPER: That's correct. The overall...if you
23 total all of the projects together, we're about around a 4% to
24 5% margin of error. Some of those account may be a little larger

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1 than others. So, that's where we need to take a second look on
2 the analysis prior to giving it to the auditor.

3 MARY QUILLEN: Rick, just one thing. The problem with
4 Chesapeake, do they still have people that are available to
5 provide that data or---?

6 RICK COOPER: Well, Will Clear with Range who I h have
7 had contact with, he had contacted...what's Devon's---?

8 SARA: Devon Boles.

9 RICK COOPER: ---Devon Boles with Chesapeake. So,
10 this property that...Range now owns these wells.

11 MARY QUILLEN: Right. Right.

12 RICK COOPER: But they did not own those prior to this.
13 So, they don't have the accounting data.

14 MARY QUILLEN: Exactly. Right.

15 RICK COOPER: I'm not sure if we're getting deaf ears
16 or effort or whatever. But, you know, that is all we lack having
17 submitted is Chesapeake's.

18 BRUCE PRATHER: The other thing that may play a role on
19 this thing is that Columbia drilled most of the wells on this
20 property and not Chesapeake. I mean, Chesap...you know,
21 Chesapeake bought Columbia Natural Resources. Well, Columbia
22 Gas is the one that drilled most of the wells on that property.
23 I don't know, I mean, how you would go back and get that. I mean,
24 Chesapeake bought it. Hopefully, they didn't shred the

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1 information.

2 RICK COOPER: The last contact we had is Devon Boles said
3 he had the information and he would be providing it with us.

4 BRUCE PRATHER: Oh, okay.

5 RICK COOPER: He did say that.

6 BRUCE PRATHER: Okay. Well, that sounds better.

7 MARY QUILLEN: Yeah.

8 RICK COOPER: But we haven't received it to date.

9 BRUCE PRATHER: Yeah.

10 MARY QUILLEN: Because when companies go out of business
11 and, you know, particularly you never know what happens to all
12 of that data that has...particularly when Columbia did the
13 original work and then it went to Chesapeake before Range.

14 RICK COOPER: It went out to Range.

15 MARY QUILLEN: Yeah. It's sometimes difficult and
16 that's the reason I asked.

17 RICK COOPER: Yeah, I sympathize with him, but it
18 doesn't help us any.

19 MARY QUILLEN: Right. Right. Uh-huh.

20 BUTCH LAMBERT: Any other questions or comments from the
21 Board?

22 (No audible response.)

23 BUTCH LAMBERT: Well, Sara and Shirley, from the Board
24 let me say, we certainly appreciate the hard work that you all

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1 have put into this project. I know that you two have amongst
2 yourself developed and twixt some things that really made it much
3 better for you to work and we appreciate all of the work you do.
4 Sara, especially you since Friday will be your last day. We're
5 going to miss you. You've done a great job. If you ever need
6 a job back with this Board, we'll figure out a way to hire you.

7 SARA: Thank you.

8 BUTCH LAMBERT: Anything else, Rick?

9 RICK COOPER: We do have. The Board approved in January
10 we had requested that all operators...we would put a letter that
11 all operators would start submitting their totals and dates on
12 all B-3s, Es and EE forms. That letter has went out. We'll apply
13 that in the April docket. So, any information that comes into
14 us, all of the Bs, all the Es and EEs have to have totals and all
15 exhibits have to have dates on them as of the April docket.

16 MARY QUILLEN: Good. Good deal.

17 RICK COOPER: That will really help us internally if you
18 see these 10 pages that we have to total. I don't think it's a
19 burden on the operators because they already have that internal
20 number. They just---

21 MARY QUILLEN: Right.

22 RICK COOPER: ---always have not provided it to us.
23 It would save us a tremendous amount of work trying to tablet that.

24 DONNIE RATLIFF: Mr. Chairman, didn't we pass a motion
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1 or a resolution a couple of years ago requesting the gas companies
2 to kind of do a self-audit and report on annual basis?

3 BUTCH LAMBERT: We did. I think that's coming up in
4 July actually. They were to do it annually. We got one in
5 December. That was take care of 2011. We should have one...I
6 mean, 2010. We should have one in July of this year that will
7 take care of 2011.

8 RICK COOPER: And for the record, CNX has already sent
9 in '10 and '11. So, CNX has got all theirs submitted already.

10 BRUCE PRATHER: Good.

11 MARY QUILLEN: Well, it's always easier to do that as
12 you're going along instead of having to back up and do it for a
13 full year. So, I think that's...I think that's a good idea so
14 that they're working on that on ongoing basis.

15 BUTCH LAMBERT: Any further comments from the Board or
16 questions for Mr. Cooper or Sara or Shirley?

17 (No audible response.)

18 BUTCH LAMBERT: Okay. Thank you, folks. Sara, we
19 certainly appreciate all of the work that you've done. Thank you
20 very much.

21 SHARON PIGEON: Thank you.

22 SARA: Thank you. I appreciate it.

23 MARY QUILLEN: And good luck with your new position at
24 CGI.

25

1 SARA: Thank you.

2 BUTCH LAMBERT: The last item on the agenda is the Board
3 will review the January '12 minutes for approval. Any additions
4 or deletions of those minutes? Has everyone had a chance to
5 review them?

6 (No audible response.)

7 BUTCH LAMBERT: Do I have a motion to approve?

8 MARY QUILLEN: Motion to approve.

9 BRUCE PRATHER: Second.

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

12 (No audible response.)

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

14 (All members signify by saying yes.)

15 BUTCH LAMBERT: Do I have a motion to adjourn?

16 MARY QUILLEN: Motion to adjourn.

17 BRUCE PRATHER: Second.

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

20 (All members signify by saying yes.)

21 BUTCH LAMBERT: We're adjourn.

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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 by me personally.

Given under my hand and seal on this the 28th day of February, 2012.

NOTARY PUBLIC

My commission expires: August 31, 2013.
My Notary Registration No.: 186661