

1 IN THE COUNTY OF RUSSELL

2 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
3 VIRGINIA GAS AND OIL BOARD
4

5
6
7
8 MAY 15, 2012

9 APPEARANCES:

10 **BOARD MEMBERS:**

11 MARY QUILLEN - PUBLIC MEMBER
12 BRUCE PRATHER - GAS AND OIL REPRESENTATIVE
13 DONNIE RATLIFF - COAL REPRESENTATIVE
14 BILL HARRIS - PUBLIC MEMBER
15 KATIE DYE - PUBLIC MEMBER

16 **CHAIRMAN:**

17 BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

18
19 RICK COOPER - DIRECTOR OF THE DIVISION OF GAS & OIL AND
20 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD
DIANE DAVIS - STAFF MEMBER OF THE DGO

21 SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

22
23 **MICHELLE STREET**
24 **COURT REPORTING, LLC**
25 **P. O. BOX 1325**
GRUNDY, VIRGINIA 24614
(276) 971-2757

	<u>INDEX</u>		
	<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
1			
2			
3	1) Public member Comments		4
4	2) VGOB-00-0321-0782-03	R-44	9
5	3) VGOB-00-0321-0779-04	Q-43	12
6	4) VGOB-00-0321-0781-04	R-43	18
7	5) VGOB-06-0718-1668-02	P(-2)	33
8	6) VGOB-06-0718-1669-02	P(-3)	38
9	7) VGOB-04-0420-1283-02	503308	40
10	8) VGOB-93-0420-0366-02	702844	45
11	9) VGOB-03-0819-1174-02	535612	48
12	10) VGOB-07-1113-2071-01	VC-538607	50
13	11) VGOB-06-1114-1761-02	536190	59
14	12) VGOB-12-051-3067		63
15	13) VGOB-89-0126-0009		67
16	14) VGOB-12-0515-3059	C-20	85
17	15-) VGOB-12-0515-3060	D-32	93
18	16) VGOB-12-0515-3061	E-32	
19	17) VGOB-12-0515-3062	AU-92	123
20	18) VGOB-12-0515-3063	X-48	129
21	19) VGOB-12-0515-3064	YYY-32	141
22	20) VGOB-12-0515-3065	ZZZ-32	CONT.
23	21) VGOB-07-0619-1942-01	BA-121	147
24	22) VGOB-12-05-15-3066	900101	CONT.
25	23) VGOB-12-0515-3068	900102	168

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX (CONT.)

<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
24) VGOB-12-0515-3069	900106	173
25) VGOB-12-0515-3070	900109	178
26) VGOB-12-0515-3071	900094	183
27) VGOB-12-0515-3072	VH-530183	216
28) Update from the Board and Division		223
29) Approve March and April 2012 minutes		224

1 BUTCH LAMBERT: Good morning, ladies and gentlemen.
2 It's now after 9:00 o'clock and it's time to begin our
3 proceedings. First of all, I'd ask if you have any cell
4 phones or other communication devices please turn those off
5 or put them on vibrate. If you do have to take a call, please
6 do so out in the hall. At this time, I'd like for the Board
7 to please introduce themselves beginning with Mrs. Dye.

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

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

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

14 DONNIE RATLIFF: Donnie Ratliff with Alpha Natural
15 Resources representing the coal.

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

18 BRUCE PRATHER: I'm Bruce Prather. I represent the
19 oil and gas industry on the Board.

20 MARY QUILLEN: Mary Quillen, a public member.

21 BUTCH LAMBERT: Thank you. At this time, we'll
22 enter into public comments. I have signed up Martha
23 Gwilliams.

24 MARTHA GWILLIAMS: Thank you.

25

1 BUTCH LAMBERT: Ms. Gwilliams, if you would please
2 state your name for the record.

3 MARTHA GWILLIAMS: Martha Gwilliams, Salem,
4 Virginia, Heir to the Linkous Horn Estate. I have a comment
5 or a question. We have several accounts...these escrow
6 accounts that were opened down through the years that were
7 placed in what they explained to us as suspended accounts.
8 But we also know now that these moneys were supposed to be
9 returned to interest bearing accounts and we would like to
10 know if that has been done and, if so, we haven't been notified
11 or will it be done and when will be notified of this.

12 BUTCH LAMBERT: Thank you for your comment, Ms.
13 Gwilliams. We'll ask Mr. Cooper to look into those suspended
14 accounts and report back to the Board.

15 MARTHA GWILLIAMS: Okay. That's all I have. Thank
16 you.

17 BUTCH LAMBERT: I know that...I know that are a
18 couple out there that we have looked at...this Board has
19 looked at in the past, but Mr. Cooper will followup and give
20 the report back to the Board.

21 MARTHA GWILLIAMS: Mr. Asbury was supposed to have
22 been looking at that and taking care of it. But since he's
23 no longer with us, then I thought maybe we should bring it
24 to someone else's attention.

25

1 BUTCH LAMBERT: Thank you, Ms. Gwilliams. We'll
2 take that into consideration and look into it.

3 MARTHA GWILLIAMS: Thank you, Mr. Chairman, and
4 thank you to the Board.

5 BUTCH LAMBERT: Okay. That's the only person that
6 we have signed up for public comment. At this time, the Board
7 needs to go into closed session to talk...to get some updates
8 from our Counsel on some legal matters. So, I'll ask Ms.
9 Quillen if she will please read the motion to enter it...for
10 the Board to go into close session.

11 MARY QUILLEN: Mr. Chairman, pursuant to Section
12 2.2-3711(A)(7) of the Code of Virginia, I move that the
13 Virginia Gas and Oil Board convene a closed session for
14 consultation with legal counsel regarding specific legal
15 matters requiring the provision of legal advice by such
16 Counsel.

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

18 DONNIE RATLIFF: Second.

19 BRUCE PRATHER: Second.

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

22 (No audible response.)

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

24 (All members signify by saying yes.)

25

1 BUTCH LAMBERT: Okay. At this time, we'll be
2 entering into closed session. You're welcome to stay in this
3 area. We're going to move to another room in the building.

4 (Closed Session.)

5 BUTCH LAMBERT: To resume, I'll ask Ms. Quillen to
6 certify that the business conducted in closed session was
7 that was only could not be conducted outside.

8 MARY QUILLEN: "Whereas, the Board has convened a
9 closed meeting on this date May 15, 2012 pursuant to an
10 affirmative recorded vote and in accordance with the
11 provisions of the Virginia Freedom of Information Act; and

12 Whereas, Section 2.2-3712(D) of the Virginia Code
13 requires a certification by the Board that such closed
14 meeting was conducted in conformity with Virginia Law;

15 Now, Therefore, the Virginia Gas and Oil Board
16 hereby certified that, to the best of each member's
17 knowledge, only public business matters lawfully exempted
18 from open meeting requirements by Virginia law were discussed
19 in the closed meeting to which this certification applies,
20 and only such public business matters as were identified in
21 the motion convening the closed meeting were heard, discussed
22 or considered by the Board. We will now have a recorded vote.

23 Do you agree? Mary Quillen: Yes. Bruce Prather?

24 BRUCE PRATHER: Yes.

25

1 MARY QUILLEN: Bill Harris?
2 BILL HARRIS: Yes.
3 MARY QUILLEN: Butch Lambert?
4 BUTCH LAMBERT: Yes.
5 MARY QUILLEN: Donnie Ratliff?
6 DONNIE RATLIFF: Yes.
7 MARY QUILLEN: Board member Katie Dye recused
8 herself for conflict of interest.
9 BUTCH LAMBERT: Okay. Now, I need a motion from one
10 of the members of the Board concerning the business that was
11 conducted in closed session.
12 MARY QUILLEN: Motion to confirm only the business
13 that discussed was in the closed session.
14 BUTCH LAMBERT: Would you read the motion, Ms.
15 Quillen?
16 MARY QUILLEN: Mr. Chairman, pursuant to Section
17 2.2-3711(A)(7) of the Code of Virginia, I move that the Gas
18 and Oil Board convene a closed session for consultation with
19 legal counsel---.
20 BUTCH LAMBERT: No, Ms. Quillen, we've already done
21 that. Please read the motion that we outlined in the
22 meeting.
23 DONNIE RATLIFF: Your notes.
24 MARY QUILLEN: Yes. Mr. Chairman, the Board on

25

1 consider...on credible evidence brought before the Board
2 subsequent to previous actions, I move the Board rescind any
3 part of any previous motion or action in the last 24 months
4 that directed payment on behalf of a payee but mailed to a
5 third party. Those payments will be mailed directly to the
6 payee.

7 BILL HARRIS: I second the motion.

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.)

13 BUTCH LAMBERT: Opposed, no.

14 (No audible response.)

15 BUTCH LAMBERT: Thank you, ladies and gentlemen.

16 Now, we're ready...we're calling docket item number two.

17 This is a petition from CNX Gas Company, LLC for disbursement

18 of funds from escrow regarding a portion of Tract 1 and

19 authorization of direct payment of royalties from unit R-44,

20 docket number VGOB-00-0321-0782-03. All parties wishing to

21 testify, please come forward.

22 MARK SWARTZ: Mark Swartz and Anita Duty.

23 BUTCH LAMBERT: Good morning.

24 MARK SWARTZ: Good morning.

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BUTCH LAMBERT: You may---.

COURT REPORTER: Anita,---.

BUTCH LAMBERT: Oh, I'm sorry. I'm sorry.

(Anita Duty is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, the first item on the docket is something that we offer testimony on last month and there was a question raised by the DGO about the percentages and the tracts. Do you remember that?

A. Yes.

Q. And after the hearing, did you go back and check your math and check the acreages? Did you do that?

A. I did.

Q. And when you did, did you determine that the percentages in the application for disbursement were correct?

A. Yes.

Q. Did you shortly after those hearings forward

1 that information to the DGO by email?

2 A. I didn't, but---.

3 Q. Somebody in your---.

4 A. ---my staff did.

5 Q. Okay. Who did that?

6 A. It was Melissa.

7 Q. Okay. So, as we sit here today, are you
8 reaffirming your request for the disbursements outlined last
9 month with regard to R-44 out of Tract 1?

10 A. Yes.

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 DONNIE RATLIFF: Motion to approve.

17 BRUCE PRATHER: Second.

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

20 (No audible response.)

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

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

23 BUTCH LAMBERT: Opposed, no.

24 KATIE DYE: I'll abstain.

25

1 Q. Did you sign it?

2 A. I did.

3 Q. Were notices mailed to interested parties?

4 A. They were.

5 Q. And have you provided or are you going to

6 provide proof of mailing to Mr. Cooper today?

7 A. I will.

8 Q. Okay. Is this disbursement, if it's

9 approved, the kind of disbursement that would close out the

10 account or are we going to need to maintain the account after

11 the disbursement is made?

12 A. The account would stay open.

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

14 a revised Exhibit E with regard to the folks that would need

15 to be remained escrowed and a revised Exhibit EE with regard

16 to the split agreements or other agreements or orders?

17 A. Yes.

18 Q. Okay. The reason for this disbursement

19 request is what?

20 A. Royalty split agreements, 50/50 between the

21 parties.

22 Q. Okay. And have you actually...you've seen

23 these split agreements?

24 A. I have.

1 Q. You've held them in your hand?

2 A. Yes.

3 Q. Okay. And have you reviewed them?

4 A. I have.

5 Q. And I think you said they provide for a 50/50

6 split?

7 A. They do.

8 Q. And in addition to asking the Board to

9 authorize a disbursement from escrow, are you also asking in

10 your request for an order that you be allowed to pay the folks

11 that have entered into these split agreements directly in the

12 future?

13 A. Yes.

14 Q. Okay. Have you prepared an Exhibit A-1 with

15 regard to the disbursement that you're proposing?

16 A. Yes.

17 Q. Okay. And to come up with the balances and

18 so forth, did you examine certain records?

19 A. Yes.

20 Q. What kinds of records?

21 A. The banks deposit records and our internal

22 records showing what we had sent to the bank.

23 Q. Okay. And was the goal of that to account

24 for all of the payments that your records indicated you made

25

1 to make sure that the bank has received them and deposited
2 them?

3 A. Yes.

4 Q. And when you did that, did you find that they
5 got all of the deposits or were there issues?

6 A. No, they were there.

7 Q. Okay. And this...have you provided the
8 Board with a spreadsheet that actually sets forth the
9 acreage, the names of the owners receiving claimants
10 receiving the disbursements and the percentages that the
11 escrow agents should use?

12 A. Yes.

13 Q. And there's quite a list?

14 A. There is.

15 Q. A page and a quarter, let's say.

16 A. Yes.

17 Q. Have you broken it down by tract?

18 A. Yes.

19 Q. So, you've got proposed disbursements with
20 regard to 1B, 1C and 1D, is that correct?

21 A. It is.

22 Q. And have you listed all of the owners that
23 should be receiving the disbursement?

24 A. Yes.

25

1 Q. And have you then in the second from the last
2 column listed the 50% percentage that the escrow agent should
3 use for each person when the disbursement is made?

4 A. Yes.

5 MARK SWARTZ: Okay. And rather than have Anita
6 read all of this into the record, I'm asking that the Board
7 simply adopt the Exhibit A-1 as the instruction that should
8 be given to the escrow agent if that's okay with you all.

9 BUTCH LAMBERT: We'll accept it.

10 MARK SWARTZ: Thank you.

11 Q. The revenue...the royalty revenue that has
12 been escrowed here comes from what wells?

13 A. Q-43 and Q-43A and Q-43B.

14 Q. Okay. And the Exhibit A-1 actually
15 reflects that, correct?

16 A. It does.

17 MARK SWARTZ: Mr. Chairman, I think that's all I have
18 with regard to this request.

19 BUTCH LAMBERT: Any questions from the Board?

20 RICK COOPER: Mr. Chairman, I just have one
21 question.

22 BUTCH LAMBERT: Mr. Cooper.

23 RICK COOPER: To make sure that we have the right
24 E and EE, what's your date on that?

25

1 ANITA DUTY: April the 9th, 2012.
2 RICK COOPER: Okay. That's good.
3 BUTCH LAMBERT: Anything further, Mr. Swartz?
4 MARK SWARTZ: No.
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 Katie Dye.)
13 BUTCH LAMBERT: Opposed, no.
14 KATIE DYE: I'll abstain.
15 BUTCH LAMBERT: One abstention Mrs. Dye. We're
16 calling item number four. It's a petition from CNX Gas
17 Company, LLC for the disbursement of funds from escrow
18 regarding a portion of Tracts 1A, 1B, 1D and 1E and
19 authorization of direct payment of royalties from unit R-43,
20 docket number VGOB-00-0321-0781-04. All parties wishing to
21 testify, please come forward.
22 MARK SWARTZ: Mark Swartz and Anita Duty.
23 BUTCH LAMBERT: You may proceed, Mr. Swartz.
24 MARK SWARTZ: Thank you.

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. Okay. Did you prepare or supervise the preparation of this petition?

A. Yes.

Q. Okay. And this pertains to R-43, is that right?

A. Yes.

Q. And the disbursement that you're seeking is actually only a portion of the money on deposit with the escrow agent, is that correct?

A. That's correct.

Q. And the reason for this disbursement in general is the same split agreement that we were talking about in the last unit, correct?

1 A. It is.

2 Q. And so it's a 50/50 agreement that applies
3 here as well?

4 A. Yes.

5 Q. Okay. A difference between the last
6 disbursement request that we just addressed, item number
7 three...docket item number three, there's actually an
8 exhibit that you passed out to the Board today that we're
9 requesting that some moneys that were placed in escrow by
10 mistake be disbursed first in a specific dollar amount to get
11 the balance on deposit correct before the disbursement using
12 percentages is made, is that correct?

13 A. That's correct.

14 Q. Okay. And there's a note on the exhibit
15 that you passed out this morning that indicates that with
16 regard to Tract 1A, that tract should have been paid by was
17 escrowed in error?

18 A. Yes.

19 Q. Okay. And so if the Board directs the
20 escrow agent to pay a \$105,787.40 to the James McGuire Trust
21 and also to CNX Gas Company with regard to Exhibit 1A in those
22 specific amounts then the account will be adjusted to apply
23 the percentages and that disbursement should be made first?

24 A. Yes.

25

1 Q. Okay. Now, moving to the disbursement
2 that's required by the split agreement that we've talked
3 about, that pertains to Tract 1B, is that correct?

4 A. It is.

5 Q. And...and with regard to that tract, have
6 you as is your custom listed all of the owners who are supposed
7 to receive the proposed disbursement?

8 A. Yes.

9 Q. And you've almost got two pages of them?

10 A. Yes.

11 Q. And with regard to each person named by name
12 have you provided the 50% percent number that the escrow agent
13 should use for each person to be applied to the escrow balance
14 to calculate the amount to be disbursed to these people?

15 A. Yes. Now, this exhibit is different
16 from---

17 Q. Right. Right. It's the end of---

18 A. It's just showing the overpayment that
19 should have been paid---

20 Q. Okay. But the payments that the escrow
21 agent should make are actually the Exhibit A-1 list?

22 A. Within the...with the petitions.

23 Q. Right. And if you look at the end and we're
24 going to come back to the beginning in a moment, but if we

25

1 look at the note at the end of the Exhibit A-1 that's attached
2 to the application---?

3 A. Yes.

4 Q. ---what does that note say?

5 A. The amount due owners was adjusted by using
6 the current value minus the payout due CNX and James McGuire.

7 Q. Okay. And that's the payment that we've
8 been talking about with regard to the exhibit that you passed
9 out today?

10 A. Yes, it is.

11 Q. Okay. So, the---?

12 A. Just to kind of clarify it.

13 Q. That's fine. So, moving from what was in
14 the account because there was some...there was a tract
15 on...being escrowed that should have been paid and having
16 adjusted that out then the numbers that should be used by the
17 escrow agent are the percentages on Exhibit A-1 to the
18 application?

19 A. Yes.

20 Q. And we have a page and a half of folks?

21 A. Yes.

22 Q. Okay. And the escrow disbursements then
23 would be from which tracts as a result of the split agreement?

24 A. It's 1B, 1D and 1E.

25

1 Q. Okay. And for each of those three tracts,
2 have you listed every owner on Exhibit A-1?

3 A. Yes.

4 Q. And in the second column from the end have
5 you listed the percentage the escrow agent should use?

6 A. Yes.

7 Q. And the account balances here were
8 calculated by you as of what date?

9 A. February the 29th, 2012.

10 Q. Okay. And with regard to this unit, what
11 efforts did you make to determine whether or not the bank had
12 received and accounted for the appropriate deposits?

13 A. We compared the bank's records with our
14 internal payment records to make sure they were all accounted
15 for.

16 Q. Okay. And when you did that, were
17 they...did they show up?

18 A. They were.

19 Q. Okay. And this balance, obviously, is not
20 the balance that's going to be in play when the percentages
21 are applied but it estimates the numbers for interested
22 parties as of February the 29th?

23 A. Yes.

24 Q. Okay. And in addition to making the
25

1 disbursements that we've described today, are you also asking
2 that if this application is approved the operator be allowed
3 to pay the folks listed on Exhibit A-1 who have signed the
4 split agreement directly?

5 A. Yes.

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

7 BUTCH LAMBERT: Mr. Swartz, can we mark this Exhibit
8 AA.

9 MARK SWARTZ: Okay.

10 BUTCH LAMBERT: And just---.

11 MARY QUILLEN: Does everyone else have a Consol copy
12 of Exhibit A-1? I only have the last half of the page that
13 was in my packet.

14 MARK SWARTZ: It actually should be two pages.

15 MARY QUILLEN: Uh-huh. That's...does everybody
16 else have...that's in your packet?

17 BRUCE PRATHER: Not in mine.

18 BUTCH LAMBERT: I do.

19 MARY QUILLEN: Pardon?

20 BUTCH LAMBERT: I do.

21 MARY QUILLEN: You do?

22 BUTCH LAMBERT: Yes.

23 MARY QUILLEN: Okay. I guess they have. I
24 just...I don't know have one. All I had was the last little

25

1 bit and it doesn't even have the tract number on it.

2 MARK SWARTZ: I'll tell you what, I'll lend
3 you---

4 MARY QUILLEN: That's okay. I mean, as long as they
5 have it, it's fine.

6 MARK SWARTZ: Oh, okay.

7 SHARON PIGEON: Well, there is some confusion here
8 between these two exhibits. So, we need to revisit it.

9 MARK SWARTZ: Well, they're different.

10 ANITA DUTY: Well, and that's why I wanted...I
11 wanted to make sure they knew they were different.

12 SHARON PIGEON: The Chairman is going to address
13 that with you.

14 BUTCH LAMBERT: Yeah. I have just one
15 clarification I think that would help us all out. Tract 1B
16 and Exhibit A-1 is for those folks that have signed a 50/50
17 split agreement and not---

18 MARK SWARTZ: Well, 1B...1D and 1E.

19 BUTCH LAMBERT: Okay. All right. That's---

20 MARK SWARTZ: Yeah.

21 BUTCH LAMBERT: But on the exhibit that we just
22 marked AA none of those folks that are listed in 1B have signed
23 split agreements?

24 ANITA DUTY: That have...these are...these are

25

1 people that have already been paid in a prior disbursement.
2 Because---

3 SHARON PIGEON: Everyone on this page except 1A has
4 been paid already?

5 ANITA DUTY: We're just...we're showing you where
6 we're getting the overpayment. We're giving you...that's
7 why we didn't include it in the original application because
8 I didn't want to confuse everybody. I wanted to make
9 this---

10 BUTCH LAMBERT: Well, boy, you did.

11 SHARON PIGEON: Really, that was your goal here?

12 ANITA DUTY: I'm talking...I'm not talking about the
13 Board, I'm talking about owners...royalty owners because we
14 get calls anyway. I didn't want to try to explain what had
15 happened there. But when we did the disbursement that was
16 the '01 we were using the total...we didn't realize the
17 Tract...at the time that Tract 1A was still being escrowed.
18 So, the calculation...so that caused everybody to overpaid.
19 I think it was kind of on both of our...neither one of us
20 realized that had happened. So, when we were going to
21 balance everything, we realized that there was an overpayment
22 for Tract 1. The supplemental order said that there was a
23 royalty split agreement all along. That even though that
24 supplemental order said that that's not what we did

25

1 internally. We paid this money to escrow and we should not
2 have, which resulted in everybody that had been paid
3 previously getting an overpayment. So, that's the
4 reason...that's what we're trying to do here is show you what
5 they were paid and what they should have been paid and
6 show...and to show you that that's the reason why we're
7 getting the...CNX is going to take the burden of the
8 overpayment to the Cantrells and then James McGuire is just
9 going to be subtracted from his...what he would have...what
10 he got previously from what he's due now.

11 BUTCH LAMBERT: So, the overpayment is not reflected
12 on Exhibit A-1? That's still what they're supposed to get?

13 MARK SWARTZ: Correct.

14 ANITA DUTY: A-1 is how it's going to be. The only
15 thing is what's on AA is going...needs to be paid first. We
16 were just trying to show you how we pay them to the overpayment
17 amount and the---.

18 BUTCH LAMBERT: So, there's no deductions of
19 overpayment in Exhibit A-1?

20 MARK SWARTZ: Correct.

21 BUTCH LAMBERT: Okay.

22 ANITA DUTY: Yeah, this is a payment that has
23 already...that has already taken place. The only reason for
24 that is to show you how we got the number.

25

1 SHARON PIGEON: AA. You said A-1. This one is
2 already taken.

3 MARK SWARTZ: No. A-1 does not reflect an
4 overpayment. That money has already backed out of there.
5 The A-1 numbers are accurate to the people that they should
6 be entitled to without any adjustments.

7 SHARON PIGEON: Now?

8 MARK SWARTZ: Correct.

9 SHARON PIGEON: And AA reflects the history that has
10 already happened---?

11 ANITA DUTY: A previous payment. Yes.

12 MARK SWARTZ: Well, the escrow---.

13 SHARON PIGEON: ---and you're just giving us
14 additional information?

15 MARK SWARTZ: When there shouldn't have been an
16 escrow which resulted in the previous payment being
17 overstated because if you've got---

18 SHARON PIGEON: But it was made?

19 MARK SWARTZ: ---more money in escrow and you're
20 applying that percentage to those people that's why those
21 people got more money than they should have.

22 ANITA DUTY: The people that are on the AA are not
23 the same people that are on...these are totally different
24 people.

25

1 DONNIE RATLIFF: Right.

2 BUTCH LAMBERT: Yeah, that was what was confusing.

3 ANITA DUTY: This has already taken place.

4 SHARON PIGEON: And these people have been paid
5 these amounts whether it was the accurate amount or not, is
6 that what you're telling us?

7 ANITA DUTY: Right.

8 MARK SWARTZ: Right.

9 ANITA DUTY: And CNX is going to take the burden of
10 the overpayment to the---

11 MARK SWARTZ: The Cantrells.

12 ANITA DUTY: ---individuals and then the---

13 SHARON PIGEON: This is just for historical
14 information?

15 ANITA DUTY: Yes. And the McGuires are just going
16 to simply have that subtracted.

17 SHARON PIGEON: We're acting on this today as
18 always?

19 ANITA DUTY: Yes.

20 MARK SWARTZ: Right. The A-1 is the...I mean, we
21 felt like we needed to tell you here is the history of this
22 account in terms of the good, bad and the ugly. So, the two
23 problems in the account actually resulted from paying money
24 into escrow that should never have gone there, which caused

25

1 the balance to be higher which then caused the first
2 disbursement to be inaccurate. So, that...those are the two
3 problems that are dealt with AA. The note then explains, you
4 know, how that has resulted in an accurate balance assuming
5 the escrow agent makes this payment first so that when you
6 apply the percentages in A-1 to these folks in essentially
7 the second disbursement now out of this unit will have the
8 right balance being used to apply the percentages to.

9 BILL HARRIS: So, we're still going forward with
10 payments after this is taken care of to those people who are
11 in A-1 or have they been paid what they've---?

12 MARK SWARTZ: No. The people in A-1 if this
13 disbursement is approved---

14 BILL HARRIS: Are they paid up?

15 MARK SWARTZ: ---will get...will be paid their
16 share out of the escrow and they will then be on a direct pay.

17 BILL HARRIS: Okay.

18 MARK SWARTZ: Okay. But there will still be other
19 people...you know, because if you look at the amounts it's
20 not zeroing out the account still.

21 SHARON PIGEON: Well, my Exhibit A-1 does not have
22 1-A...Tract 1-A.

23 MARK SWARTZ: Correct. Because that wasn't
24 esc...that is not being disbursed subjected to a split

25

1 agreement. That was a mistake. That's why we're dealing
2 with it...that should never have been paid....paid into
3 escrow.

4 SHARON PIGEON: But is it being disbursed because
5 your application---?

6 ANITA DUTY: Yes.

7 SHARON PIGEON: ---says that 1-A is receiving a
8 disbursement?

9 MARK SWARTZ: Correct. And that's AA number.

10 SHARON PIGEON: So, this isn't just historical? We
11 are acting off this Exhibit AA as well?

12 ANITA DUTY: The 105,000 should be paid to each, yes.
13 I did not want to include it in here because I didn't think
14 that all...I mean, I think for the land owner's part that it
15 would just be more confusing than it is right now.

16 SHARON PIGEON: Hard to imagine. Okay, I think
17 I---.

18 BUTCH LAMBERT: But the bottom line is the payees
19 aren't being penalized for a CNX overpayment?

20 ANITA DUTY: Right.

21 MARK SWARTZ: Correct. Well, I would say it was the
22 Board's escrow agent's overpayment. But, you know, we'll
23 take that characterization, okay.

24 BUTCH LAMBERT: Okay. Okay.

25

1 SHARON PIGEON: A fight for another day.

2 MARY QUILLEN: The only thing that---.

3 BUTCH LAMBERT: Mrs. Dye.

4 MARY QUILLEN: The only thing that actually you're
5 backing up and taking care of is the overpayment that was made
6 to McGuire Trust and CNX?

7 ANITA DUTY: Well, McGuire Trust and all of the
8 individuals. McGuire Trust we can recoup that back from the
9 payment that they will get---.

10 MARY QUILLEN: Right. That's what I'm saying.
11 You're only recouping from that.

12 MARK SWARTZ: Correct.

13 ANITA DUTY: Yes.

14 MARY QUILLEN: The others you're going to eat it,
15 right?

16 ANITA DUTY: Right.

17 MARK SWARTZ: Right.

18 ANITA DUTY: CNX is subtracting that piece from
19 their disbursement, yes.

20 MARY QUILLEN: Okay. Okay. Okay.

21 BRUCE PRATHER: I've got a question. On your AA
22 Exhibit here, I assume this James...on 1B, I assume James
23 McGuire and James Cantrell that's a 50/50 split. Then would
24 the Cantrell Heirs have the same amount as you have for the

25

1 overpayment that you should have paid...on the McGuire Trust
2 would that be the total payment for the Cantrells would be
3 like it is here for the James McGuire?

4 ANITA DUTY: Yeah. It's the 15,349.

5 BRUCE PRATHER: Yeah. Yeah. Okay.

6 ANITA DUTY: Actually, James McGuire got paid that
7 amount and then the Cantrells as a whole got paid the same
8 amount. So, that amount is going to be subtracted from both
9 CNX and James McGuire.

10 BRUCE PRATHER: Right. I gotcha.

11 MARK SWARTZ: That's the magnitude of the mistake.

12 BUTCH LAMBERT: Any further questions?

13 (No audible response.)

14 BUTCH LAMBERT: Anything further, Mr. Swartz?

15 MARK SWARTZ: No.

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. Are
20 there any further discussions?

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. We're
3 calling docket item number five. A petition from CNX Gas
4 Company, LLC for the disbursement of funds from escrow
5 regarding Tract 1 and the authorization for direct payment
6 of royalties from unit P(-2), docket number
7 VGOB-06-0718-1668-02. All parties wishing to testify,
8 please come forward.

9 MARK SWARTZ: Mark Swartz and Anita Duty.

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

11 MARK SWARTZ: Thank you.

12

13

14

15 ANITA DUTY

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

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

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

21 A. Anita Duty.

22 Q. Did you either prepare or supervise the
23 preparation of this petition?

24 A. I did.

25

1 Q. And it pertains to what tract?
2 A. Tract 1.
3 Q. In what unit?
4 A. P(-2).
5 Q. Okay. And this disbursement was approved
6 it would actually close the account?
7 A. It will.
8 Q. Okay. And the reason for this request is
9 what?
10 A. A prevailing plaintiff in a lawsuit.
11 Q. Okay. So, we've got a---?
12 A. A Court order.
13 Q. We've got a Court order at the end of a
14 lawsuit determining that the people that you're proposing to
15 pay here on this disbursement are the people that should
16 receive a 100% of the money?
17 A. Yes.
18 Q. Have you actually seen that order?
19 A. I have.
20 Q. And did you use it to prepare Exhibit A-1?
21 A. Yes.
22 Q. Okay. Did you compare the operator's
23 payments to the escrow agent to the escrow agent's deposit
24 history?

25

1 A. Yes.

2 Q. When you did that, what did you learn?

3 A. They were all in balance.

4 Q. Okay. The...have you given us a list here
5 that identifies the tract, which is Tract 1, correct?

6 A. Yes.

7 Q. And it gives the percentages that the escrow
8 agent should use in making disbursements?

9 A. Yes.

10 Q. Okay. And would you explain what the
11 escrow...since this is much shorter, what the escrow agent
12 should do?

13 A. Okay. For Tract 1 the payout should be
14 Fairview Limited Partnership 12½%, Carol Ervin 4.1667% and
15 should also pay 4.1667% to the F. H. Combs Testamentary Trust.
16 Martha Combs, John Pobst, Jr., Virginia Linwick, Richard
17 Pobst, Catherine Pobst and Mary E. Jennings should be paid
18 8.3333%. Levisa Coal Company will be paid 50%.

19 Q. Okay. And is it your understanding that
20 when you add those amounts you come up with...just to balance
21 this out, the 47804.43---?

22 A. Yes.

23 Q. ---as of the date of this calculation?

24 A. Okay.

25

1 SHARON PIGEON: Mark, not interrupt you, but that
2 testimony just then did not seem to coincide with this A-1
3 that we have here.

4 Q. Okay. Basically, Anita, what you did is you
5 gave the impression---

6 A. I kind of...yeah, I know.

7 Q. Okay. Let's straighten it out.

8 SHARON PIGEON: That's how we get into these
9 overpayments. Let's got back.

10 Q. Fairview Limited Partnership should receive
11 12.5%---

12 A. Yes.

13 Q. ---of the escrow account?

14 A. Yes.

15 Q. And Meredith E. Jennings should receive
16 8.3333% of the escrow account balance?

17 A. Yes.

18 Q. And then Carol Ervin, the Combs
19 Testamentary, Martha E. Combs, John Pobst, Virginia Lee
20 Linwick, Richard Pobst and Catherine Pobst should receive the
21 same percentage distribution of 4.1667, correct?

22 A. Yes.

23 Q. And---

24 A. Each.

25

1 Q. Each. And then the Levisa Coal Company
2 should receive what?

3 A. 50%.

4 Q. Of the amount on deposit?

5 A. Yes.

6 Q. Okay.

7 SHARON PIGEON: Not going forward?

8 MARK SWARTZ: It's closing the account.

9 SHARON PIGEON: Oh, okay.

10 MARK SWARTZ: That's all I have.

11 BUTCH LAMBERT: Okay. Any 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?

17 MARY QUILLEN: Motion to approve.

18 BRUCE PRATHER: Second.

19 BUTCH LAMBERT: I have a motion and I have a second.
20 Any 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 percentages the same as the ones that we reported in the last
2 hearing?

3 A. They are.

4 Q. So, the disbursement instructions to the
5 escrow agent would be exactly the same?

6 A. They would.

7 MARK SWARTZ: That's all I have.

8 BUTCH LAMBERT: Any questions from the Board?

9 SHARON PIGEON: This is also based on a Court order?

10 MARK SWARTZ: Correct.

11 BUTCH LAMBERT: Anything further, Mr. Swartz?

12 MARK SWARTZ: That's all.

13 BUTCH LAMBERT: Do I have a motion?

14 MARY QUILLEN: Just one question. This will close
15 the account, is that correct?

16 MARK SWARTZ: Yes.

17 ANITA DUTY: Yes.

18 MARY QUILLEN: Motion to approve.

19 BRUCE PRATHER: Second.

20 BUTCH LAMBERT: I have a motion and I have a second.
21 Any 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.)

25

1 BUTCH LAMBERT: Opposed, no.

2 KATIE DYE: I'll abstain.

3 BUTCH LAMBERT: One abstention Mrs. Dye. We're
4 calling docket item number seven. A petition from EQT
5 Production Company on behalf of Clarence W. Traux, Jr. for
6 the disbursement of funds from escrow, Tract 3, unit 503308,
7 docket number VGOB-04-0420-1283-02. All parties wishing to
8 testify, please come forward.

9 SHARON PIGEON: Once again.

10 BUTCH LAMBERT: Good morning.

11 JIM KAISER: Good morning. Mr. Chairman, if I could
12 indulge you for just one second. I know you all have been
13 very accommodating to us on our requests regarding today's
14 docket. We're going to make like politicians and flipflop
15 again. I think based on the way things are going, we're just
16 going to ask that we go ahead and run ours straight through,
17 if that's okay with you, instead of moving that one to the
18 end like we'd ask yesterday.

19 BUTCH LAMBERT: Oh, okay. Sure. We can do that.
20 No problem.

21 JIM KAISER: Mr. Swartz is okay with that because
22 I've assured him that it's not going to take very long.

23 SHARON PIGEON: He looks thrilled.

24 BUTCH LAMBERT: Okay. Mr. Kaiser, you may proceed.

25

1 A. Yes.

2 Q. And then what happened subsequent to that
3 order?

4 A. Subsequent to the order EQT mistakenly paid
5 additional money into the escrow account.

6 Q. Well, you say mistakenly, but it may have
7 been sort of a passing in the mail process type of thing. It
8 looks like the...there was a disbursement of \$50,953.44 to
9 Mr. Traux in January?

10 A. Correct.

11 Q. And then EQT somewhere around the same time
12 made another deposit into the escrow for November
13 production---?

14 A. Yes.

15 Q. ---is that correct and the amount of that
16 deposit was \$294.46?

17 A. That's correct.

18 Q. And that...that figure represents the
19 escrow for the unit as a whole, correct?

20 A. Yes.

21 Q. Okay. And so then if we take Mr. Traux's
22 percentage of the escrow for that unit, which is 41.0575%,
23 is that correct?

24 A. Yes.

25

1 Q. And then we would owe...or Mr. Traux needs
2 to be disbursed from escrow an additional \$120.90?

3 A. That's correct.

4 JIM KAISER: Nothing further at this time, Mr.
5 Chairman.

6 BUTCH LAMBERT: Any questions from the Board?

7 SHARON PIGEON: Do we have any kind of an exhibit
8 for that? I guess we have something here. It's not---.

9 MARY QUILLEN: Yeah.

10 JIM KAISER: We just sort of have that summary sheet,
11 yeah.

12 SHARON PIGEON: Is this what you...you rely on?

13 JIM KAISER: That's what they prepared.

14 RITA BARRETT: Yes.

15 Q. And the rest of that...the balance of that
16 294046 would remain in escrow for Tracts 1 and 2?

17 A. That's correct.

18 SHARON PIGEON: Why don't we mark that sheet A-1 in
19 the usual fashion as our reconciliation sheet so that we have
20 that.

21 BUTCH LAMBERT: Any further questions from the
22 Board?

23 (No audible response.)

24 BUTCH LAMBERT: Anything further,---?

25

1 MARY QUILLEN: Just---

2 BUTCH LAMBERT: ---Mr. Kaiser? Oh, I'm sorry.
3 Ms. Quillen.

4 MARY QUILLEN: Just one question. Are you asking
5 us to look at all three of these at the same time or
6 individually?

7 JIM KAISER: No. I think we'd better just do...take
8 them on at a time because they're different amounts.

9 MARY QUILLEN: Oh, okay. Okay. Thank you.

10 BUTCH LAMBERT: Anything further, Mr. Kaiser?

11 JIM KAISER: No, sir.

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 (No audible response.)

22 BUTCH LAMBERT: Thank you, Mr. Kaiser. That's
23 approved. We're calling...we're going to take about a ten
24 minute break if that's okay. A quick ten minute break and

25

1 we'll resume.

2 (Break.)

3 BUTCH LAMBERT: Okay, ladies and gentlemen, if
4 you'll please take your seats we'll resume our proceedings.
5 We're calling docket item number eight. A petition from EQT
6 Production Company on behalf of Clarence W. Traux, Jr. for
7 disbursement of funds from escrow, Tract 4, unit 702844,
8 docket number VGOB-93-0420-0366-02. All parties wishing to
9 testify, please come forward.

10 JIM KAISER: Jim Kaiser and Rita Barrett on behalf
11 of EQT Production.

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

13 RITA BARRETT

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

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. KAISER:

18 Q. Ms. Barrett, is this a very similar or
19 exactly similar situation to the item that we just heard?

20 A. It is.

21 Q. And could you just go ahead and kind of tell
22 the story here?

23 A. In January of 2012 EQT had a disbursement of
24 \$22,005.89. Subsequently to that disbursement order, EQT

25

1 inadvertently paid into the account...into the escrow
2 account \$285.71. Mr. Traux would have 13.27620% of that and
3 we are here to get \$37.93 out of escrow for Mr. Traux.

4 Q. And that would close the escrow as to him but
5 then---?

6 A. Tract 4, yes.

7 Q. ---those remaining...that little bit of
8 remaining money that was paid inadvertently in January would
9 still belong in escrow and it would be distributed among
10 Tracts 1, 3, 5 and 6?

11 A. That's correct.

12 Q. Okay. And would you ask that any order that
13 the Board issue direct that future royalties paid direct...be
14 paid directly to Mr. Traux?

15 A. Yes.

16 JIM KAISER: Nothing further, Mr. Chairman.

17 SHARON PIGEON: Let's mark this page---.

18 JIM KAISER: Oh, and we will mark our summary sheet
19 as Exhibit A-1.

20 BUTCH LAMBERT: Any questions from the Board?

21 (No audible response.)

22 BUTCH LAMBERT: Anything further, Mr. Kaiser?

23 JIM KAISER: No, sir.

24 BUTCH LAMBERT: Do I have a motion?

25

1 MARY QUILLEN: Motion to approve.

2 BRUCE PRATHER: Second.

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

5 (No audible response.)

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

7 (All members signify by saying yes.)

8 BUTCH LAMBERT: Opposed, no.

9 (No audible response.)

10 BUTCH LAMBERT: Thank you, Mr. Kaiser. That's
11 approved. We're calling docket item number nine. A
12 petition from EQT Production Company on behalf of Clarence
13 W. Traux, Jr. for disbursement of funds from escrow. This
14 is Tract 1, unit 535612, docket number VGOB-03-0819-1174-02.
15 All parties wishing to testify, please come forward.

16 JIM KAISER: Jim Kaiser and Rita Barrett for EQT
17 Production Company.

18 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

19

20 RITA BARRETT

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

23 DIRECT EXAMINATION

24 QUESTIONS BY MR. KAISER:

25

1 Q. Ms. Barrett, is this again the exact same
2 situation as the previous two items?

3 A. It is. In January of 2012 EQT disbursed a
4 \$116,566.43. Subsequent to that disbursement order, there
5 was money paid into escrow in total of \$363,093. Mr. Traux's
6 percentage of that escrow would be 81.01639%. We're here
7 today to disburse \$294.84 to Mr. Traux. We would label that
8 Exhibit A-1.

9 Q. And the remaining money would be escrow
10 that's still in for Tract 2 of that unit?

11 A. That's correct.

12 Q. And would you ask that any order direct EQT
13 to pay all royalties due Mr. Traux directly from here forward?

14 A. Yes.

15 JIM KAISER: Nothing further, Mr. Chairman.

16 BUTCH LAMBERT: Any questions from the Board?

17 (No audible response.)

18 BUTCH LAMBERT: Anything further, Mr. Kaiser?

19 JIM KAISER: No, sir.

20 BUTCH LAMBERT: Do I have a motion?

21 MARY QUILLEN: Motion to approve.

22 BRUCE PRATHER: Second.

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

25

1 (No audible response.)
2 BUTCH LAMBERT: All in favor, signify by saying yes.
3 (All members signify by saying yes.)
4 BUTCH LAMBERT: Opposed, no.
5 (No audible response.)
6 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
7 approved.
8 RITA BARRETT: Thank you.
9 BUTCH LAMBERT: We're calling docket item number 10.
10 A petition from EQT Production Company on behalf of Mary C.
11 Mayes and Standard Banner Coal Corporation for disbursement
12 of funds from escrow for unit VC-538607,
13 docket number VGOB-07-1113-2071-01. All parties wishing to
14 testify, please come forward.
15 JIM KAISER: Jim Kaiser and Rita Barrett on behalf
16 of EQT Production Company.
17 MARY MAYES: Mary Mayes for Mary Mayes.
18 TAMARA FONTINO: I'm Tamara Fontino. I'm an
19 assistant to Mary Mayes.
20 BUTCH LAMBERT: Thank you. We need to swear you in,
21 please.
22 (Mary Mayes and Tamara Fontino are duly sworn.)
23 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Rita Barrett. I'm employed by EQT Production Company as a contract land agent.

Q. And is this a disbursement request for the well in...or wells in unit 538607?

A. That's correct.

Q. And have all parties been notified as required by statute?

A. Yes.

Q. And what tracts are we disbursing from?

A. We are disbursing from Tracts 1 and 3.

Q. Is this a partial or a full disbursement?

A. This is a partial.

Q. And what is the reason for disbursement?

A. There's a royalty split agreement between Mary Mayes and Victoria Rasnake and Standard Banner Coal Corporation dated July the 27th, 2007.

1 Q. And have the figures been reconciled by EQT
2 versus the figures of the bank?

3 A. Yes. However, it appears that there were
4 some checks that were mailed by EQT to Wachovia that were not
5 put in to these accounts and EQT is currently working to
6 rectify that and figure out what checks weren't cashed or put
7 into those accounts by Wachovia. So, we think that there
8 will be, in fact, additional money that will go to Ms. Mayes
9 in the future.

10 Q. And have we discussed that fact with Ms.
11 Mayes this morning?

12 A. We have.

13 Q. Okay. So, is sort of...has it been her
14 request that we go forward with the disbursement today so that
15 she can go ahead and receive this money that has been...and
16 she will address this, it has probably been incorrectly put
17 into escrow all this time, so that she can get that money and
18 then when the final reconciliation of the Wachovia errors is
19 complete and if there is money still due her that been escrow
20 we will come back and disburse again?

21 A. Yes.

22 Q. Okay. And what percentage for this
23 particular petition should the Board use for disbursement
24 purposes? Is it the percentages that are represented in the

25

1 next to the last column on the right titled percentage of
2 escrowed funds on the spreadsheet that is attached to our
3 application?

4 A. Yes.

5 Q. Okay. And who should receive these
6 disbursements?

7 A. Mary Mayes and Victoria Rasnake for Tract 1
8 26.32405%. Standard Banner for Tract 1 26.324057%. Tract
9 3 Mary Mayes 4.174147% and Tract 3 Standard Banner 4.174147%.

10 Q. And have you provided the Board with
11 Exhibits E and EE to reflect the disbursement that we're
12 asking for today?

13 A. Yes.

14 Q. And would ask that any order by the Board
15 stipulate that any royalty due to either Ms. Mayes or Standard
16 Banner be paid directly going forward?

17 A. Yes.

18 JIM KAISER: Nothing further at this time, Mr.
19 Chairman.

20 BUTCH LAMBERT: Ms. Barrett, is it your testimony
21 that the sheet, and we'll label it A-1, that the
22 amount...summary of the bank dated 2/2012 at 11,918 there
23 could be additional moneys once the bank account is
24 reconciled from Wachovia whatever the mistake may be?

25

1 RITA BARRETT: Yes, sir. We think that there will
2 be additional money that should have been paid into escrow
3 for this particular unit by Wachovia.

4 BUTCH LAMBERT: I want to turn to our assistant to
5 the Board and ask Mr. Cooper and Ms. Davis, is that something
6 that is being tracked or being identified through the escrow
7 that audit that was being conducted?

8 DIANE DAVIS: Yes, sir, it is. I don't know if this
9 particular has been addressed yet or not. But as we have
10 found these what we have found is sometimes they've entered
11 the wrong docket number on the check and as a result the bank
12 posted it to the wrong account or that checks were sent in
13 prior to. So, we could probably even look during lunch and
14 see if we have found anything on this.

15 BUTCH LAMBERT: Is this one of the accounts that
16 had...that we have gone through and looked at or you
17 probably...do you know that?

18 DIANE DAVIS: We probably have. Yes. We probably
19 have. I can't guarantee it. She has finished EQT's, right?

20 RICK COOPER: Yes.

21 DIANE DAVIS: I'll be glad to go look.

22 MARY MAYES: I would like to state if it would be
23 all right with the Board that we all bow our heads in a tribute
24 to Rick Crites who had worked with me diligently on this and

25

1 he brought it to my attention that there was more moneys owed
2 and he was working on this. I would say that you all probably
3 know who I'm talking about. He worked out of the Pittsburgh
4 office. I do believe he has been before the Board maybe a
5 couple of times. But he was working...I would like to ask
6 for us to bow our heads in a tribute to him, if it's okay with
7 the Board.

8 BUTCH LAMBERT: I'm not sure who...who are we
9 talking about?

10 JIM KAISER: He passed away.

11 RITA BARRETT: Rick Crites. He was our director of
12 accounting.

13 BUTCH LAMBERT: Oh, yeah. I'm sorry. Absolutely.
14 Yes, Ms. Mayes, that would be very appropriate.

15 (A moment of silence.)

16 BUTCH LAMBERT: Okay, thank you. Thank you, Ms.
17 Mayes. I appreciate that.

18 MARY MAYES: Thank you so much. I want to thank a
19 lot of people that tried to help with me, Butch especially,
20 you and Mike Abbott and Mr. John Matney. But, unfortunately,
21 you know, whenever difficulties arise no matter how much
22 paperwork you have if you don't have the correct paperwork
23 from the main office out of Pittsburgh the remittance
24 statements that go along with this gas well. Now, why this

25

1 was put in...why it was put in an escrow account is bekownest
2 to either me, Equitable or to the guys that sitting up there
3 from the Lebanon office because all of my paperwork was
4 signed. I signed a split agreement with Standard Banner. I
5 signed the agreement with EQT. Why this has went in and why
6 I never received any moneys on this is uncomparable to me.
7 I signed a split agreement with Standard Banner because my
8 husband was in a nursing facility and I desperately needed
9 the money at the time. So, I allowed EQT to drill the gas
10 wells. For the major part, I've had no major problems. But
11 I have had a lot of problems of dealing...trying to get this
12 before the Board because I knew this gas well took part of
13 a front yard to a rental property that I had on my property.
14 So, I wanted to discuss it with you all and also acknowledge
15 Rick and his endeavors to help me.

16 BUTCH LAMBERT: Is there an explanation, Mr. Kaiser
17 or Ms. Barrett, if there was a split agreement how come---?

18 RITA BARRETT: I'm not sure how this one fell through
19 the cracks. Apparently, when we had different parties
20 working on the pooling orders apparently they weren't aware
21 of the split agreement that was signed in 2007 between Ms.
22 Mayes and Standard Banner. But she's right---.

23 BUTCH LAMBERT: So---?

24 RITA BARRETT: ---it should have never have been

25

1 put into escrow.

2 BUTCH LAMBERT: So, after we...the Board will
3 approve this disbursement today. So, going forward it will
4 be direct payments, is that correct?

5 RITA BARRETT: Yes.

6 JIM KAISER: Yes, sir. And then if we find...if the
7 investigation finds that there is additional moneys in the
8 unit that are attributable to Ms. Mayes then we'll come back
9 before you and disburse them again.

10 BUTCH LAMBERT: Okay. So, Mr. Cooper and Ms. Davis,
11 if we can research that quickly...I mean, we may or may not
12 be able to tell but we can go look during lunch and see.

13 MARY MAYES: Well, I had a neighbor who lived next
14 door, Damon Rasnake, and he owned part of that well. He got
15 paid for his like clockwork. But I have all of his statements
16 of where he got. He had less acreage in that gas well than
17 I did. I had helped him originally and told him how to get
18 the split agreement and how to get his money started. I asked
19 him, I said, well, did you get your money without any hitch?
20 He said, yeah. He said, I guess you just call it the luck
21 of the draw. So, you know, maybe that's what it is. But I'm
22 sure that there is additional moneys floating around
23 somewhere that I should have had in my pocket.

24 BUTCH LAMBERT: Well, Ms. Mayes, we're certainly
25

1 working really hard, Rick and the staff, in auditing all of
2 those escrow accounts. After...when they get finished
3 looking at their portions of just reconciling those accounts
4 then we will...this Board is in the process of hiring an
5 accounting firm who will take a more in-depth look at each
6 one of those. So, all three of us working together,
7 hopefully, we'll be able to find that discrepancy for you and
8 get that money back to you if you're due that money.

9 MARY MAYES: I thank you, sir.

10 BUTCH LAMBERT: Thank you, Ms. Mayes. It's good
11 seeing you again.

12 MARY MAYES: Thank you all.

13 BUTCH LAMBERT: Mr. Kaiser, anything further?

14 JIM KAISER: We'd ask that the petition be approved
15 as submitted, sir.

16 DONNIE RATLIFF: Motion to approve.

17 BILL HARRIS: Second.

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

20 (No audible response.)

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

22 (All members signify by saying yes.)

23 BUTCH LAMBERT: Opposed, no.

24 (No audible response.)

25

1 SHARON PIGEON: Jim, we'll go ahead and mark your
2 reconciliation A-1.

3 RITA BARRETT: Thank you.

4 BUTCH LAMBERT: The next item on the docket is item
5 number 11. A petition from EQT Production Company for
6 disbursement of funds from escrow for a portion of Tract 1,
7 unit 536190, docket number VGOB-06-1114-1761-02. All
8 parties wishing to testify, please come forward.

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

11 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

12

13 RITA BARRETT

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

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. KAISER:

18 Q. Ms. Barrett, is this another disbursement
19 request?

20 A. It is.

21 Q. Have all parties been notified as required
22 by statute?

23 A. They have.

24 Q. And what unit are we disbursing from?

25

1 A. We are disbursing from unit VC-536190.
2 Q. And what tract?
3 A. Tract 1.
4 Q. Is this a partial or full disbursement for
5 Tract 1?
6 A. This is a partial.
7 Q. Okay. And the reason for the disbursement?
8 A. Apparently, EQT received some royalty split
9 agreements between Range Resources and the other parties in
10 Tract 1.
11 Q. Yeah. I think I've got them right here.
12 SHARON PIGEON: And that would be good for us to have
13 or for me to have.
14 JIM KAISER: Have you got these, Diane?
15 DIANE DAVIS: Is that the big package you sent me?
16 JIM KAISER: Yeah.
17 DIANE DAVIS: Yes. I got them. Have you got
18 W-9s in all of them?
19 JIM KAISER: Yeah.
20 DIANE DAVIS: Yes.
21 BUTCH LAMBERT: Can we get our Counsel a copy?
22 DIANE DAVIS: Yes, we can.
23 BUTCH LAMBERT: Thank you.
24 SHARON PIGEON: Are they all the same percentage?

25

1 RITA BARRETT: Yes. Apparently, they're all 75/25.

2 SHARON PIGEON: Okay. Thank you.

3 Q. And have you...have the figures been
4 reconciled between the escrow agent and EQT's figures?

5 A. Yes.

6 Q. And the...as of what date are these
7 disbursement figures?

8 A. As of February of 2012.

9 Q. And what percentage of escrow should be used
10 for disbursement? Would that be the...it's a 75/25 split as
11 you've testified to. But the percentage of the escrowed
12 funds in the unit is depicted in the next to the last column
13 on the right of what we are calling Exhibit A-1, is that
14 correct?

15 A. Yes.

16 Q. And that would be the figure that the Board
17 would use for their ultimate disbursement?

18 A. Correct.

19 Q. And who should...well, should all the
20 parties that are listed on Exhibit A-1, should they be the
21 folks receiving the disbursement?

22 A. Yes.

23 Q. And have you provided the Board with
24 Exhibits E and EE to reflect this disbursement?

25

1 A. Yes.

2 Q. And should all of these royalty interest
3 owners be...should the order direct...do you ask that the
4 order that all of these royalty owners be paid directly going
5 forward?

6 A. Yes.

7 JIM KAISER: Nothing further at this time, Mr.
8 Chairman.

9 BUTCH LAMBERT: Ms. Barrett, are you going to read
10 all of the names or would you like for us to accept those into
11 the record?

12 RITA BARRETT: I would beg that you would accept that
13 exhibit into the record.

14 BUTCH LAMBERT: Accepted. Any questions from the
15 Board?

16 (No audible response.)

17 BUTCH LAMBERT: Anything further, Mr. Kaiser?

18 JIM KAISER: We'd ask that the petition be approved,
19 Mr. Chairman.

20 BUTCH LAMBERT: Do I have a motion?

21 MARY QUILLEN: Motion to approve.

22 BRUCE PRATHER: Second.

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

25

1 (No audible response.)
2 BUTCH LAMBERT: All in favor, signify by saying yes.
3 (All members signify by saying yes.)
4 BUTCH LAMBERT: Opposed, no.
5 (No audible response.)
6 BUTCH LAMBERT: Thank you, Mr. Kaiser. That's
7 approved.
8 JIM KAISER: Thank you.
9 RITA BARRETT: Thank you.
10 BUTCH LAMBERT: The next item on the docket is item
11 number 12. The Board will consider a petition filed by
12 Michael Hamilton appealing the DGO Director's decision in the
13 informal fact-finding hearing 240007 and informal
14 fact-finding hearing 240008, docket number
15 VGOB-12-051-3067. All parties wishing to testify, please
16 come forward.
17 JIM KAISER: Jim Kaiser and possible George Heflin
18 for EQT. I've not received any correspondence or message
19 from Mr. Hamilton. I guess you might ask if he's here.
20 MARY QUILLEN: He's coming.
21 JIM KAISER: No, that's George. I'm talking about
22 Mr. Hamilton.
23 MARY QUILLEN: Oh.
24 BUTCH LAMBERT: Is there a Mr. Michael Hamilton

25

1 present?

2 SHARON PIGEON: Did you see him this morning?

3 JIM KAISER: No. I believe he lives in Maryland.

4 I don't even know if we need to swear him. I mean, based on
5 the fact that Mr. Hamilton has not made an appearance for his
6 appeal, we would ask that the Board uphold the decision of
7 the Director Rick Cooper in this matter for both of these
8 permits as entered on or executed on the 27th of March, 2012.

9 BUTCH LAMBERT: Mr. Cooper, would you provide us
10 with just a brief history of what we're here to decide upon
11 today.

12 RICK COOPER: Yes. Mr. Hamilton has filed an
13 objection. I think the first hearing was in March of 2010
14 and he did not show up. So, it was postponed until May of
15 2010. Tim Hamilton, the brother of Michael Hamilton, showed
16 up and then Mr. Kaiser and Mr. Heflin presented their case.
17 At that time...let me correct that. In the May hearing, Mr.
18 Heflin and Mr. Kaiser gave their testimony and Mr. Asbury the
19 previous Director postponed it a third time. During the
20 third hearing Tim Hamilton's brother, Michael Hamilton, did
21 show up. Mr. Heflin and Mr. Kaiser wanted their previous
22 testimony to go on the record. They went ahead and
23 testified. They had the land agent there also to testify on
24 behalf of the property. It's a very small...it's like a four

25

1 hundredths ownership in
2 this---

3 JIM KAISER: Yes, you're right. It's 0.04% of the
4 surface ownership.

5 RICK COOPER: The Hamilton's have like four
6 hundredths. But after all of the testimonies, Mr. Hamilton
7 said that he had no evidence to bring forward. He had no
8 testimony to give. So, there was never any testimony or any
9 evidence to dispute the claim of EQT in this matter. They
10 brought forward their title and deed work that did indeed show
11 that they had the right to progress onto this property and
12 ascertain their mineral.

13 JIM KAISER: We actually were requested by Mr.
14 Asbury to small brief on the matter, which we did and Mr.
15 Hamilton and didn't file a brief or file any evidence
16 whatsoever.

17 RICK COOPER: So, the conclusion was...I have spoken
18 to Michael Hamilton numerous times and even as recent as last
19 week and still he has no evidence or no documents to dispute
20 any of the claims. They keep saying they have, but they have
21 never come forward with any documents for me to see or look
22 at.

23 BUTCH LAMBERT: Are there any questions from the
24 Board for Mr. Kaiser or Mr. Cooper?

25

1 SHARON PIGEON: Just to clarify on the record, this
2 is an appeal from a hearing concerning a permit? That's how
3 it happened to be before the Board?

4 RICK COOPER: Correct. That is correct.

5 JIM KAISER: Actually, two permits, I think.

6 RICK COOPER: Yes, two permits.

7 BUTCH LAMBERT: Two...two permits.

8 RICK COOPER: A pipeline permit and a well permit.

9 SHARON PIGEON: We have something in the documents
10 that we have provided today signed by Mr. Hamilton that says
11 he objecting to it, but it doesn't track any of the statutory
12 objections that are allowed to an owner for objections to a
13 permit. This is it. It's all we have. I would mark---.

14 RICK COOPER: That is all we have is the one document
15 that was ever submitted. That was all that was ever
16 submitted on behalf of Michael Hamilton.

17 SHARON PIGEON: I would suggest that you mark that
18 Exhibit A just so there's no question about what we're looking
19 at.

20 BUTCH LAMBERT: Are there any other questions for
21 Mr. Cooper?

22 (No audible response.)

23 BUTCH LAMBERT: If not, do I have a motion on the
24 decision of the Division Director either to uphold or to

25

1 rescind that decision?

2 MARY QUILLEN: Motion to uphold the decision of the
3 Director.

4 BRUCE PRATHER: Second.

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

7 (No audible response.)

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

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

10 BUTCH LAMBERT: Opposed, no.

11 KATIE DYE: No.

12 BUTCH LAMBERT: We're calling docket number 13.

13 The Board on its own motion will consider a revision or

14 clarification to the language of the Nora Coalbed Methane

15 Field Rules. This will be docket number VGOB-89-0126-0009.

16 Providing testimony will be EQT.

17 (George Heflin and Abby Tomkevich is duly sworn.)

18 BUTCH LAMBERT: Mr. Cooper, would you provide us a

19 little background before receive any testimony, please?

20 RICK COOPER: This particular issue had come up a

21 year or so ago. I guess it would have been one year this past

22 February. There had been a couple of violations cited in

23 regards to the fracturing level of a couple of wells. It was

24 determined that the wells were fractured above what the Nora

25

1 Field Rules currently have. Through the process we've
2 worked and talked over the last six or eight months and we've
3 came to the conclusion that, and EQT has come to the table
4 with the point that the elevation of the Nora Coal Field
5 should be moved up and that there is producible coals above
6 where it was originally stated. We have agreed to those
7 terms at this time and we brought this in front of the Board
8 to change the Nora Field Rules to move it up to the Kennedy
9 to the base of the Pennsylvania to broaden the fracturing
10 pattern. The thing that I point out here, this does not
11 exclude the fact that the company still has to protect the
12 water. So, they still have to be 300 feet beneath the lowest
13 known water source, at least that. Also, they still have to
14 have consent to stimulate 750 feet horizontally and 100 foot
15 vertical from this site here. It does not negate the fact
16 that they still have to do that.

17 BUTCH LAMBERT: I guess at this time, we'll hear
18 testimony from EQT on the need for the Board to reconsider
19 the Nora Field Rules to include other seams that may be able
20 to produce gas while at the same time protection of the water
21 zone areas. So, Mr. Kaiser, would you like to proceed?

22 JIM KAISER: Yes. I guess we'll call Ms. Abby
23 Tomkevich as a witness.

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ABBY TOMKEVICH

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Abby, if you could state your name, who you work for and in what capacity.

A. My name is Abby Tomkevich. I've a geologist at EQT.

Q. And have you been involved in their coalbed methane program in Southwest Virginia?

A. Yes.

Q. And would it be your professional opinion based upon your education and experience that this change to the Nora Field Rules order is necessary in order to more accurately define the producible coal seams in that field?

A. Yes.

Q. And could you explain why or sort of the geology of it?

A. I mean, we would like to produce any, you know, possible coal seams. As far as the way things have been done previously in our understanding of what coal seams we could produce, we stimulated those following, you know, the requirements of the State and it was misunderstanding in the

1 wording of the original documents that were out there.

2 Q. So, in other words, I guess when the original
3 field was established since that time operators or at least
4 EQT and maybe even other operators have discovered that there
5 were additional producible coal seams above drainage that
6 could be produced in that field?

7 A. Yes.

8 Q. And would it be accurate to say that you've
9 talked to the other CBM producers in Southwest Virginia and
10 they would be in agreement with this clarification?

11 A. Yes.

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

14 BUTCH LAMBERT: I would like to direct the Board's
15 attention to in your package you have an
16 order---

17 DONNIE RATLIFF: We don't have it.

18 BUTCH LAMBERT: You don't have it.

19 BRUCE PRATHER: I'd like to ask a question, please.

20 BUTCH LAMBERT: Mr. Prather, before you do, let me
21 read this. I think this pretty much says what their asking
22 for the Board to agree with their testimony and a
23 clarification of the rule. Since you don't have it in your
24 packet, I'll read it. It says, "It appearing this Board that

25

1 the applicant Equitable Resources Exploration is the owner
2 of the right to develop and produce oil and gas from the
3 coalbed known as the Raven, Jawbone, Upper Horsepin, Middle
4 Horsepin, War Creek, Beckley, Lower Horsepin, the Pocahontas
5 No. 8, Pocahontas No. 4, Pocahontas No. 4, Pocahontas No. 1
6 and other associated formations known as the coal...Nora
7 Coalbed Gas Field underlying the lands described in the map
8 attached." It goes on. But I think what the question here
9 is that now that the company that started producing the Nora
10 Coalbed just like Ms. Tomkevich stated other formations have
11 now been determined to produce gas and the companies, EQT
12 thinks that that language "other associated formation known
13 as the Nora Coalbed Gas" also includes that. But there was
14 some discrepancies of whether or not the Division of Gas and
15 Oil agreed with that interpretation because it didn't
16 specifically address it in this language. So, that's what
17 we're here to decide whether or not there's a reason to modify
18 this order to include those seams or not.

19 JIM KAISER: I think that's a good summation of the
20 issue.

21 SHARON PIGEON: I think there's actually two issues.
22 One, does the original Nora order include anything above the
23 Raven? One question. Number two, I think you're here if we
24 determine...or the Board determines that it does not, you

25

1 would like it modified to include above the Raven?

2 JIM KAISER: Correct.

3 SHARON PIGEON: It's two question.

4 BUTCH LAMBERT: Okay. So, are there any...let me
5 give you just a few minutes.

6 BRUCE PRATHER: I've got just---

7 BUTCH LAMBERT: Okay, Mr. Prather. I'm sorry. Go
8 ahead.

9 BRUCE PRATHER: Jim, did you say that you were going
10 to...if this was coal seams that were even above drainage.
11 Did you...is that what you said?

12 JIM KAISER: Well, if I did, I didn't mean to.

13 ABBY TOMKEVICH: Yeah. Yeah.

14 BRUCE PRATHER: I mean, as far as I'm concerned if
15 you want to protect the groundwater, you're going to have to
16 keep thing below drainage somewhat otherwise if you frac
17 these things above drainage the sand is going to come out on
18 the hillside.

19 JIM KAISER: No, this...this would all be below.

20 GEORGE HEFLIN: If I may, all of this is below
21 drainage. We don't frac anything below drainage.

22 BRUCE PRATHER: All right.

23 GEORGE HEFLIN: It's similar to what you're saying.
24 If you're going to protect Ailifier you need to be below...you

25

1 have to confide to the State Regulations which wouldn't allow
2 us to do it anyway. With the stimulation we would have to
3 have a consent to stimulate from the coal owner and operator
4 and operator of record for any formation that we want to
5 stimulate and again it doesn't make any sense really to try
6 to stimulate anything above drainage or even try to produce
7 anything above drainage. Most of the coal was either...most
8 of the gas either escaped because of cuts or breaks in the
9 surface or something similar to that. Most of your gas you
10 don't see down below the Ailifiers and deeper.

11 JIM KAISER: Yeah, again. I guess to kind of sum
12 it up. Originally, we took the position that the original
13 field rules order was good because the associated...we
14 thought the language associated formations with the Nora
15 Coalbed Gas Field covered that. The DGO and maybe the Board
16 took the position that we needed to clarify that. I think
17 that most producers have found that there are additional
18 producible seams below drainage above (inaudible). That's
19 what we're here to ask for.

20 BRUCE PRATHER: Okay.

21 GEORGE HEFLIN: Right. And one of the differences
22 between the Nora Field and the Oakwood Field and the other
23 related fields that have had field rules established is is
24 there has been basically a top formation and a bottom

25

1 formation. The Nora formation...the Nora Field and our
2 interpretation was naming any coal seam available that is
3 productive. In this particular case, by producing this
4 language and getting it put into the order it will clarified
5 more or less a top for the Nora Field and the bottom for the
6 Nora Field. It will be more or less the same type of order
7 that at the end of the day as you have with the Oakwood and
8 the Pilgrims Knob and those areas.

9 MARY QUILLEN: What would you propose as the top?

10 GEORGE HEFLIN: We're saying in this one the
11 language that we would like to incorporate would be all
12 producible coal seams and associated formations named or
13 unnamed coal seams from the Kennedy to the base of the
14 Pennsylvanian Coal Seams it may be developed and stimulated.

15 MARY QUILLEN: And that is within the Range of below
16 of the Ailifier?

17 GEORGE HEFLIN: Correct. Now, sometimes it's like
18 some of these seams even the Jawbone which is a deep formation
19 which is deep mining coal plus sometimes a surface mining
20 coal. You have to remember these coals deep and also incline
21 and some places these particular formations are exposed above
22 the surface and other places are a mile deep.

23 MARY QUILLEN: Right. So, it's going to change from
24 location to location but keeping it within the boundaries

25

1 that is currently in the language of the field rules?

2 GEORGE HEFLIN: Right. Right. What we would like
3 to have is the flexibility to be able to produce those
4 seams---

5 MARY QUILLEN: Right.

6 GEORGE HEFLIN: ---without issue if and when we
7 penetrate that seam and it's productive.

8 BRUCE PRATHER: I've got a question, Mr. Chairman.

9 BUTCH LAMBERT: Mr. Prather.

10 BRUCE PRATHER: It has always been my inclination
11 that once you get 300 or 400 feet below drainage if you hit
12 a coal seam down there's probably not much pressure left.
13 So, basically what we're talking about would be at what depth
14 would you say limit what you're going to do because I know
15 if you get up 200 foot below drainage you're not going to frac
16 that thing.

17 GEORGE HEFLIN: Again, it would depend on the coal
18 seam and what we see in the log as we---

19 BRUCE PRATHER: And the pressure.

20 GEORGE HEFLIN: Right. Right.

21 BRUCE PRATHER: Yeah. I mean, that is a limiting
22 factor is---

23 GEORGE HEFLIN: Right. That's correct.

24 BRUCE PRATHER: ---because, you know, you're so

25

1 shallow a lot of the gas has leaked out to the surface.

2 GEORGE HEFLIN: Correct.

3 BUTCH LAMBERT: Or by protection of the water zones.

4 GEORGE HEFLIN: Yes, sir.

5 BUTCH LAMBERT: And it would still have to be below
6 that water zone.

7 GEORGE HEFLIN: Right.

8 BUTCH LAMBERT: Mr. Heflin, in January 26, 1989
9 there was testimony presented when establishing the Nora Coal
10 Field I'll read directly from the transcript, it said...I
11 guess that's Mr. Ramadie. It said, "Yes, the Jawbone Seam
12 or lower. Although possibly in some area...other areas it
13 could be the Raven. It might also be feasible if it falls
14 down lower." So, I guess the question being this was 1989
15 when a lot of the fields hadn't been developed yet. But
16 now---.

17 SHARON PIGEON: That was the testimony for this
18 order for the Nora Field order.

19 BUTCH LAMBERT: Yeah, I think I stated...but now
20 given that field is more developed are you finding that
21 these...that Raven might not be the top seam?

22 GEORGE HEFLIN: That's correct.

23 SHARON PIGEON: Where is the Aily seam in connection
24 with the Kennedy? I believe I heard you

25

1 say---.

2 GEORGE HEFLIN: The Aily seam?

3 BUTCH LAMBERT: The Aily seam. She not from around
4 here.

5 GEORGE HEFLIN: It's the different pronunciation.
6 It's like Dante and Dante and Dante.

7 SHARON PIGEON: Whatever that is that starts with
8 an A.

9 GEORGE HEFLIN: In this particular case it would be
10 below the Kennedy.

11 SHARON PIGEON: In this particular case, is that
12 a---?

13 GEORGE HEFLIN: Well, I should say in all cases.
14 I'm sorry.

15 SHARON PIGEON: That's part of the problem here.
16 We're getting in this particular case and---.

17 GEORGE HEFLIN: Right. Right.

18 SHARON PIGEON: So, it---.

19 GEORGE HEFLIN: What we were looking for was the
20 seams to try to establish a top for this particular field.
21 Of course, the bottom being the basement or the very bottom
22 of the Pennsylvania coal seams because there's numerous
23 Pennsylvania coal seams named. Whether or not at the end of
24 the day how many times it will frac the Kennedy, I don't know.

25

1 It depends on again the depth of the Kennedy in relations to
2 the oil and gas regulations plus whether it's productive or
3 non-productive---.

4 JIM KAISER: And the water Ailifier, correct?

5 GEORGE HEFLIN: ---and the water Ailifier. But
6 it's to help establish so that if we do drill down and go
7 through producible coal seams that we're allowed to stimulate
8 those coal seams and produce those coal seams.

9 BUTCH LAMBERT: Well, I think the key here that we
10 have to keep in mind is the protection of the water zone.

11 GEORGE HEFLIN: Correct.

12 RICK COOPER: Right. You still have to be a minimum
13 of 300 feet or 50 feet below the lowest known water horizon.

14 GEORGE HEFLIN: Correct.

15 BUTCH LAMBERT: So, Mr. Heflin, are you asking the
16 Board to clarify the top seam?

17 GEORGE HEFLIN: I'm asking that we incorporate the
18 language as we requested to clarify a top...the most top
19 formation that can be stimulated, yes.

20 SHARON PIGEON: Well, again, back to the fact that
21 there are two issues here. I don't think there is any
22 clarification to be done on the top because the order reads
23 from the top down very specifically. But the second issue
24 if you want to modify the Nora and use the Kennedy as the top

25

1 seam. But I don't think that can be interpreted as
2 clarifying the order that's in existence.

3 GEORGE HEFLIN: All right. Let me rephrase that
4 then. We'd like to modify the order to include the Kennedy
5 and below.

6 BILL HARRIS: The only comment that I'm making...I
7 would like to make personally it would help to...you know,
8 the geologic charts that show where all of these seams are.
9 When you all start starting talking about the Kennedy, I have
10 no idea of where we are. I know the Pennsylvanian is at the
11 lower end. I don't have...I guess I don't have...yeah, thank
12 you.

13 BUTCH LAMBERT: Sorry.

14 BILL HARRIS: That's okay.

15 SHARON PIGEON: Is this what he wants?

16 BUTCH LAMBERT: I gave it to him.

17 SHARON PIGEON: Oh, okay.

18 BILL HARRIS: I really don't have a specific
19 question other than just trying to formulate in my mind of
20 where we where. So, basically we're raising the ceiling to
21 include the Kennedy?

22 GEORGE HEFLIN: That's correct. And all seams in
23 between.

24 BRUCE PRATHER: The Kennedy is a very gassy coal
25

1 seam.

2 GEORGE HEFLIN: In places.

3 BRUCE PRATHER: Well, it's pretty much...although,
4 you know, I don't know too much about where it's real shallow.
5 But it's a very gassy coal seam. It usually makes gas on its
6 own, the Kennedy gas.

7 GEORGE HEFLIN: That's what we're hoping for.

8 MARY QUILLEN: Well, as you learn more and
9 more...when these field rules were written there was probably
10 not as much information and certainly not enough exploration
11 that had been done there to have included everything and as
12 it involves over time and more wells are drilled you're
13 discovery more and you're opening up your opportunities to
14 find the gas.

15 GEORGE HEFLIN: That's correct.

16 JIM KAISER: Yeah, 1989 was a long time ago.

17 MARY QUILLEN: Yeah.

18 GEORGE HEFLIN: That's correct. We had limited
19 information. With technology changing everyday---

20 MARY QUILLEN: Exactly. Technology has made---

21 GEORGE HEFLIN: Horizontal drilling is going to
22 change a lot of drilling opportunities also.

23 MARY QUILLEN: ---many things possible now that
24 weren't in '89.

25

1 BRUCE PRATHER: George, do you think that your
2 casing program from the surface down will...in other words,
3 in some places you might have that Kennedy at maybe 400 feet.
4 Do you think in some respects that the casing program is
5 already set up for the top of the whole is going to give you
6 any kind of conflict that you might be up there that the
7 Kennedy might be 200 and we've got the State having the
8 water...or the amount of pipe is 300? Do you envision any
9 of that?

10 GEORGE HEFLIN: That could happen and it probably
11 has happened in the past where we've had to leave producible
12 coal seams behind because the one above the Ailifier, the
13 lowest point of the Ailifier and we couldn't produce it
14 because of the possibility of...we would be in conflict with
15 the regulations. But there is going to be that possibility
16 going forward.

17 ABBY TOMKEVICH: And the way we run casing too, I
18 mean, we pay people to go out and survey, you know, to where
19 the water is and we put our casing below that point too. So,
20 therefore, that automatically---

21 BRUCE PRATHER: Well, I mean, all I'm talking about
22 is I wouldn't want to have a conflict that we approved the
23 Kennedy and---

24 ABBY TOMKEVICH: Right.

25

1 BRUCE PRATHER: ---it's up in our casing program.

2 GEORGE HEFLIN: I think that Mr. Cooper touched base
3 on it that no matter what we do here it's still...the State
4 regulations will dictate what we can and can't produce from.
5 If it's above the 300 foot or if the Ailifier is at 350 or
6 400 we can't stimulate anything above that.

7 BRUCE PRATHER: Okay. I just wanted to make sure
8 we didn't have a conflict.

9 GEORGE HEFLIN: Right. Right.

10 BUTCH LAMBERT: Any other questions or comments from
11 the Board?

12 JIM KAISER: Ms. Pigeon, I'm thinking that maybe and
13 this will...the draft order that we prepare in the second line
14 we might want to change clarification to modification.

15 SHARON PIGEON: Modification.

16 JIM KAISER: We'll get that to you.

17 SHARON PIGEON: Clarification is going to be an
18 appeal for me.

19 BUTCH LAMBERT: Anything further, Mr. Kaiser?

20 JIM KAISER: No. We'd ask the request...the
21 request that we've made for this modification of the Nora
22 Field Rules order be approved.

23 BUTCH LAMBERT: Do I have a motion on request to
24 modify the Nora Field Rule to include the Kennedy coal seam?

25

1 SHARON PIGEON: And below.

2 BUTCH LAMBERT: And below.

3 MARY QUILLEN: Motion to approve.

4 DONNIE RATLIFF: Mr. Chairman.

5 BUTCH LAMBERT: Mr. Ratliff has a comment.

6 MARY QUILLEN: I'm sorry.

7 DONNIE RATLIFF: The way this reads are we only
8 allowing EQT?

9 GEORGE HEFLIN: No. No. Just would be field wide,
10 I would think.

11 SHARON PIGEON: No, this is a modification of an
12 existing field rule.

13 MARY QUILLEN: Of the field rules, right?

14 BRUCE PRATHER: Uh-huh.

15 SHARON PIGEON: A straight modification.

16 JIM KAISER: We're just the requester.

17 SHARON PIGEON: Actually, you did request it, but
18 the Board brought it before the Board on their own motion.

19 JIM KAISER: Right.

20 GEORGE HEFLIN: Correct.

21 JIM KAISER: Right. Which we appreciate.

22 BUTCH LAMBERT: I have a motion from Ms. Quillen.

23 BILL HARRIS: Second.

24 BUTCH LAMBERT: I have a motion and a second. Any

25

1 further discussion?

2 (No audible response.)

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

4 (All members signify by saying yes.)

5 BUTCH LAMBERT: Opposed, no.

6 (No audible response.)

7 BUTCH LAMBERT: Thank you. That sure will be
8 modified.

9 JIM KAISER: Thank you.

10 GEORGE HEFLIN: Thank you.

11 BUTCH LAMBERT: We're calling docket item number 14.

12 A petition from CNX Gas Company, LLC for pooling of coalbed
13 methane unit C-20. This is docket number VGOB-12-0515-3059.

14 All parties wishing to testify, please come forward.

15 MARK SWARTZ: Mark Swartz and Anita Duty. We would
16 like to continue 20 for a month.

17 BUTCH LAMBERT: Continue number 20?

18 MARK SWARTZ: Yes. We're told that there's some
19 leasing opportunities that might cause that to be affected.

20 BUTCH LAMBERT: Calling docket item number 20. A
21 petition from CNX Gas Company, LLC for pooling of coalbed
22 methane unit ZZZ-32, docket number VGOB-12-0515-3065. It
23 will be continued until?

24 MARK SWARTZ: Just a month.

25

1 A. Two.

2 Q. And who is the applicant?

3 A. CNX Gas Company.

4 Q. Okay. And who is that the applicant

5 proposes would be the operator if the pooling application

6 were approved?

7 A. CNX Gas Company.

8 Q. And in that regard, is CNX Gas Company, LLC

9 a Virginia General Partnership---?

10 A. Yes.

11 Q. ---or actually Limited Liability Company?

12 A. Oh.

13 Q. Sorry.

14 A. Yes.

15 Q. Okay. Is it authorized to do...is CNX

16 authorized to do business in the Commonwealth?

17 A. It is.

18 Q. Has CNX registered with the DMME?

19 A. Yes.

20 Q. And does it have a blanket bond on file?

21 A. It does.

22 Q. Okay. Have you...what did you do to notify

23 people that we were going to be having a hearing today with

24 regard to C-20?

25

1 A. I mailed by certified mail return receipt
2 requested on April the 13th, 2012 and published in the
3 Bluefield Daily...the notice and location map in the
4 Bluefield Daily Telegraph on April the 18th, 2012.

5 Q. Okay. And have you...do you have with you
6 today your certificates with regard to mailing and your proof
7 of publication so you can file those with the Director?

8 A. Yes.

9 Q. And what interest has the applicant acquired
10 in this unit and what are you seeking to pool in terms of
11 percentage?

12 A. We've acquired 89.5375% of the coal, oil and
13 gas owner's claim to the CBM. We're seeking to pool 10.4625%
14 of the coal, oil and gas owner's claim to the CBM.

15 Q. Okay. And this is one of the rare units
16 where there's no escrow requirement?

17 A. Correct.

18 Q. Okay. Have you provided well cost
19 information?

20 A. Yes.

21 Q. And the total, I believe, is \$564,467.63, is
22 that correct?

23 A. Yes.

24 Q. And that's the combined cost of the two
25

1 proposed wells?

2 A. It is.

3 Q. And the first well estimated cost is what?

4 A. \$201,838.63 with an estimated depth 2,455
5 feet. The permit number is 6546.

6 Q. 6546?

7 A. Yes.

8 Q. Okay. And then the second well?

9 A. C-20A is \$362,629, 1,750 feet estimated
10 depth and the permit number is 12132.

11 Q. Okay. And if we look at the map of the unit
12 it appears that both of these wells are located within the
13 drilling window?

14 A. They are.

15 Q. Okay. Do you want to add any respondents
16 today?

17 A. No.

18 Q. Do you want to dismiss any?

19 A. No.

20 Q. And what are the standard...are the lease
21 terms that you have offered to people that you've been able
22 to...well, the nearly the 90% of the unit that you've been
23 able to lease, what are those terms?

24 A. Five dollars per acre per year with a five

25

1 year paid up term and a one-eighth royalty.

2 Q. Okay. And would you recommend those terms
3 to the Board with regard to the deemed to have been leased
4 option?

5 A. I would.

6 Q. Okay. Is it your opinion that drilling two
7 frac wells in the drilling window of this Oakwood 80 acre unit
8 is a reasonable way to develop coalbed methane from within
9 and under the unit?

10 A. Yes.

11 Q. Is it your further opinion that if you
12 combine a pooling order pooling the respondents here with the
13 folks that you've been able to reach agreements with, the
14 correlative rights and interests of all owners and claimants
15 will be protected?

16 A. Yes.

17 MARK SWARTZ: That's all I have.

18 BUTCH LAMBERT: Any questions from the Board?

19 BILL HARRIS: Yeah.

20 BUTCH LAMBERT: Mr. Harris.

21 BILL HARRIS: Let me ask about the AFEs. We have
22 two AFEs that are, is that correct, at the end, that are very
23 dissimilar in their presentation of detail? Is there a
24 reason why those two are so different?

25

1 MARK SWARTZ: 11 years.

2 BILL HARRIS: Okay.

3 MARK SWARTZ: The first one is October of 2001
4 and---

5 BILL HARRIS: Ah.

6 MARK SWARTZ: ---the second one is now. What
7 happened---

8 BILL HARRIS: We've asked---

9 MARK SWARTZ: What happened was this unit initially
10 was sought to be pooled in the one. There was a conclusion
11 reached that everybody was leased. So that order was
12 vacated. Then subsequently we felt like it needed to be
13 pooled. So, we've got a well that's 11 years old. That's
14 the cost difference.

15 BILL HARRIS: Thank you.

16 MARK SWARTZ: Did I get that right or do you need
17 to straighten me out?

18 ANITA DUTY: No, that's---

19 MARK SWARTZ: Okay.

20 ANITA DUTY: A lease expired.

21 MARK SWARTZ: Okay. A lease expired.

22 ANITA DUTY: It shouldn't have, but---

23 SHARON PIGEON: Have these been drilled? Have they
24 been drilled?

25

1 (No audible response.)

2 SHARON PIGEON: And the election rights will go to
3 each well separately?

4 ANITA DUTY: Yes.

5 MARK SWARTZ: You can pick and choose?

6 ANITA DUTY: To these individuals.

7 SHARON PIGEON: We have a different situation here.
8 You pooled and then you didn't pool on the first one and now
9 you're pooling---

10 MARK SWARTZ: No, they're getting one election
11 option. They're---

12 SHARON PIGEON: One election option for---

13 ANITA DUTY: They're either both or none.

14 MARK SWARTZ: Right.

15 SHARON PIGEON: So, they can participate in over
16 \$564,000 plus---

17 MARK SWARTZ: Right.

18 SHARON PIGEON: ---or not?

19 MARK SWARTZ: Correct.

20 SHARON PIGEON: They cannot participate in
21 \$201,000?

22 MARK SWARTZ: Correct.

23 BUTCH LAMBERT: Any other questions from the Board?

24 (No audible response.)

25

1 BUTCH LAMBERT: Anything further, Mr. Swartz?

2 MARK SWARTZ: No.

3 BUTCH LAMBERT: Do I have a motion?

4 BRUCE PRATHER: Motion to approve.

5 MARY QUILLEN: Second.

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

8 (No audible response.)

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

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

11 BUTCH LAMBERT: Opposed, no.

12 KATIE DYE: I'll abstain.

13 BUTCH LAMBERT: Okay, ladies and gentlemen, we're
14 going to take an hour break for lunch. If you'll please be
15 back by 1:00 o'clock.

16 (Lunch break.)

17 BUTCH LAMBERT: If you'll please take your seats,
18 we'll resume our proceedings. We're calling docket item
19 number 15. A petition from CNX Gas Company, LLC for pooling
20 of coalbed methane unit D-32. This is docket number
21 VGOB-12-0515-3060. All parties wishing to testify, please
22 come forward.

23 MARK SWARTZ: Mark Swartz and Anita Duty.

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

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

MARK SWARTZ: Mr. Chairman, I would like to, if I could, incorporate Anita's prior testimony this morning about the applicant and operator and the lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you, sir.

(Anita Duty and Mark Swartz confer.)

MARK SWARTZ: Anita says that I'm supposed to ask you to combine this with the next one since it's exactly the same people.

BUTCH LAMBERT: Well, we'll do exactly what she asks us to do.

ANITA DUTY: Thank you.

BUTCH LAMBERT: Okay. We're also calling item number 16. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit E-32, docket number

1 VGOB-12-0515-3061.

2 MARK SWARTZ: Appearing on that one also Mark Swartz
3 and Anita Duty.

4 BUTCH LAMBERT: Okay. You may proceed, Mr. Swartz.

5

6 ANITA DUTY

7 DIRECT EXAMINATION RESUMES

8 QUESTIONS BY MR. SWARTZ:

9 Q. Are these...Anita, state your name for us
10 again.

11 A. Anita Duty.

12 Q. Okay. And who do you work for?

13 A. CNX Land Resources.

14 Q. I'm going to remind you that you're still
15 under oath, okay?

16 A. Okay.

17 Q. All right. Did you either prepare or
18 supervise the preparation of these applications?

19 A. I did.

20 Q. Okay. And did you sign the applications and
21 the notices?

22 A. Yes.

23 Q. Are both of the units Oakwood units?

24 A. Yes.

25

1 Q. Okay. And are they Oakwood 80s?

2 A. They are.

3 Q. Okay. What did you do to inform the
4 respondents that we were...and other people that we were
5 going to have a hearing today?

6 A. For both docket items the...we mailed by
7 certified mail return receipt requested on April the 13th,
8 2012. For both they were pub...the notice and location map
9 were published in the Bluefield Daily Telegraph on April the
10 18th, 2012.

11 Q. And have you brought with your certificates
12 with regard to mailing and your proof of publication so you
13 can file those with Mr. Cooper today?

14 A. Yes.

15 Q. Okay. Would you take...would you tell us
16 what interest the applicant has acquired in the units by
17 agreement or purchase and what it is in each of the units that
18 the applicant is seeking to pool?

19 A. For unit D-32 we have acquired 100% of the
20 coal owner's claim to the CBM. We are seeking...no wait.
21 I'm sorry. We have acquired 89.1469% of the oil and gas
22 owner's claim to the CBM. We're seeking to pool 10.8531% of
23 the oil and gas owner's claim to the CBM. For unit E-32 we've
24 acquired a 100% of the coal owner's claim to the CBM.

25

1 98.8719% of the oil and gas owner's claim to the CBM. We're
2 seeking to pool 1.1281% of the oil and gas owner's claim to
3 the CBM.

4 Q. With regard to both of these units, do you
5 want to add any people as respondents?

6 A. No.

7 Q. Do you want to dismiss any of the respondents
8 that you noticed?

9 A. No.

10 Q. Okay. The...let's start with D-32 and just
11 look for...the plat. It looks like there are two wells
12 proposed for this unit.

13 A. There is.

14 Q. And one is in the window and one is just south
15 of the window, correct?

16 A. Yes.

17 Q. Okay. Have you provided well cost
18 estimates for both the wells in E-32?

19 A. Yes.

20 Q. And would you tell us about those?

21 A. For well D-32 the estimated cost is
22 \$386,813. The estimated depth is 2,287 feet. There's no
23 permit at this time. For well D-32A the estimated cost is
24 \$284,951. The estimated depth is 2,350 feet. There's no

25

1 permit for that one either.

2 Q. And from a participation standpoint, the
3 combined cost is reflected in the notice and is what amount?

4 A. \$671,764.

5 Q. Okay. As long as we're on D-32, it looks
6 like we have an escrow requirement.

7 A. Yes. For a portion of Tracts 2 and...3 and
8 4.

9 Q. Okay. And let's look for a moment at that.
10 It looks like there's just a piece of the...those tracts
11 that's in conflict.

12 A. Yes.

13 Q. A quarter?

14 A. A quarter interest in both.

15 Q. Okay. And you've reflected that in your
16 Exhibit E?

17 A. I have.

18 Q. And there's no Exhibit EE and from that can
19 we conclude that as far as you know there are no split
20 agreements for unit D-32?

21 A. Correct.

22 Q. Turning to E-32, how many wells are
23 proposed?

24 A. One.

25

1 Q. Okay. And in reference to the plat, it
2 looks like that well is actually in the drilling window.

3 A. It is.

4 Q. And what information have you provided to
5 the Board with regard to the costs permitting status of that
6 well?

7 A. The estimated cost is \$337,827. The
8 estimated depth is 2,310 feet. There is no permit at this
9 time.

10 Q. Okay. And that's a frac well, correct?

11 A. It is.

12 Q. And the two wells in the other unit, the D-32
13 unit, are also frac wells?

14 A. They are.

15 Q. And with regard to E-32, is there also an
16 escrow requirement?

17 A. For a portion of Tracts 2 and 3.

18 Q. Okay. And we have the same situation with
19 the Rogers Cousins being in conflict with LBR Holdings for
20 a quarter?

21 A. Yes.

22 Q. Okay. And that's represented in your
23 Exhibit E?

24 A. It is.

25

1 Q. And, again, with regard to E-32 we do not
2 have, at least as far as we know, an Exhibit...any split
3 agreements. So, there is no Exhibit EE.

4 A. Correct.

5 Q. Okay. Is it your opinion that if you
6 combine a pooling order pooling the respondents that you've
7 notified and named in these applications with the leasing and
8 acquisition efforts of the applicant that the correlative
9 rights of all of the owners and claimants here will be
10 protected?

11 A. Yes.

12 Q. And is your further opinion that drilling
13 one well in the window of E-32 and drilling two wells in the
14 locations depicted in the plat in D-32 is a reasonable way
15 to develop the coalbed methane resource from within and under
16 these units?

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: Ms. Duty, on D-32 we've got two wells
22 and we have two AFEs. If I wanted to participate, would I
23 have to participate in both wells or would I have the
24 opportunity of either or?

25

1 ANITA DUTY: Both together.

2 BUTCH LAMBERT: And why would I have to do that? Why
3 couldn't I select a well? If I'm in...if I'm in a unit or
4 a Tract 1A and I just want to participate in
5 D-32 why couldn't I do that?

6 ANITA DUTY: Well, I guess...I mean, I guess it's
7 really up to you all how you want us to do it. If you would
8 rather us do separate, we can.

9 BRUCE PRATHER: Well, you would offer both wells to
10 the royalty owners and if they just wanted to be in one then
11 that would be it, wouldn't it?

12 MARK SWARTZ: Well, here's the problem. A lot of
13 times we are here and we've already pooled a unit and people
14 had their election option in the first well. So, now they're
15 getting an election option in the second well and from our
16 standpoint they can take a pass on it. You know, they
17 haven't...by electing in the first well for a known number
18 they didn't sign up for the second one. Historically, when
19 we have been in front of the Board with two wells at the same
20 time the orders have come down because we have presented it
21 that way that, you know, you're in for a penny or you're in
22 for a...I mean, you know, you've got to participate in both
23 of them. My view from an accounting standpoint and
24 conceptually standpoint, if you're doing them at the same

25

1 time my view would be just to direct people to elect in both
2 of them, but it's totally up to you all. I mean, you have
3 the power to incorporate terms in the orders.

4 BUTCH LAMBERT: Well, I'm looking at the AFE for both
5 wells and combined well, you know, if...I might elect to
6 participate in D-32A at \$284,000 versus well maybe I don't
7 want to or can't participate in a \$600,000. I'm just asking
8 questions here just to see what the rationale is from your side
9 of why it's none or both.

10 MARY QUILLEN: I can't remember this question coming
11 up before. I always assumed that they could elect to
12 participate in one or both if they had that option.

13 BRUCE PRATHER: Yeah.

14 MARK SWARTZ: I'm pretty sure the order states a
15 total completed cost and it's the combined number they way
16 they're drafted.

17 DIANE DAVIS: It use not to be. It is now.

18 MARY QUILLEN: That's the reason that---.

19 DIANE DAVIS: At one time, the estimated
20 costs---.

21 BUTCH LAMBERT: Well, we did this on one just a
22 few...just before lunch and we allowed both of them. That
23 has kind of bothered me the whole time that...since we did
24 that why we---.

25

1 ANITA DUTY: Which if you would rather us do them
2 individually, we can do that.

3 BUTCH LAMBERT: Well, I think it's a Board decision.
4 I'm just asking questions here from---

5 ANITA DUTY: Well, that's what...I mean, that's what
6 I meant you as the Board.

7 SHARON PIGEON: The statute says well.

8 BUTCH LAMBERT: The statute says well.

9 MARK SWARTZ: And I guess my response would
10 be---

11 SHARON PIGEON: Who cares.

12 MARK SWARTZ: ---I'm not sure it matters---

13 (Laughs.)

14 MARK SWARTZ: ---because, you know, the plural can
15 mean the...you know, I mean, I would have to spend some time
16 with that statute. Sharon and I have these discussions all
17 the time, okay, and I guess all of you anticipated that kind
18 of a response, which is awesome, you know. But the part of
19 the statute, you know, which...which is why we're not pushing
20 back here real hard, you know, there is a...it's very clear
21 in the statutes that one of the responsibilities of this Board
22 is to describe the financial terms that go in an order. That,
23 you know, you have these options and these are the terms that
24 are going to apply for these options. So, I mean, there's

25

1 not doubt in my mind that you all have the power to say, you've
2 got to participate in both or you can participate in one or
3 other.

4 BUTCH LAMBERT: Well, I was kind of...to go back to
5 what Ms. Quillen said, I was just kind of, I guess, under the
6 impression that when this came up before that folks had the
7 option to either or until we heard testimony from Ms. Duty
8 that said no you've got to have them both or you're out. So,
9 that's---

10 MARK SWARTZ: Well, the way the order...the way
11 paragraph nine of the order has read historically there is
12 a number that gets filled in for the total applicable cost
13 number. My recollection is it's the combined number. So,
14 when you have been entering an order, that's what I've been
15 seeing.

16 ANITA DUTY: It has really never been...I mean, I
17 guess the...maybe a technical. Like if somebody...like we
18 have the same owners. We pooled...we have been pooling them
19 because we have a JOA. We're trying to get all of units kind
20 of done. I don't sit there and like if they say unit...you
21 know, we'd like to participate in a unit, I don't say, well,
22 okay, they only mean one or the other...and they're doing
23 carried. You know, I don't write them back and say, okay,
24 you said you wanted to be carried. Do you want to be carried

25

1 in one or both? I just assume that it's both. And it has
2 really never been an issue with anything that we've had
3 participation with before. So, I guess, it's just up to you
4 how you want us to handle it from...going forward.

5 BUTCH LAMBERT: A question from Ms. Davis. You
6 said...Diane, you said that it has changed recently.

7 DIANE DAVIS: And I don't...no, not recently. It
8 has been a while back. At one time I know when Bob was still
9 here, he always broke it out even if they submitted it in as
10 one number. He would break it out and list it, you know,
11 when they were doing two wells at one time as two. I...if
12 I'm not mistaken now most of them come in on CNX's side one
13 number. I can't tell you without looking---

14 BUTCH LAMBERT: You don't remember why it was
15 changed or---

16 DIANE DAVIS: I cannot tell you why.

17 SHARON PIGEON: Was that for two wells or was it a
18 dry hole cost and a complete cost?

19 ANITA DUTY: I think we did a little different than
20 EQT and maybe some of the other ones because they do theirs
21 individually and we do it by unit. So, if you would rather
22 us do it by well, we can do that. It's not a problem.

23 BILL HARRIS: Just personally I would...I would
24 prefer having a choice of one or two because, I mean, there's

25

1 a big...I mean, you know, we're talking money. I know it's
2 easy to say on paper one or two or, you know, take your pick.
3 But in terms of investing money or paying in money I would
4 like to have that option personally speaking. But---

5 MARK SWARTZ: You know, there are reasons to be in
6 two wells instead of one. For example, what if one is
7 substantially better than the other one and you pick the wrong
8 one, you know.

9 BILL HARRIS: Well---

10 MARK SWARTZ: Well, I'm just saying.

11 BRUCE PRATHER: It's a draw.

12 MARK SWARTZ: That's okay. But, I mean, it's
13 not...it is not a foregone conclusion that you're going to
14 be better off going with the less expensive well on a bang
15 for your buck. Yeah.

16 BILL HARRIS: Yeah. Sure. Well, that's like going
17 to an investor and he said, oh, you need to invest over here
18 and over here. No, I want to take my pick. I'll just
19 check...you know, check this one. That one is short and
20 then, well, that's as you said, the luck of the draw, I mean.
21 But I had that option to do that. I don't know that---

22 BRUCE PRATHER: This is all risk applicable anyway.

23 ANITA DUTY: Well, and because you develop one well,
24 you're...some of your costs are saved in the second well

25

1 because you've already built your roads and you've already
2 got your...I mean, because that's...I mean, I guess we kind
3 of look at it as a whole. You save a little money on your
4 second one because of the work that you've done to get there
5 initially---

6 BUTCH LAMBERT: Right.

7 ANITA DUTY: ---and things. I don't know.

8 DONNIE RATLIFF: But you pool the unit.

9 BUTCH LAMBERT: Uh-huh. That's right...we
10 pool---

11 BRUCE PRATHER: See this is risk capital anyway.
12 So, risk capital, you know, you're taking your chance.
13 You're not guaranteed anything. I mean, you know, if you
14 break down and lose the whole it's money gone. So, it's risk
15 capital. So, if you're taking the risk and you want both of
16 them, fine.

17 ANITA DUTY: Well, and honestly we have...I mean,
18 mostly we have carried. Like I said I just...you know, when
19 I'm looking at the...they say unit and I've...we're showing
20 them a carried interest in both wells. I mean, we've kind
21 of always looked at it like that.

22 MARY QUILLEN: You said most of these are carried?

23 ANITA DUTY: Most of the elections that we get are
24 carried. Not that we don't have some participating, but, you

25

1 know, like some of these same units that we pooled these
2 cousins the last---.

3 MARY QUILLEN: Right.

4 ANITA DUTY: ---few months, when we've gotten the
5 Board orders they've come back and wanted to be carried. I
6 didn't specifically say which wells. It was just if there
7 was two they are in two.

8 MARY QUILLEN: Right. Right. Right. Uh-huh.
9 So, the participants usually make the largest investments,
10 of course.

11 ANITA DUTY: Yes. And we have less of those than
12 we do the other.

13 MARY QUILLEN: Yeah.

14 (Off record discussion per Chairman.)

15 MARY QUILLEN: Okay. I guess we just that we just
16 had never made that distinction. I mean, I've been here a
17 long time and---.

18 MARK SWARTZ: I mean, Liz is sending me a copy of
19 a Board order in a minute. I thought I had some scanned in,
20 but I don't. But I just want to confirm that my recollection
21 is correct. But it's one number for the unit.

22 ANITA DUTY: And---.

23 MARY QUILLEN: Okay. So, it's a unit no matter how
24 many wells. They are either in or out. So---.

25

1 MARK SWARTZ: So far that has been the way---.

2 ANITA DUTY: And if there's a second...like on the
3 one where it only has the one well---.

4 MARY QUILLEN: Uh-huh.

5 ANITA DUTY: ---if we decide later on that we
6 can't...that we can work in another well, then I'll come back
7 and say we need to allow an election in the second well because
8 we've done...we've done that too. So, in those cases you
9 would...that's where we have been offering individual
10 because we didn't offer it---.

11 MARY QUILLEN: It would...an individual well if you
12 come back and make a second offering?

13 MARK SWARTZ: Well, and you'll have---.

14 ANITA DUTY: As long as we didn't include two to
15 start with like on...you know, on one of the ones---.

16 MARK SWARTZ: Docket item 21 today we've got some
17 issues that we're...some mapping issues that we're cleaning
18 up. It's a repooling. But we're also coming back for a
19 second well.

20 MARY QUILLEN: Right.

21 MARK SWARTZ: And that will be a situation where we
22 will be saying to you this is a second well, you know, and
23 we're back here because we can't...we can't do a second well
24 without coming back. So, we either need to do two wells up

25

1 front or come back and the people will get an election option
2 in the second well. The unit was so screwed up that they're
3 going to get an election option in the first well too because
4 they really didn't have a fair chance. But, you know, when
5 we come back for a second well as we have many times, people
6 get...get an option on the second order.

7 MARY QUILLEN: Right.

8 BILL HARRIS: But that means if I participated in
9 the first I'm not obligated to do the second.

10 MARK SWARTZ: You are not obligated.

11 ANITA DUTY: Because we do it after different times.

12 BRUCE PRATHER: See what they're saying is
13 that...it's controlled by the order, isn't it? Is
14 that---?

15 MARK SWARTZ: Correct. The order so far, if we're
16 here on two at a time, has been you're participating in the
17 unit and not individual wells. But I'm just---

18 BRUCE PRATHER: Yeah.

19 MARY QUILLEN: But if they're done at different
20 times then it's individual wells?

21 MARK SWARTZ: Correct.

22 BRUCE PRATHER: Yeah.

23 MARY QUILLEN: I guess maybe that's where the
24 distinction is---

25

1 SHARON PIGEON: Historically, I think we've had more
2 of those.

3 MARY QUILLEN: ---that...I mean, I just had not
4 noticed it. That was just my observation. When you think
5 about it, you think of it, you know, as unit and I just didn't
6 make that distinction. It just hasn't come up.

7 BRUCE PRATHER: It's a Board order.

8 BUTCH LAMBERT: Okay. I think Ms. Davis she agrees
9 that that's in the order right now the way it's said that way.

10 DIANE DAVIS: It is right now, yes. It has been for
11 some time.

12 BUTCH LAMBERT: Let's continue on and then when we
13 get to the end of this if we need to have more discussion when
14 we get ready to vote, then we'll take it up at that time.
15 Okay, I think we were at...we were looking for additional
16 Board comments.

17 MARK SWARTZ: Right.

18 BUTCH LAMBERT: Anything further from the Board?

19 (No audible response.)

20 BUTCH LAMBERT: Ms. Duty, I think you did testify
21 that D-32 was out...yeah, D-32 is outside the window. Is
22 that correct?

23 MARY QUILLEN: Yes. Yes.

24 BUTCH LAMBERT: Production will come from within the
25

1 window? No, never mind. I'm sorry. Forget... forget that
2 comment and strike it. I'm think in about horizontals.
3 Forget it. Okay, any other comments from the Board?

4 (No audible response.)

5 BUTCH LAMBERT: Anything further, Mr. Swartz?

6 MARK SWARTZ: No.

7 BUTCH LAMBERT: Okay. Do I have a motion to
8 approve? I also need a motion on whether or not the Board
9 will require...require that participation can be in
10 either/or or will they have to be in both wells...elect to
11 participate in both wells or none or can they elect either/or.

12 BILL HARRIS: Should that be two motions because---?

13 MARY QUILLEN: We need two motions.

14 BUTCH LAMBERT: Yes, it will be. But's
15 let's...Mrs. Dye has a question.

16 KATIE DYE: Since this is something general, do I
17 have a vote in the option?

18 BUTCH LAMBERT: I think we will split that up in a
19 separate vote and you will have an opportunity to vote.

20 KATIE DYE: Okay. I have one comment. I think one
21 thing that you need to consider here is that the people don't
22 have a choice of whether their land is going to fall in a unit
23 that has two wells at one time or one well and then a second
24 well. So, I'm not sure that in not dividing this up that we

25

1 area failing to protect maybe correlative rights. You're
2 creating an unfair playing field is what you're doing. That
3 will be at the distinction of the unit operator.

4 BUTCH LAMBERT: Okay. First, do I have a motion
5 on...to approve the pooling of the unit?

6 MARY QUILLEN: Motion to approve.

7 BRUCE PRATHER: Second.

8 MARK SWARTZ: There's actually two units.

9 BUTCH LAMBERT: On the two. Yeah, I'm sorry.

10 MARY QUILLEN: On the two.

11 BUTCH LAMBERT: On E-32 and D-32.

12 MARY QUILLEN: Right. 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 Katie Dye.)

19 BUTCH LAMBERT: Opposed, no.

20 KATIE DYE: I'll abstain.

21 BUTCH LAMBERT: One abstention Mrs. Dye. Now, do
22 I...can I entertain a motion on whether or not to allow
23 election rights in either/or the wells or do they have to
24 elect for both wells only?

25

1 SHARON PIGEON: Election rights per well as opposed
2 to per unit.

3 BUTCH LAMBERT: What she said.

4 SHARON PIGEON: As the statute says. Election
5 rights per well as opposed to per unit.

6 BRUCE PRATHER: Per order.

7 KATIE DYE: Well, we don't have the power to change
8 a statute, do we?

9 SHARON PIGEON: We have some power, but that's not
10 exactly what the Board order has ordered in the past.

11 KATIE DYE: Well, shouldn't the Board order be in
12 compliance with the statute?

13 SHARON PIGEON: Well, there's a certain argument.
14 I think Mr. Swartz made it even though it's not my argument.
15 Let me underscore that. The order can be brought enough to
16 address two wells and that's what it has done.

17 BUTCH LAMBERT: Does everyone understand what
18 we're...what we're getting ready to ask for a motion upon?
19 Any discussion?

20 MARY QUILLEN: Well, didn't Ms. Pigeon just read the
21 statute that it said wells?

22 KATIE DYE: It said well.

23 BILL HARRIS: Singular.

24 BRUCE PRATHER: Singular.

25

1 KATIE DYE: Without the S.

2 SHARON PIGEON: That's right. And Mr. Swartz gave
3 us the counter-argument and it has some...his argument even
4 though it's from him and not me, does have some value. So,
5 I just want you to give him, you know, the benefit of the doubt
6 here. You can either goes his way or you can go my way. He's
7 correct though that the Board does have more general power
8 in drafting their orders. It can be more inclusive than just
9 what that one section that read says. That's his argument.

10 BRUCE PRATHER: Well, Ms. Pigeon, do you
11 think---?

12 KATIE DYE: Before we vote can I ask Ms. Pigeon one
13 more question?

14 BRUCE PRATHER: Do you think the Board as a whole
15 recognize that if you drill more than one well with an order
16 that the royalty owners weren't getting an opportunity to
17 participate? This is the first I've heard of it. I don't
18 know about anybody else on the Board.

19 BUTCH LAMBERT: Mrs. Dye?

20 KATIE DYE: Just one question that I would ask Ms.
21 Pigeon. In her professional opinion, if we do it according
22 to the way Mr. Swartz and the way it has been done, are we
23 protecting correlative rights? Are we making it a fair
24 playing field for everybody?

25

1 SHARON PIGEON: I can't answer that. I think that's
2 a personal opinion type of question. I think the better way
3 under the law is to give election rights per well. I don't
4 think that is necessarily the only interpretation of the
5 entire act.

6 DONNIE RATLIFF: Mr. Chairman, if there was a well
7 already there and CNX came in and ask for a second well, you
8 would offer participation on the second well only or would
9 you go back and give them an opportunity to---?

10 MARK SWARTZ: The second well only because they
11 already had a shot at the first one.

12 DONNIE RATLIFF: They already had a...it was already
13 offered the first time.

14 BUTCH LAMBERT: But if it was a repooling and you
15 were adding another well, would they have---?

16 ANITA DUTY: Now, repoolings because the allocation
17 changes and things like that, we give another election.

18 BUTCH LAMBERT: But sometimes we see...we have seen
19 a repooling with the second well have we not?

20 ANITA DUTY: Yes. And whenever their acreage is
21 affected or their percent of the unit is affected we give them
22 the option to go back to the first one and the second one.
23 The only time I guess it's really an issue is when we pool
24 two to start with. We include two---.

25

1 SHARON PIGEON: I don't think that has actually
2 happened too frequently. It's generally been going back to
3 a unit with one well that is already established. So,
4 whether we have this in our order now or not, this has not
5 been done a lot in my opinion.

6 BUTCH LAMBERT: So, do I have a motion or does the
7 Board fill that this...we need a little bit more additional
8 time to explore this whole idea?

9 MARY QUILLEN: I think that we need more time really
10 to look...to see exactly how...how often this happens and
11 what the likelihood of these people would be deter from
12 participating if they could only participate in the two
13 wells.

14 BILL HARRIS: Well, I...well, I understand what
15 she's saying. I'm sort of inclined to agree. But I'm not
16 sure how you're going to do that. Are you going to question
17 everybody that has had an opportunity to do one or two and
18 ask them if---?

19 BUTCH LAMBERT: Well, I think our...in my mind,
20 what we do is we go back and look at the previous records and
21 see...and see if we can determine when and why it was changed?
22 From what Ms. Davis was telling us it didn't use to be that
23 way, but at some point it changed. I personally would like
24 to know why...why it was changed.

25

1 MARY QUILLEN: Yeah. That's what I'm saying. we
2 need to do a little more---

3 MARK SWARTZ: Let me suggest two things to you. I'm
4 looking at the statute on pooling. The statute is framed in
5 such a way that the concept is that you pool units and you
6 don't pool wells. The definition of a well in a unit in
7 relationship, if you read the definitions, a unit is the size
8 or the acreage sufficient to support one well. Generally
9 speaking that's how it's defined. But, of course, because
10 we have coal issues, you can have more than one well in a unit.
11 So, you know, I think there is a fair amount of the elasticity
12 in the fact that you're pooling a unit, okay, which
13 conceptually could have one well in it. It could have more
14 than one well in it. So, you know, are we looking for
15 participation in that unit or are we looking for
16 participation in a well we don't really care. Okay, I mean,
17 you know, we're not saying that would be impossible. But
18 Anita raises another question, which is an interesting
19 question and I'm not sure we want to take a step without
20 thinking it through, what do we do in a sealed gob area where
21 we've got 20 wells? You know, some of these are huge.

22 ANITA DUTY: 200 or 300.

23 MARK SWARTZ: Or 300. You know, do we...there is
24 really no reasonable conceptual way to let people pick wells

25

1 in that kind of a setting, you know, because they're
2 really...they need to participate in that sealed gob unit or
3 not. As you may or may not recall in sealed gob units, when
4 we add we can add wells beyond a certain defined amount that
5 we can, you know, unload the costs and...but we do that on
6 our own nickle. I mean, there are some things here that I
7 think we probably need to think about in terms of are we
8 opening some doors that we don't want to open another unit.
9 I don't know. But that's...you know, obviously in a sealed
10 gob unit you will hear a much different response from us
11 because I don't know how the heck you would deal with that.

12 MARY QUILLEN: That's true. That's a good point.

13 KATIE DYE: But that's apples and oranges. It's two
14 different things.

15 MARK SWARTZ: They're multiple wells and do you get
16 to pick? How is that apples and oranges? I mean, it's---

17 BRUCE PRATHER: Yeah.

18 MARY QUILLEN: Uh-huh.

19 BRUCE PRATHER: It's all either...it's all either
20 one or none is what it amounts to.

21 MARK SWARTZ: It's one or none.

22 KATIE DYE: But typically you're...just one unit is
23 going to have two wells and not 25.

24 BRUCE PRATHER: Yeah.

25

1 MARY QUILLEN: Yeah, in the gob unit. That's true.

2 ANITA DUTY: Well, and you think if you keep having
3 an operator pick the second because they know that most of
4 the costs are going to occur during...you know, when you put
5 the first well in. What if you see a trend where they're
6 always picking the second well?

7 DONNIE RATLIFF: So---?

8 SHARON PIGEON: Yeah. What's wrong with that?

9 MARK SWARTZ: Well, no, but..no, we have...no, they
10 are infrastructure costs that are in the first well that the
11 second well gets a free ride on.

12 ANITA DUTY: A benefit.

13 MARK SWARTZ: And so...I mean, that's Anita's point
14 and not...you know, so they're kind of cherry picking the
15 other people in that and not just the operator.

16 BUTCH LAMBERT: But they have a risk in that second
17 well just like they would in the first one.

18 MARK SWARTZ: I agree. But if you time...time it
19 you're avoiding the...the development costs that are
20 associated with power to some extent, to roadways...you know,
21 there is a...there is generally speaking some infrastructure
22 in place that the second well benefits from. Not always, you
23 know.

24 ANITA DUTY: Well, you can see the difference in that

25

1 example, the 280,000 versus the---.

2 KATIE DYE: But then again if you go with the first
3 well you don't have any idea. You may be buying into
4 potentially a dry hole.

5 ANITA DUTY: But it's a risk just like it is for
6 everybody.

7 KATIE DYE: Yeah.

8 MARK SWARTZ: Well, neither one of these wells have
9 been drilled. So, you've got the same risk of making a bad
10 choice, you know. You don't have some well that's already in
11 the unit that you can say is doing well.

12 BRUCE PRATHER: Well, this is risk capital anyway.

13 MARK SWARTZ: I understand. But not everybody has
14 that attitude that you have, okay. You're in
15 the---.

16 BRUCE PRATHER: Well, that had better.

17 MARK SWARTZ: No, no. But you're in the business
18 and you have sort of a...you know, a...you have an
19 understanding of risk and opportunity. We have people being
20 carried and participating in units who are really not in the
21 business of taking risk in the sense that you use the term.
22 So, I think, you know...you know, we have people that we deal
23 with who are not venture capitalist who are not, you know,
24 in the business. I think, you know, we need to bear that in

25

1 mind when we're looking at, you know, how...how risk tolerant
2 are they.

3 BRUCE PRATHER: Well, if you can't afford the
4 writeoffs---

5 MARK SWARTZ: I know. I know.

6 BRUCE PRATHER: ---you shouldn't be in it period.

7 MARK SWARTZ: I know. But, you know, we hear that
8 all the time, you know. It may be true but it's probably
9 recognized more and it's breached and---

10 BRUCE PRATHER: Yeah.

11 BUTCH LAMBERT: Okay, folks, we've...in an interest
12 of time, we still have got a lot of docket items to cover.
13 We can go on with this discussion most of the rest of the day,
14 I think. Let's...we've approved the pooling order, let's
15 continue this discussion for our next month's meeting and
16 we'll vote on it at that time.

17 SHARON PIGEON: Well, are you affording election
18 rights?

19 BUTCH LAMBERT: I think on this one we have.

20 SHARON PIGEON: Both or nothing?

21 BUTCH LAMBERT: Uh-huh.

22 MARK SWARTZ: Okay.

23 DIANE DAVIS: To both wells.

24 BUTCH LAMBERT: Both or nothing on this one. We've
25

1 approved the pooling order.

2 DIANE DAVIS: Just approved the pooling order.

3 BUTCH LAMBERT: Yeah. And we've only approved the
4 pooling order. Okay, we're calling docket item number 17.
5 Diane...Ms. Davis, would you be sure that this...that item
6 could be on the agenda for next month on the Board's own
7 motion?

8 DIANE DAVIS: I've lost you. I'm sorry?

9 BUTCH LAMBERT: On our---.

10 DONNIE RATLIFF: To consider the election options.

11 BUTCH LAMBERT: We'll consider the election
12 options.

13 DIANE DAVIS: Oh, yes. Yes, sir.

14 BUTCH LAMBERT: Okay, thank you. We're calling
15 docket item number 17. A petition from CNX Gas Company, LLC
16 for pooling of coalbed methane units AU-92, docket number
17 VGOB-12-0515-3062. All parties wishing to testify, please
18 come forward.

19 MARK SWARTZ: Mark Swartz and Anita Duty again.

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

21

22 ANITA DUTY

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

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

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

A. Yes.

Q. Okay. This is unit AU-92, correct?

A. Yes.

MARK SWARTZ: I would like to incorporate Anita's testimony with regard to the operator and applicant from the prior hearing and also with regard to standard lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

Q. This is a Nora unit, correct?

A. Yes.

Q. Okay. And it's a slightly different size and shape?

A. It's a 60.49 acre.

Q. And it's clearly a rectangle?

A. Yes.

Q. Okay. How many wells are proposed?

A. Two.

1 Q. And where are they in relation to the window?

2 A. Within the window.

3 Q. Okay. What is the combined cost of those
4 two wells?

5 A. \$804,278.

6 Q. Okay. What did you do to notify the
7 respondents and others that we were going to hearing today?

8 A. I mailed by certified mail return receipt
9 requested on April the 13th, 2012. I published the notice
10 and location map in the Bluefield Daily Telegraph on April
11 the 19th, 2012.

12 Q. And do you have your certificates with
13 regard to mailing and proof of publication to file with Mr.
14 Cooper today?

15 A. Yes.

16 Q. What is the applicant's interest that it has
17 acquired by lease or purchase in this unit and what is the
18 applicant seeking to pool?

19 A. We've acquired 89.2379% of the coal, oil and
20 gas owner's claim to the CBM. We're seeking to pool 10.7621%
21 of the coal, oil and gas owner's claim to the CBM.

22 Q. And there is no escrow requirement here,
23 correct?

24 A. Correct.

25

1 Q. And we don't have any Exhibit EEs either?

2 A. No.

3 Q. Okay. And have you provided cost estimates
4 with regard to each of the wells?

5 A. Yes.

6 Q. And could you cover that information with
7 us?

8 A. For well AU-92, the estimated cost \$370,440.
9 The estimated depth is 2,245 feet. The permit number is
10 11805.

11 Q. Okay.

12 A. For well AU-92A, the estimated cost is
13 \$433,838. The estimated depth is 2,101 feet. The permit
14 number is 99995.

15 Q. Okay. Do you want to add anybody or dismiss
16 anybody as applicants?

17 A. Just with the---.

18 Q. Okay. But it's the same parties, correct,
19 or are you adding?

20 A. We needed to include Range.

21 Q. Oh, okay. So, we do need to add somebody?

22 A. Yes.

23 Q. The revised exhibits that you've passed out
24 to the Board today address a leased interest, right?

25

1 A. Well, we have left...we should have shown
2 the leased interest as being EQT 50% and Range 50%. We have
3 left Range out. We didn't realize that there was a JV that
4 they had between the two of them where the leases were 50/50.
5 So, we were contacted---

6 Q. So, when you---

7 A. ---by EQT.

8 Q. Okay. So, when you were looking at the
9 records that were available to you indicating who had title
10 and who had a lease you were showing EQT, correct?

11 A. Correct.

12 Q. And after you notified them EQT they advised
13 you that it was actually a 50/50 situation?

14 A. Yes.

15 Q. And do you revise exhibits correct the tract
16 ID and Exhibit B-3 to reflect that?

17 A. It does.

18 Q. Okay. And is it your testimony and opinion
19 that drilling two frac wells in the window of this Nora unit
20 is a reasonable way to develop the coalbed methane?

21 A. Yes.

22 Q. And is it also your testimony that combining
23 a pooling order pooling the folks identified in revised
24 Exhibit B-3 and the tract ID and combining that pooling order

25

1 with your lease and acquisition...the results of your leases
2 and acquisitions that the correlative rights of everyone both
3 leased and unleased people will be protected?

4 A. Yes.

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

7 BUTCH LAMBERT: Any questions from the Board?

8 (No audible response.)

9 BUTCH LAMBERT: I suppose this is another one where
10 it's both or none?

11 ANITA DUTY: Yes.

12 BUTCH LAMBERT: Okay.

13 ANITA DUTY: Today.

14 BUTCH LAMBERT: Today. Okay, any other questions
15 from the Board?

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. Are
23 there any further discussion?

24 (No audible response.)

25

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

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

3 BUTCH LAMBERT: Opposed, no.

4 KATIE DYE: I'll abstain.

5 BUTCH LAMBERT: We're calling docket item number 18.

6 A petition from CNX Gas Company, LLC for pooling of coalbed

7 methane unit X-48, docket number VGOB-12-0515-3063. All

8 parties wishing to testify, please come forward.

9 MARK SWARTZ: Mark Swartz and Anita Duty.

10 BUTCH LAMBERT: Have a seat, gentlemen. Please

11 state your name for the record.

12 DONALD R. JOYCE: Donald R. Joyce.

13 BUTCH LAMBERT: Sir, could you state your name for

14 the record, please?

15 DENNIS JOYCE: Huh?

16 BUTCH LAMBERT: State your name for the record.

17 DENNIS JOYCE: Dennis Joyce.

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

19 (Donald R. Joyce and Dennis Joyce are duly sworn.)

20

21

22

23

24

ANITA DUTY

25

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

3 DIRECT EXAMINATION

4 QUESTIONS BY MR. SWARTZ:

5 Q. Anita, would you state your name for the
6 record, please?

7 A. Anita Duty.

8 Q. Who do you work for?

9 A. CNX Land Resources.

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

12 A. Yes.

13 MARK SWARTZ: Mr. Chairman, I'd like to incorporate
14 Anita's testimony with regard to the operator and applicant
15 and standard lease terms from the prior hearing.

16 BUTCH LAMBERT: Accepted.

17 Q. Anita, did you either prepare or supervise
18 the preparation of the notice of hearing, application and
19 related exhibits with regard to unit
20 X-48 that we have on the docket today?

21 A. I did.

22 Q. Okay. What did you do to notify people that
23 we were going to have a hearing on this today?

24 A. I mailed by certified mail return receipt

25

1 requested on April the 13th, 2012. I published the notice
2 and location map in the Bluefield Daily Telegraph on April
3 the 19th, 2012.

4 Q. And do you have your certificates with
5 regard to mailing and your proof of publication with you today
6 so you can file those with Rick Cooper?

7 A. Yes.

8 Q. Okay. What kind of unit is this?

9 A. It's an Oakwood 80 acre unit.

10 Q. How many wells are proposed?

11 A. One.

12 Q. And is that well located within the drilling
13 window?

14 A. Yes.

15 Q. Is that a frac well?

16 A. Yes.

17 Q. Okay. Do you want to add any people as
18 respondents today?

19 A. No.

20 Q. Do you want to dismiss any people?

21 A. No.

22 Q. Would you summarize for the Board the
23 interest that the applicant has acquired in this unit and the
24 interest that you're seeking to pool?

25

1 A. We've acquired a 100% of the coal owner's
2 claim to the CBM. 49.475% of the oil and gas owner's claim
3 to the CBM. We're seeking to pool 50.525% of the oil and gas
4 owner's claim to the CBM.

5 Q. Okay. And is there going to be escrow
6 required in this unit?

7 A. Yes. For Tracts 2A and 3B.

8 Q. If you look at Exhibit E with regards to
9 escrow, it looks like we are in general talking about some
10 conflicts, correct?

11 A. Yes.

12 Q. Okay. And are there any split agreements in
13 this unit?

14 A. There are for Tracts 2B and 3A.

15 Q. And have you provided an Exhibit EE with
16 regard to the split agreements?

17 A. Yes.

18 Q. Okay. Have you provided any information
19 with regard...in terms of costs and so forth with regard to
20 the proposed well?

21 A. Yes.

22 Q. And what...what is that information?

23 A. The estimated cost is \$412,425. The
24 estimated depth is 2,265 feet. The permit number is 9266.

25

1 Q. Do you know if it has been drilled yet?

2 A. Yes, it has.

3 Q. Just to get us focused here, does a gentleman

4 by the name Donald R. Joyce have an interest in this unit?

5 A. Yes.

6 Q. And what is...what is that interest?

7 A. It's a one-third interest.

8 Q. Well, in terms of acres in the unit?

9 A. 0.063.

10 Q. And what percent of the unit would that be?

11 A. 0.0792%.

12 Q. And the person that has the larger unpooled

13 interest is whom?

14 A. It would be Ralph Webb.

15 Q. Okay. And his unpooled interest is what

16 acreage?

17 A. 40.23 acres, which is 50.2875% of the unit.

18 DONALD R. JOYCE: Are you all aware that he has

19 passed on?

20 BUTCH LAMBERT: Mr. Joyce, I'll get to you in just

21 a minute.

22 DONALD R. JOYCE: Okay.

23 Q. Anita, is it your opinion that drilling a

24 frac well in this Oakwood 80 acre unit in the window is a

25

1 reasonable way to develop the coalbed methane resource from
2 this unit?

3 A. Yes.

4 Q. Is it your opinion that if you combine a
5 pooling order pooling the respondents with the interest of
6 the people that you have leased from or acquired interest from
7 that the correlative rights of all owners and claimants will
8 be protected?

9 MARK SWARTZ: That's all I have.

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: Mr. Joyce.

13 DONALD R. JOYCE: I just wanted to bring it to the
14 point that Ralph Webb is not longer with us. He has passed
15 on. I didn't know if his heirs have been notified.

16 BUTCH LAMBERT: Has that been recently?

17 DONALD R. JOYCE: When did he die? It has been about
18 a year, ain't it?

19 DENNIS JOYCE: About a year I'd say.

20 BUTCH LAMBERT: Okay.

21 DONALD R. JOYCE: I don't...I mean, I didn't see
22 anything listing the heirs or anything like that.

23 BUTCH LAMBERT: Okay. Are you aware of that, Ms.
24 Duty?

25

1 ANITA DUTY: I was not. I noticed that the mail came
2 back. It was marked unable to forward. It wasn't...I mean,
3 sometimes they will mark them deceased or somebody at the same
4 residence will pick it up.

5 BUTCH LAMBERT: Anything further, Mr. Joyce?

6 DONALD R. JOYCE: She answered several questions
7 already. Are these...Mr. Webb and us, we're the only ones
8 pooled, right? There's nobody else? Everybody else has
9 done signed the rights off or whatever?

10 SHARON PIGEON: Do you have a copy of this?

11 DONALD R. JOYCE: Yes.

12 SHARON PIGEON: Okay. If you would turn to the page
13 that says Exhibit E at the top. Everyone on those two pages
14 marked Exhibit E will be in escrow.

15 DONALD R. JOYCE: Okay. That's just us. That
16 answered that question.

17 SHARON PIGEON: Well, if you say so. There's lot
18 of different names on there. I don't know who they are.

19 DONALD R. JOYCE: It's just me and my sister and my
20 brother and Ralph Webb. This...we have several springs on
21 the property. If it's already a well done drilled there's
22 probably no issue with that because they're still there.

23 BUTCH LAMBERT: Has the well...has the well been
24 drilled, Ms. Duty?

25

1 ANITA DUTY: Yes.

2 DONALD R. JOYCE: I believe she said it's already
3 drilled.

4 BUTCH LAMBERT: Already drilled.

5 DONALD R. JOYCE: Is it a slant drill or is just
6 the---?

7 ANITA DUTY: No, it's just...it's just vertical.

8 DONALD R. JOYCE: Just a standard vertical drill?

9 ANITA DUTY: Uh-huh. Yes.

10 DONALD R. JOYCE: Okay. And I notice you have the
11 cost of the well. So, that's...this is the final cost if it's
12 already drilled, right?

13 ANITA DUTY: This is the cost as of...in April.
14 There will still be additional maintenance costs and things
15 like that that occur, but---.

16 DONALD R. JOYCE: I under...I pretty much understand
17 the pooling is before anything is paid out of the account this
18 has to be paid back, correct?

19 ANITA DUTY: That's...are you talking like a carried
20 interest? Are you talking like the 200% or---?

21 DONALD R. JOYCE: In other words, the well has to
22 be paid for before any money goes into...to be paid out to
23 the pooled interest, right?

24 ANITA DUTY: No. No.

25

1 DONALD R. JOYCE: Okay. I was...I was
2 misunderstanding because we have...we're already involved in
3 a pool on the other side of our property that we...it's very
4 small. But we've never received any notifications or payout
5 or anything. That's the reason I'm asking.

6 BUTCH LAMBERT: Were you escrowed in that other
7 well?

8 DONALD R. JOYCE: Yes. We received papers saying
9 we were involved in a pool.

10 BUTCH LAMBERT: Okay.

11 DONALD R. JOYCE: But we've never received anything.
12 That's the reason I was asking these questions about this one.

13 ANITA DUTY: Why don't you give me your name and
14 number and I can call you back once we're...we're at the
15 office and we'll look at all of them because---

16 DONALD R. JOYCE: It's a very small percentage.
17 It's just like one right is a very small interest.

18 MARK SWARTZ: But to answer your question because
19 you're actually asking a couple of questions and may not know
20 that. The people who own interests, and I'll just stay with
21 this unit, if they have an interest in the oil and gas and
22 it turns out that they're the winners, you know, of the
23 argument that they own it, the royalty interest that you would
24 be entitled to as a coalbed methane owner would get paid o

25

1 ut regardless of how much it cost to drill the well, okay.
2 So, if you turn out to be a royalty owner in this unit you
3 would receive that money regardless of how much the well
4 costs. But for the time being that royalty money is going
5 to go into an escrow account, okay. If you...you're going
6 to be given an opportunity, if this is pooled, to make some
7 choices. One choice would be I'm not going to do anything.
8 I'm just let a lease happen, okay. Another choice would be
9 I'm going to be carried. Now, that's a situation where when
10 the operator recovers your piece of these costs you would back
11 into a partnership in the well or you could say I'm going to
12 pay may two point whatever---

13 DONALD R. JOYCE: It's small.

14 MARK SWARTZ: But I'm going to pay that percentage
15 of this amount and I'm going to be a partner in the well from
16 day one. So, you would have a royalty interest then, which
17 is going into escrow, and you've paid your share of these
18 costs. You have a tiny little working interest in the well
19 and because it's in conflict that would also go into escrow.
20 So, if you are carried or you decide that you want to be a
21 partner in the well, then the recovery of these costs are
22 important. If you're just going forward and saying I want
23 to vindicate my royalty interest and I want to receive that,
24 this cost has nothing to do with that. You're going to get

25

1 that money.

2 DONALD R. JOYCE: Okay.

3 MARK SWARTZ: Does that help?

4 DONALD R. JOYCE: Yeah.

5 MARK SWARTZ: Okay.

6 BUTCH LAMBERT: Any questions for Mr. Joyce from the
7 Board?

8 DONALD R. JOYCE: Okay. Just one other question
9 before I exit.

10 BUTCH LAMBERT: Okay.

11 DONALD R. JOYCE: This is a mechanical question.
12 This right here, what does this exactly mean?

13 MARK SWARTZ: It's a 1,000 to cubic feet of gas.

14 DONALD R. JOYCE: That's---.

15 MARK SWARTZ: Well, basically this is point...to put
16 it in a bigger number, this is...they're estimating their
17 range here between .125 billion cubic feet of gas and .55
18 billion cubic feet of gas.

19 DONALD R. JOYCE: Okay.

20 MARK SWARTZ: So, it's a big range and it's a big
21 estimate. But even the lower number is, you know, a fair
22 amount of gas.

23 SHARON PIGEON: Is big.

24 MARK SWARTZ: It's a big one.

25

1 DONALD R. JOYCE: Okay.

2 MARK SWARTZ: And I will tell you just to be, you
3 know, on the safe side. Those are kind of pick a number,
4 okay.

5 DONALD R. JOYCE: It's gambling.

6 MARK SWARTZ: Yeah. It's...there you go. You were
7 listening.

8 DONALD R. JOYCE: I work in a coal mine. I know what
9 gambling is.

10 MARK SWARTZ: All right. All right.

11 DONALD R. JOYCE: You never know what you're going
12 to get.

13 MARK SWARTZ: Right.

14 SHARON PIGEON: That's right.

15 DONALD R. JOYCE: Okay. I believe that pretty much
16 covered it all.

17 MARK SWARTZ: Okay.

18 DONALD R. JOYCE: I just wanted to bring up that
19 Ralph was no longer with us.

20 MARK SWARTZ: Yeah. We will definitely run that
21 down. We did not know that.

22 BUTCH LAMBERT: Anything further, Mr. Swartz?

23 MARK SWARTZ: No.

24 BUTCH LAMBERT: Do I have a motion?

25

1 MARY QUILLEN: Motion to approve.

2 BRUCE PRATHER: Second.

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

5 (No audible response.)

6 BUTCH LAMBERT: All in favor, signify by saying yes.
7 (All members signify by saying yes, but Katie Dye
8 and Donald Ratliff.)

9 BUTCH LAMBERT: Opposed, no.

10 KATIE DYE: I'll abstain.

11 BUTCH LAMBERT: One abstention Mrs.---.

12 DONNIE RATLIFF: I'll...I'll abstain.

13 BUTCH LAMBERT: Two abstentions Mr. Ratliff and Mrs.
14 Dye. Okay, we're calling docket item number 19. A petition
15 from CNX Gas Company, LLC for pooling of coalbed methane unit
16 YYY-32, docket number VGOB-12-0515-3064. All parties
17 wishing to testify, please come forward.

18 MARK SWARTZ: Mark Swartz and Anita Duty.

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

20 MARK SWARTZ: Thank you.

21 BUTCH LAMBERT: Or may not.

22 SHARON PIGEON: His boss does not care.

23 MARK SWARTZ: How about if I move to incorporate
24 Anita's prior testimony with regard to standard lease terms

25

1 and the operator.

2 BUTCH LAMBERT: Accepted.

3 MARK SWARTZ: Okay.

4

5 ANITA DUTY

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

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

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

16 A. Yes.

17 Q. Okay. This is an Oakwood 80, is that right?

18 A. Yes.

19 Q. And how many wells?

20 A. One.

21 Q. And this one is outside of the window as I
22 recall.

23 A. Yes.

24 Q. Okay. What did you do to notify the
25

1 respondents and other people that there was going to be a
2 hearing today?

3 A. We mailed by certified mail return receipt
4 requested on April the 13th, 2012. We published the notice
5 and location map in the Bluefield Daily Telegraph on April
6 the 20th, 2012.

7 Q. Have you brought with you your certificates
8 with regard to mailing and your proof of publication so you
9 can give those to Mr. Cooper?

10 A. Yes.

11 Q. Do you want to add any respondents today?

12 A. No.

13 Q. Do you want to dismiss any of these folks?

14 A. No.

15 Q. Okay. We mentioned this was a unit in which
16 one well is proposed, correct?

17 A. Yes.

18 Q. Is it a frac well?

19 A. It is.

20 Q. Have you provided in addition to the
21 location, which is shown on the plat, have you provided some
22 additional information with regard to this well?

23 A. Yes.

24 Q. And what is that?

25

1 A. The estimated cost is \$333,094. The
2 estimated depth is 2,115 feet. There is no permit number at
3 this time.

4 Q. Okay. And what is the...what are the
5 interests that the applicant has acquired or purchased in
6 this unit and what is it that you're seeking to pool?

7 A. We've acquired 96.2373% of the coal owner's
8 claim to the CBM. 96.1248% of the oil and gas owner's claim
9 to the CBM. We're seeking to pool 3.7627% of the coal owner's
10 claim to the CBM and 3.8752% of the oil and gas owner's claim
11 to the CBM.

12 Q. Is there an escrow requirement here?

13 A. Yes. For Tracts 2, 5 and a portion of Tract
14 6.

15 Q. Okay. We've got...in addition to
16 conflicts, you've got some unknowns as well?

17 A. Yes. In Tracts 2 and 5.

18 Q. Okay. We don't...at least as far as we know
19 have any royalty split agreements so we don't have an Exhibit
20 EE, is that correct?

21 A. Correct.

22 Q. Is it your opinion that drilling a frac well
23 in this unit is a reasonable way to produce the coalbed
24 methane unit from under this Oakwood 80 unit?

25

1 A. Yes.

2 Q. Is it your further testimony that...it's
3 your opinion that if you combine the acquisition of interest
4 either by purchase or lease of the operator with a pooling
5 order pooling the respondents that you've named that the
6 claims of all owners and claimants will be protected?

7 A. Yes.

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

10 BUTCH LAMBERT: Any questions from the Board?

11 RICK COOPER: I have a question. Just to make sure
12 on this right here since it is outside of the window, I want
13 to make sure that the production will be reported out of the
14 correct unit due to deviation. It doesn't deviate over into
15 the next unit.

16 SHARON PIGEON: Was there a question?

17 RICK COOPER: That...well, that was my point. How
18 can assure if it deviates outside this unit we need to make
19 sure the production is reported on the correct unit. It's
20 sitting on the edge like this.

21 MARK SWARTZ: Well, if it winds up in another unit,
22 we probably need to come back and pool that unit.

23 RICK COOPER: Thank you.

24 MARK SWARTZ: I mean...yeah. Yeah.

25

1 BUTCH LAMBERT: Any other questions?

2 (No audible response.)

3 MARK SWARTZ: We can answer almost any question.

4 RICK COOPER: That was...that was the correct
5 answer.

6 BUTCH LAMBERT: Ms. Duty, would you again testify
7 to the lease terms.

8 ANITA DUTY: It's five dollars per acre per year with
9 a five year paid up term and a one-eighth royalty.

10 BUTCH LAMBERT: Thank you. Anything further, Mr.
11 Swartz?

12 MARK SWARTZ: No.

13 BUTCH LAMBERT: Do I have a motion?

14 MARY QUILLEN: Motion to approve.

15 BRUCE PRATHER: Second.

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

18 (No audible response.)

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

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

21 BUTCH LAMBERT: Opposed, no.

22 KATIE DYE: I'll abstain.

23 BUTCH LAMBERT: One abstention Mrs. Dye. We're
24 calling docket item number 21. A petition from CNX Gas

25

1 Company, LLC for repooling of unit BA-121. This is docket
2 number VGOB-07-0619-1942-01. 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
8 follows:

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. SWARTZ:

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

13 A. Anita Duty.

14 Q. Who do you work for?

15 A. CNX Gas Company.

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

18 A. Yes.

19 MARK SWARTZ: I'd like to incorporate, Mr. Chairman,
20 if I could, Anita's prior testimony with regard to standard
21 lease terms and with regard to the qualifications of CNX Gas
22 Company.

23 BUTCH LAMBERT: Accepted.

24 MARK SWARTZ: Thank you.

25

1 Q. Anita, this is a repooling, correct?

2 A. Yes.

3 Q. This unit was originally pooled in 2007?

4 A. Yes.

5 Q. Okay. And we're repooling this, and I think
6 we talked about this earlier, for a couple of reasons. One
7 is the tract IDs and the acreages were not right the first
8 time around.

9 A. It's more that the owners were
10 misidentified.

11 Q. Okay.

12 A. Mislabeled them.

13 Q. So, the percentages associated with owners
14 were wrong.

15 A. Yes.

16 Q. So, it wasn't really a mapping issue, it was
17 who goes with what tract issue.

18 A. Yeah. Yes.

19 Q. Okay. So, as a result we had the wrong
20 percentages for people the first time around.

21 A. We did.

22 Q. Which means this is going to be a situation
23 where people get an opportunity to participate again in the
24 first well whether or not they did the first time around

25

1 because they have new numbers, correct?

2 A. Correct.

3 Q. And now since we're making...we'd like to
4 make one trip, right?

5 A. We do.

6 Q. We're also asking for the opportunity to
7 drill a second well in this unit. So, we're really here for
8 two reasons - to straighten out the tract IDs and the
9 percentages and also get permission to have a second well,
10 correct?

11 A. Correct.

12 Q. Okay.

13 A. I did notice there were---.

14 BUTCH LAMBERT: And folks will have the opportunity
15 to participate in either/or?

16 MARK SWARTZ: Right. Because of the timing.

17 BUTCH LAMBERT: Okay.

18 MARK SWARTZ: Historically that's what we've always
19 done.

20 BUTCH LAMBERT: Okay.

21 MARK SWARTZ: Okay.

22 BUTCH LAMBERT: Thank you.

23 Q. Right?

24 A. Yes. I was just going to say there were some

25

1 outfields that are also identified now that we're on the
2 previous. So, you will see some acreages. But it's not
3 that they were wrong to start with it's just that there's
4 piece that have been sold out of original tracts.

5 BUTCH LAMBERT: Okay.

6 Q. So, the ownership has changed since it was
7 first pooled.

8 A. Yes. Yes.

9 Q. And we're going to reflect that as well as
10 long as we're here.

11 A. We pretty much...yeah.

12 Q. It's a do over.

13 A. It is.

14 Q. Okay. What did you do to tell this long list
15 of people and any other people that might be interested that
16 we were going to have a hearing today?

17 A. We mailed by certified mail return receipt
18 requested on April the 13th, 2012. We published the notice
19 and location map in the Bluefied Daily Telegraph on April the
20 19th, 2012.

21 Q. And have you brought copies of certificates
22 with regard to mailing and your proof of publication with you
23 so you can provide those to Mr. Cooper today?

24 A. Yes.

25

1 Q. Do you want to add any people to this list?

2 A. No.

3 Q. Do you want to dismiss any people?

4 A. I need to dismiss Jerry Dye.

5 Q. Okay. Why?

6 A. He is leased. He always was leased.

7 We---.

8 Q. Just didn't know?

9 A. Well, we put him on there and we shouldn't

10 have.

11 Q. Okay. So, you have provided the Board with

12 some revised exhibits today, correct?

13 A. Yes.

14 Q. And, obviously, you've got an exhibit which

15 addresses Mr. Dye---.

16 BUTCH LAMBERT: Mr. Swartz...Mr. Swartz, can I

17 interrupt you for just one second?

18 MARK SWARTZ: Yes.

19 BUTCH LAMBERT: Gentlemen, could you all step out

20 in the hall, please? Thank you. You may continue, Mr.

21 Swartz.

22 Q. Okay. So, the revised exhibits take care of

23 the Jerry Dye issue that you just talked about.

24 A. It does.

25

1 Q. And we've also got...and that would change
2 the percentage in Exhibit A, page two.

3 A. Yes.

4 Q. And then you fixed Exhibit B-2 to show Mr.
5 Dye's situation, I assume.

6 A. Yes.

7 Q. And then you had the revised Exhibit
8 B-3?

9 A. Yes.

10 Q. So, all of these changes relate to the Jerry
11 Dye issue.

12 A. It does. They do.

13 Q. This...what kind of unit is this?

14 A. A Middle Ridge 58.74 acre unit.

15 Q. If we look at the plat, it shows us where the
16 wells are and it turns out they're both in the drilling
17 window.

18 A. They are.

19 Q. Okay. Have you provided us with well cost
20 information?

21 A. Yes.

22 Q. Let's start with the combined cost in case
23 somebody wants to do both.

24 A. \$608,991.43.

25

1 Q. Okay. And then lets take them one at a one
2 time because obviously we're going to give people an
3 opportunity to pick and choose here in addition to doing both.
4 What would the cost estimate information be?

5 A. For BA-121 the cost is \$294,953.43. The
6 estimated depth is 2,560 feet. The permit number is 7793.

7 Q. Okay.

8 A. For well BA-121A the estimated cost is
9 \$314,038. The estimated depth is 2,447 feet and there is no
10 permit number at this time.

11 Q. Okay. Going back to the well information
12 that you gave us for BA-121, we are using the same cost
13 estimate that we used when this was first pooled, correct?

14 A. We are.

15 Q. So, the...you know, we've got a cost
16 estimate from May of '07 for the first well and then we've
17 got an April 2012 for the second well?

18 A. Yes.

19 Q. Okay. There's an escrow requirement in
20 this unit?

21 A. There is for Tracts 1A, 1B, 1C, a portion of
22 1F, a portion of 1K, a portion of 3A, all of 2B, 3B, 3F, 3G
23 and 3H.

24 Q. And are there some split agreements as well?

25

1 A. Yes. In Tracts 1D, 1E, a portion of 1F, all
2 of 1G, 1I, 1J, a portion of 1K, all of 2A, 3A, 3C, 3D and 3E.

3 Q. And have you provided the Board with an
4 Exhibit E with regard to escrow requirements and Exhibit EE
5 reflecting what you just testified to in terms of split
6 agreements that we're aware of?

7 A. Yes.

8 Q. Okay. The interest that the applicant has
9 acquired in this unit is what interest?

10 A. 99.817% of the coal owner's claim to the CBM
11 and 93.9534% of the oil and gas owner's claim to the CBM.
12 We're seeking to pool 0.183% of the coal owner's claim to the
13 CBM and 6.0466% of the oil and gas owner's claim to the CBM.

14 Q. And this has changed pretty traumatically
15 since when you first filed?

16 A. Yes, it has.

17 Q. Okay. Because of the Mr. Dye issue?

18 A. Yes.

19 Q. Okay. Is it your opinion that if we combine
20 the acquisition and leasing efforts of the applicant to
21 acquire interest in this unit that we're successful with a
22 pooling order pooling the respondents that you've listed that
23 the correlative rights of all owner and claimants will be
24 protected?

25

1 A. Yes.

2 Q. Is it also your opinion that drilling two
3 wells in the window of this unit...frac wells in the window
4 of this unit is a reasonable way to develop the coalbed
5 methane resource from within and under this Middle Ridge
6 unit?

7 A. Yes.

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

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

12 DIANE DAVIS: Mr. Chairman...Mr. Chairman, can I ask
13 a quick question?

14 BUTCH LAMBERT: Ms. Davis.

15 DIANE DAVIS: Anita, the money that...where it was
16 originally pooled is it being held internally in a suspense
17 account drawing interest?

18 ANITA DUTY: Yes. There was not...there was never
19 a supplemental order issued.

20 DIANE DAVIS: Right. I know. But, I mean, it does
21 have escrowing so the money is internally escrowed with
22 interest?

23 ANITA DUTY: Yes.

24 DIANE DAVIS: And then as soon as we do this and you

25

1 send me a supplemental, you will transfer the money?

2 ANITA DUTY: Open...yeah, the account needs
3 to...yes.

4 DIANE DAVIS: Okay. I just wanted to make sure.

5 ANITA DUTY: Yes.

6 BUTCH LAMBERT: Any other questions?

7 (No audible response.)

8 BUTCH LAMBERT: Anything further, Mr. Swartz?

9 MARK SWARTZ: The only thing, I finally have laid
10 my hands on an order, okay. It shows there is...that
11 paragraph nine options historically just to...it shows a
12 completed for production cost with a colon and a blank. My
13 belief has been that the total number is what has been
14 historically inserted, just so you know, that there's one
15 blank and it gets the total number out of the application just
16 in terms of...I wanted to be sure I wasn't misrepresenting
17 that to you. But I think now that I see one that's what has
18 been happening.

19 BILL HARRIS: Mr. Chairman.

20 BUTCH LAMBERT: Mr. Harris.

21 BILL HARRIS: Let me ask about the AFEs. I know
22 these were done at two different times. I remember in years
23 gone by we used to get broad items and we asked for something
24 a little more itemized. It looks like we've gone back to

25

1 broad items again. Was there a reason for that because we
2 actually used to complain that we didn't have enough detail?
3 We went to detail and I notice now that we're back to just
4 broad categories.

5 BRUCE PRATHER: Tangible and intangible.

6 BILL HARRIS: Well, I mean, I don't know the
7 technical term. I'm just looking at---

8 BRUCE PRATHER: That's why you have the AFEs
9 prepared is the tangible and intangible.

10 BILL HARRIS: I'm not sure what you're saying.

11 BRUCE PRATHER: Well, it's the internal revenues
12 terms. Certain amounts of drilling things can be written off
13 in one year as your intangibles. Your tangibles are your
14 sump costs. The cost that is in this well (inaudible).
15 Those can be written off at a certain percentage of your total
16 income tax consequence. Most of AFEs are set up with those
17 tangibles and intangibles outlined. I mean, if I was going
18 to drill this...I was going to join in this well no matter
19 what my tangible and intangible costs were.

20 MARK SWARTZ: Mr. Harris, I would---

21 BILL HARRIS: Yeah.

22 MARK SWARTZ: ---direct your attention just to an
23 observation with regard to your question.

24 BILL HARRIS: Yes.

25

1 MARK SWARTZ: Look at the older AFE.

2 BILL HARRIS: Yes.

3 MARK SWARTZ: The one from '07. Do you see how many
4 Os there are?

5 BILL HARRIS: Yes.

6 MARK SWARTZ: It gives the illusion of all of this
7 detail, but there's really one number for drilling. So, what
8 I'm suggesting to you is I'm not sure that when you really
9 compare these that there's a big difference in terms of the
10 amount of information. However, okay, you know, if your
11 preference would be that we provide you with more information
12 and more specific categories we can do that.

13 BILL HARRIS: Well, it could be just me, but I just
14 thought we had gone to something broader...not broader. I
15 don't know if I can give you a specific instance, but I guess
16 I can't...I know these are...they're not really apples and
17 oranges either because we're talking about drilling wells and
18 there are certain common things. I'm not really sure what
19 I'm looking for because as soon as I say, oh, suppose, you
20 know, production casing, for instance, well, then you're
21 going to say, well, that's included here but...it's just hard
22 for me to look at a \$30,000 figure where before it was maybe
23 12, 10 and 8 and I could see where the 30,000 goes. I don't
24 know if I'm making myself clear. Again, the---

25

1 MARK SWARTZ: I understand what you're saying, but
2 I guess my response would be if you look at these two estimates
3 I think the level of useable detail is roughly equivalent.
4 I guess we could talk about that at some great length. But,
5 I mean, you know, we have contract services. So, we know what
6 we're paying somebody to drill this well and then we know what
7 our casing cost is. I mean, you know, but instead of having
8 12 line items, we've got two. But you've got the same level
9 of detail, I think.

10 ANITA DUTY: Well, based on the depth and things like
11 that you know how much casing and you know how much...I mean,
12 I guess they could drill down in there to tell you what the
13 details are, but do you really want to know how many pieces
14 of pipe and how many---?

15 BILL HARRIS: I don't know. I guess I look at this
16 and I want to say, you know, why are these different? I know
17 one of the reasons, of course, is time.

18 ANITA DUTY: Well, and the accounting system that
19 we were using...that we used in 2007 and what we have now,
20 you know, I guess maybe you could have gotten more detail
21 before or...we still can it's just going to be based on
22 individual vendors and individual item...you know, valves
23 and, you know...we can drill down all the way into that
24 stuff---.

25

1 BILL HARRIS: Yeah.

2 ANITA DUTY: ---but not until it's actually...the
3 second well is not even drilled yet. So, we're just using
4 estimates based on depth and what we know the items cost in
5 today's economy.

6 BRUCE PRATHER: There is an API AFE form that you
7 use and it has your tangibles and intangibles. If I was
8 wanting to...if I had an interest in this well and I wanted
9 to participate the working interest, I would definitely want
10 those tangibles and intangibles in my estimation.

11 ANITA DUTY: Well, and the top section is intangible
12 and your bottom section is your tangible.

13 BRUCE PRATHER: Does it say that?

14 ANITA DUTY: It doesn't, but we can make it say that
15 in the future.

16 BRUCE PRATHER: Okay.

17 BUTCH LAMBERT: I think what Mr. Prather and Mr.
18 Harris are talking about---.

19 TOM FULMER: Since my name is at the bottom of this,
20 let me explain it to you.

21 SHARON PIGEON: Well, you need to raise your
22 hand---.

23 BUTCH LAMBERT: You need to raise your hand and be
24 sworn.

25

1 SHARON PIGEON: Twice actually. We recognize you.

2 (Tom Fulmer is duly sworn.)

3 BUTCH LAMBERT: And what Mr. Harris is referring to,
4 a couple of years ago and maybe three years ago Mr. Harris
5 worked on a template for AFEs if I remember correctly. What
6 he...I guess to make it simply, the one that signed 4/12/12
7 didn't follow the template. There's information...not
8 enough information is not there that we were asking.

9 ANITA DUTY: I guess we weren't...I wasn't aware
10 there is a template.

11 TOM FULMER: The technical terms tangible and
12 intangible as Mr. Prather is using is here, but it's reflected
13 in a different name. One part is a dry hole. If you...now,
14 that's the upper part. The second part is we completed it
15 for production, okay. So, that's your tangible and
16 intangible.

17 BRUCE PRATHER: That's where your tangibles are is
18 in the production?

19 TOM FULMER: That's what those two terms mean. The
20 reason a lot of these are done that way if the well is not
21 drilled we have cost that fluxuate now from month to month
22 as far as steel as far as of cementing and as far as the cost
23 of perforating and you've also got travel charges in here.
24 It can vary from well to well. Okay, these estimates based

25

1 upon previous wells that we've done at that depth, plus travel
2 time and road construction. Road construction and
3 construction of the sites is going to be the biggest change
4 you will ever see. That is what's caused more here lately
5 than anything because a lot of times we're building roads in
6 areas that we've never been.

7 BILL HARRIS: Now, is under site preparation or
8 where is that?

9 TOM FULMER: Site preparation.

10 BRUCE PRATHER: Yeah.

11 BILL HARRIS: I see a broad site preparation and I
12 have no idea what's covered and maybe that's my problem. I
13 just don't know what's covered under these items.

14 TOM FULMER: If you look at the top part, you're
15 looking at stuff that's come...that's your up-front costs
16 that it's going to happen on every well. The bottom part may
17 never happen. But if you get production, then the bottom
18 part is going to happen. That cost is going to come in.

19 BRUCE PRATHER: The thing that you never want to
20 happen is to have your AFE be short of the costs.

21 TOM FULMER: Yes. Yes. That's true.

22 BRUCE PRATHER: And what...I mean, the ones I've
23 made I've even put a fudge factor at the end of it. If the
24 thing cost \$200,000 or \$300,000, I'd take 10% and add \$30,000

25

1 to it as kind of a fudge factor.

2 TOM FULMER: I would assume that roughly between the
3 2007 cost and today's cost you're talking about anywhere from
4 18 to 15...15% to 18% of an increase just in that time frame.

5 BILL HARRIS: Okay.

6 MARY QUILLEN: When you're building roads, stone has
7 increased more than that.

8 TOM FULMER: Yes.

9 BILL HARRIS: I'm going to go ahead and let this go.
10 But I'll just make one other comment. This, I think, relates
11 back to something that has always bothered me in that we still
12 never know what the actual cost is to drill these wells. We
13 always get estimates and we've been promised over the years
14 we'll come back and tell you how much it actually costs. We
15 never see those figures. I'll just leave that alone. That
16 has bothered me for years that we really never know how much
17 these cost. We know how much they're estimated the costs,
18 but---

19 TOM FULMER: If you get something from us as far as
20 a well is drilled, that is the actual costs.

21 BUTCH LAMBERT: But we don't get that.

22 BILL HARRIS: Yeah. See we don't get that.

23 TOM FULMER: Well, no if it comes to the
24 Board---

25

1 MARK SWARTZ: Well, you've got an example right in
2 front of you guys.

3 TOM FULMER: When it goes before the Board---

4 MARK SWARTZ: the 5/14/2007 has a bunch of actual
5 costs on it.

6 ANITA DUTY: We were never...I never knew that we
7 needed to provide an actual cost when the well was drilled.

8 BUTCH LAMBERT: There was a template developed and
9 Mr. Harris---

10 ANITA DUTY: I didn't know there was a template.

11 BUTCH LAMBERT: ---worked on the committee. I
12 think that's why he's raising the issue.

13 SHARON PIGEON: Mr. Prather worked on that committee
14 as well.

15 BUTCH LAMBERT: That identified an AFE that would
16 be standard across the industry.

17 TOM FULMER: I'd be happy to use it. I don't have
18 no problem with it. This is---

19 BILL HARRIS: Well, we're not---

20 TOM FULMER: ---just...I wanted...if you notice in
21 this one here the first one, the old one, it doesn't
22 distinguish between dry hole costs and the bottom hole costs.
23 That's a big...big important---

24 BILL HARRIS: That's an important---

25

1 TOM FULMER: ---information that you need.

2 MARY QUILLEN: Well, I personally like this because
3 it does distinguish between the dry hole costs and the
4 completion costs.

5 TOM FULMER: And that would be what the person would
6 invest in.

7 MARY QUILLEN: Right. Right. Yeah.

8 TOM FULMER: Or take the risk. Okay. I just wanted
9 to explain it.

10 BUTCH LAMBERT: Okay. Any further discussion?

11 BILL HARRIS: Thank you.

12 BRUCE PRATHER: That's what I said.

13 BUTCH LAMBERT: Any 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 and Donnie Ratliff.)

18 BUTCH LAMBERT: Opposed, no.

19 KATIE DYE: I'll abstain.

20 BUTCH LAMBERT: One abstention Mrs. Dye.

21 DONNIE RATLIFF: I'll abstain also.

22 BUTCH LAMBERT: Two abstentions Mr. Ratliff and Ms.
23 Dye. Okay, we're calling docket item 22. A petition from
24 Range Resources-Pine Mountain, Inc. for a well location

25

1 exception for proposed well 900101, docket number
2 VGOB-12-0515-3066. All parties wishing to testify, please
3 come forward.

4 DONNIE RATLIFF: Mark had that look on his face that
5 he wouldn't finished.

6 BUTCH LAMBERT: Oh, did he?

7 DONNIE RATLIFF: Did you...did you have another one?

8 MARK SWARTZ: We're done. Oh, we continued one.

9 MARY QUILLEN: Yeah. You continued number 20.

10 SHARON PIGEON: Number 20.

11 BRUCE PRATHER: Number 20 was continued.

12 MARK SWARTZ: I will...I will...if somebody could
13 get us that template because---

14 BUTCH LAMBERT: We will.

15 MARK SWARTZ: ---no kidding we are completely
16 unaware that that ever...all of us that that ever happened.

17 ANITA DUTY: I mean, I don't think we're the only
18 operator. It looks like nobody...none of the---

19 GUS JANSEN: I don't think the Board ever officially
20 approved the template.

21 MARY QUILLEN: I don't so either. I think it has
22 been talked about---

23 BILL HARRIS: And that may have been---

24 MARY QUILLEN: ---but I don't...I don't ever
25

1 remember it ever being presented and approved.

2 BUTCH LAMBERT: We'll have Mr. Cooper look into
3 that.

4 MARK SWARTZ: So, if you've got something, you know,
5 let us see that even if it's just in draft and we, you know,
6 we can react to that.

7 SHARON PIGEON: No. We just want you to do it.

8 MARK SWARTZ: I'm not going to respond. I'm going
9 to escape.

10 TIM SCOTT: She's being mean.

11 (Phil Horn and Gus Jansen are duly sworn.)

12 BUTCH LAMBERT: You may proceed.

13 TIM SCOTT: Mr. Chairman, on item number 22 we have
14 a notice issue. So, we're going to continue that. We'll ask
15 that it be continued until June, please.

16 SHARON PIGEON: 22.

17 TIM SCOTT: 22.

18 BUTCH LAMBERT: 22?

19 TIM SCOTT: Yes, ma'am. That's item 3066 or docket
20 number 3066.

21 MARY QUILLEN: I'm sorry, I can't hear you.

22 TIM SCOTT: I'm sorry. We're going to continue item
23 number 22. We have a notice issue that we're correcting.

24 MARY QUILLEN: Okay. Continued until June?

25

1 Q. And you're also familiar with the ownership
2 of the minerals underlying this unit, is that also correct?

3 A. That's correct.

4 Q. And are those owners set out on Exhibit B?

5 A. Yes, they are.

6 Q. And would you please tell us who operates the
7 wells from which...the well location exception is sought
8 today?

9 A. Drill well 825518 is operated by Range
10 Resources-Pine Mountain, Inc. and 90101 has not been drilled.
11 It will be operated by Range Resources-Pine Mountain, Inc.
12 also.

13 Q. And that's the one that we just continued,
14 is that correct?

15 A. That's correct.

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

18 A. By certified mail.

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

21 A. That's correct.

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

23 BUTCH LAMBERT: Any questions from the Board?

24 (No audible response.)

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BUTCH LAMBERT: You may continue, Mr. Scott.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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

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

A. Yes, I am.

Q. And you've passed out an Exhibit AA to the Board, is that correct?

A. I have.

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

4 A. Yes. If the Board will refer to Exhibit AA
5 you'll see the location of proposed well 900102. It's
6 located in the center of the map with the red circle around
7 it. This well has been positioned at this location due to
8 the topographic constraints and the steep terrain and to help
9 result in the maximum recovery of the resource. The nearest
10 available location that would not be...a well location
11 exception would be approximately 1250 feet to the northwest.
12 In the event the well is not drilled, we would strand
13 approximately 110.12 acres of reserves.

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

15 A. 6,218 feet.

16 Q. And the potential loss of reserves if the
17 Board doesn't grant our application today?

18 A. 500 million cubic feet of gas.

19 Q. And we don't have any correlative rights
20 issues here, is that correct?

21 A. That is correct.

22 Q. So, if the application were granted today,
23 it would prevent waste and promote conservation, is that also
24 correct?

25

1 A. That is correct.

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

3 BUTCH LAMBERT: Any questions from the Board?

4 (No audible response.)

5 BUTCH LAMBERT: Anything further, Mr. Scott?

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

7 BUTCH LAMBERT: Do I have a motion?

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: Opposed, no.

16 (No audible response.)

17 BUTCH LAMBERT: We're calling docket item number 24.

18 A petition from Range Resources-Pine Mountain, Inc. for a

19 well location exception for proposed well 900106, docket

20 number VGOB-12-0515-3069. All parties wishing to testify,

21 please come forward.

22 TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for

23 Range Resources-Pine Mountain, Inc.

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

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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

Q. And you're familiar with this application?

A. Yes, I am.

Q. And we've provided a revised Exhibit B, is that correct?

A. That's correct.

Q. And we had failed to list somebody on...an entity on that original exhibit, is that correct?

A. Yes. We notified Wellmore Coal Company.

Q. And they have been notified within the time frame required, is that correct?

A. That's correct.

Q. Okay. And are you familiar with the ownership of the minerals underlying this unit, is that

1 right?

2 A. That's correct.

3 Q. And those owners are set out on Exhibit B,
4 is that correct?

5 A. That is correct.

6 Q. Now, we're seeking a well location exception
7 from three different wells today. Who operates those wells?

8 A. Range Resources-Pine Mountain, Inc.
9 operates those wells.

10 Q. And in this particular...this particular
11 unit, Range is also an owner and an operator, is that correct?

12 A. Yes. We have acreage inside the unit, yes.

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

15 A. By certified mail.

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

18 A. Yes, you have.

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

20 BUTCH LAMBERT: Any questions from the Board?

21 (No audible response.)

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

23 TIM SCOTT: Thank you, Mr. Chairman.

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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

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

A. I am.

Q. And you've just passed out an Exhibit AA to the Board, is that right?

A. Yes, that's correct.

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

A. Yes. If the Board will refer to Exhibit AA, you'll see the location of proposed well 900106. This well

1 has been positioned to maximize the recovery of the remaining
2 natural gas resources stranded with relationship to the
3 existing offsetting wells. There is not location available
4 that meets the statewide spacing requirements. In the event
5 the well is not drilled, this location would strand
6 approximately 78.12 acres of resources.

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

8 A. 5,166 feet.

9 Q. And the potential loss of reserves if the
10 application were not granted today?

11 A. 500 million cubic feet of gas.

12 Q. And then we have owners other than Range in
13 this particular unit, is that correct?

14 A. That is correct.

15 Q. So, if the application is granted today, it
16 would prevent waste, protect correlatives rights and promote
17 conservation, is that correct?

18 A. That is correct.

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

20 BUTCH LAMBERT: Any questions from the Board?

21 MARY QUILLEN: Mr. Chairman, I have just one
22 question for Gus. Are these three wells that you're asking
23 exception from are these some of those old wells that you all
24 acquired as a part of Columbia? Was it Columbia?

25

1 GUS JANSEN: That is correct. These were
2 wells---

3 BRUCE PRATHER: Chesapeake.

4 MARY QUILLEN: Or Chesapeake.

5 GUS JANSEN: ---that were from Chesapeake, yes.

6 MARY QUILLEN: Yeah, Chesapeake. Yeah, okay.
7 Thanks. That's it.

8 SHARON PIGEON: Tim, we revised Exhibit B.

9 TIM SCOTT: Yes, ma'am.

10 SHARON PIGEON: Can you tell us why?

11 TIM SCOTT: We had left off Wellmore Coal
12 Company---

13 SHARON PIGEON: Okay.

14 TIM SCOTT: ---and we added them and then they
15 were...we actually did that the day that the application was
16 filed. So, we sent the notice to them that day and then we
17 have a green card back from them.

18 SHARON PIGEON: Thank you.

19 TIM SCOTT: That has been provided to the Board.

20 BUTCH LAMBERT: Okay. Anything further, Mr. Scott?

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

22 BUTCH LAMBERT: Do I have a motion?

23 MARY QUILLEN: Motion to approve.

24 BRUCE PRATHER: Second.

25

1 and your job description, please.

2 A. My name is Phil Horn. I'm employed by Range
3 Resources-Pine Mountain, Inc. as the land manager.

4 Q. And you're familiar with this application,
5 is that correct?

6 A. That's correct.

7 Q. And you're familiar with the ownership of
8 the minerals underlying this unit, is that also correct?

9 A. Yes. Range Resources owns all oil and gas
10 in this unit.

11 Q. We've got four wells from which we're
12 seeking a well location exception, is that right?

13 A. That's correct.

14 Q. And who operates those wells?

15 A. Range Resources-Pine Mountain, Inc.

16 Q. To answer Ms. Quillen's question, those are
17 wells that you picked up from Chesapeake, is that correct?

18 A. That's correct.

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

21 A. That's correct.

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

24 A. By certified mail.

25

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

3 A. That's correct.

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

5 BUTCH LAMBERT: Any questions from the Board?

6 (No audible response.)

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

8 TIM SCOTT: Thank you, Mr. Chairman.

9

10 GUS JANSEN

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

13 DIRECT EXAMINATION

14 QUESTIONS BY MR. SCOTT:

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

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

20 Q. And you're familiar with this application,
21 is that correct?

22 A. Yes, I am.

23 Q. And you've provided the Board with an
24 Exhibit AA?

25

1 A. Yes, I have.

2 Q. And would you please tell the Board why need
3 a well location exception for this particular unit?

4 A. Yes. Again, if the Board refers to Exhibit
5 AA, you'll see the location of proposed well 900109. Again,
6 this well has been positioned to maximize the recovery of the
7 remaining natural resources stranded with relationship to
8 the existing offsetting wells. There is no location
9 available that would meet the statewide spacing
10 requirements. In the event this well is not drilled,
11 approximately 89.88 acres of resource would be stranded.

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

13 A. 6,142 feet.

14 Q. And the potential loss of reserves if the
15 application is not approved today?

16 A. 550 million cubic feet of gas.

17 Q. And we've already heard from Mr. Horn. We
18 don't have any correlative rights issues, is that right?

19 A. That is correct.

20 Q. But if the application is granted, it would
21 prevent waste and promote conservation, is that correct?

22 A. That is correct.

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

24 BUTCH LAMBERT: Any questions from the Board?

25

1 (No audible response.)

2 BUTCH LAMBERT: Anything further, Mr. Scott?

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

4 BUTCH LAMBERT: Do I have a motion?

5 MARY QUILLEN: Motion to approve.

6 BRUCE PRATHER: Second.

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

9 (No audible response.)

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

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

13 BUTCH LAMBERT: Opposed, no.

14 DONNIE RATLIFF: I'll abstain.

15 BUTCH LAMBERT: One abstention Mr. Ratliff.
16 We're calling docket item number 26. A petition from Range
17 Resources-Pine Mountain, Inc. for pooling for well 900094,
18 docket number VGOB-12-0515-3071. All parties wishing to
19 testify, please come forward.

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

22 CATHLEEN FRAN: My name is Cathleen Fran. I'm from
23 Richmond, Kentucky. I'm a great-granddaughter of Noah
24 Mullins one of the landowners here of the mineral rights.

25

1 I'm also an attorney in Kentucky. I'm appearing here only
2 for myself pro se today because of being over state lines.

3 BUTCH LAMBERT: You will need to be sworn. Please
4 raise your hands to be sworn. I'm sorry, we didn't catch your
5 name, sir.

6 WOODROW W. FRAN, JR.: I'm Woodrow W. Fran, Jr. I'm
7 a descendent of Noah Mullins. One of the heirs. I'm from
8 Nicklesville, Kentucky.

9 (Cathleen Fran and Woodrow W. Fran, Jr. are duly
10 sworn.)

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

12 TIM SCOTT: Thank you, Mr. Chairman.

13

14 PHIL HORN

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

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. SCOTT:

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

21 A. My name is Phil Horn. I'm employed by Range
22 Resources-Pine Mountain, Inc. as the land manager.

23 Q. You're familiar with this application, is
24 that right?

25

1 A. That's correct.

2 Q. How many acres does this unit contain?

3 A. 220.

4 Q. Okay. Does Range have any of this acreage
5 under lease?

6 A. Yes, we do.

7 Q. Okay. Are we going to dismiss any folks
8 from this application today?

9 A. No, we're not.

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

12 A. Yes, have.

13 Q. Okay. What percentage of the unit does
14 Range have under lease presently?

15 A. 82.7317851%.

16 Q. Now, we had...you just passed out a revised
17 Exhibit B and B-3. Would you please tell the Board why we
18 did that?

19 A. Due to the number of owners and the ownership
20 a couple of the tracts originally were...the owners were
21 shown as leased or unleased and we determined after the fact
22 that we had to reverse those. So, everyone that was notified
23 that some of them are shown as leased or actually unleased.
24 There's a couple of them changed.

25

1 Q. So, these are the correct leased and
2 unleased interest, is that correct?

3 A. That's correct.

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

6 A. By certified mail.

7 Q. Any other means?

8 A. By publication in the Dickenson Star.

9 Q. And when did that occur?

10 A. On May the 2nd, 2012.

11 Q. And do we have any unknowns in this...or
12 unlocateables in this unit?

13 A. Yes, we do.

14 Q. And have you provided Mr. Cooper with a
15 letter indicating your due diligence efforts---?

16 A. Yes, I have.

17 Q. ---with regard to that? Have you filed
18 proofs of publication... mail certification with regard to
19 mailing with the Board?

20 A. Yes, you have.

21 Q. Range is authorized to conduct business in
22 the Commonwealth, is that right?

23 A. That's correct.

24 Q. And there's a blanket bond on file?

25

1 A. That's correct.

2 Q. Now, if you were to reach an agreement with
3 those parties listed on Exhibit B-3, what terms would you
4 offer?

5 A. \$30 per acre for a five year paid up lease
6 that provides a one-eighth royalty.

7 Q. And is that fair compensation for a lease in
8 this area?

9 A. In my opinion, it is.

10 Q. Okay. What percentage of the oil and gas
11 estate is Range seeking to pool today?

12 A. 17.26821429%.

13 Q. Okay. And we've...you've indicated that we
14 do have some unknowns, is that right?

15 A. That's correct.

16 Q. So, we have an escrow requirement?

17 A. Yes, we do.

18 Q. And what tract or tracts will require
19 escrow?

20 A. Tract 3.

21 Q. And what would be the percentage that would
22 be subjected to escrow?

23 A. 4.65926677%.

24 Q. And you're requesting the Board to pool the
25

1 unleased parties listed on Exhibit B-3, is that right?

2 A. That's correct.

3 Q. And that Range be named operator for this
4 unit?

5 A. That's correct.

6 Q. Now, if...if the order...or our application
7 is granted today and the order is entered, if election are
8 made pursuant to the order, what would be the address used
9 to make an election?

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

12 Q. Is that the address for all communications
13 with regard to this unit?

14 A. Yes, it is.

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

16 BUTCH LAMBERT: Any questions from the Board?

17 (No audible response.)

18 BUTCH LAMBERT: Ms. Fran.

19 CATHLEEN FRAN: Yes, sir.

20

21 CROSS EXAMINATION

22 QUESTIONS BY MS. FRAN:

23 Q. Did I understand your testimony to say that
24 it was a 228 acre pool? You misspoke?

25

1 A. 160 acres. I'm sorry, I misspoke.

2 Q. All right. And what is the depth to which
3 this well is to be drilled?

4 A. The geologist will answer that question if
5 that's all right.

6 GUS JANSEN: I can answer it now. It's 8,167 feet.

7

8 GUS JANSEN

9 DIRECT EXAMINATION

10 QUESTIONS BY MS. FRAN:

11 Q. Is that the depth?

12 A. The total measured depth.

13 Q. Is part of that horizontal?

14 A. Yes, ma'am.

15 Q. And how much of it is actually vertical?

16 A. Approximately, at this point in time, I
17 would estimate that to be around 5,000 feet.

18 Q. Does your application contain an exhibit
19 that says how many feet that is?

20 A. No, ma'am. That's usually covered under
21 the permitting process of the well.

22 Q. Oh, excuse me just a second. I've got a lot
23 of papers here. I kind of remember that your application on
24 the exhibit that was attached to the...does it have the cost

25

1 on it? It said the vertical depth was something like 3900
2 feet. Is it 5,000? Is that the depth?

3 A. That portion of the vertical part of the well
4 to the kickoff point that's...we would actually start the
5 deviation of the well. The lateral would not...I'm counting
6 the lateral from where we actually land the well and then that
7 goes horizontal from that point. So, there's two different
8 depths.

9 Q. I've listed to a lot of cost of wells here
10 and the depths to which they are drilled. How much does it
11 cost to...on an average to drill a foot vertically?

12 A. Just drilling costs?

13 Q. Yes.

14 A. In this case here, the drilling footage
15 is---

16 Q. No, just normally. How much does it cost?

17 A. Around \$20 a foot.

18 Q. 20. And how much does it cost normally to
19 drill vertically?

20 A. That's what I was referring to, the vertical
21 part, the \$20.

22 Q. Okay, horizontally?

23 A. Horizontally we pay a day rate typical with
24 our wells and our rigs. You pay a combined costs for all the

25

1 surfaces involved with drilling the well. That's usually
2 around 35 to \$20,000 a day. So, your drilling is not based
3 on the footage of that well. It's based on how many days it
4 actually takes them to achieve the depth of the well.

5 Q. How many days did you estimate it would take
6 drill this well?

7 A. In this case, we probably estimate it
8 between 8-10 days.

9 Q. At you said \$40,000?

10 A. Yes, ma'am.

11 Q. And so 10 days would be roughly 400,000?

12 A. Yes, ma'am.

13 Q. And your exhibit that you attached to this
14 application shows about 600,000 for dry hole and a 1.2---?

15 A. Correct.

16 Q. How do you go from 400,000 to that?

17 A. There are other costs associated with the
18 cost of the dry hole well cost, which includes leasing
19 efforts, the construction of the well site, the road,
20 maintenance of the pits and reclamation of the sites. We
21 also have a directional drilling cost involved with that.
22 It's a separate service. We have supervision included that.
23 It would provide any further cost just in that AFE.

24 Q. Is your drilling the main cost?

25

1 A. That's...the largest cost are the dry hole
2 costs, yes.

3 Q. And that would be largest cost of the entire
4 project, would it not?

5 A. Yes. The completion costs would be the
6 second largest cost. That's where we complete the well and
7 we stimulate the well for production.

8 Q. All right. I've listened to other costs
9 here from EQT or CNX. For drilling two wells, one of them
10 2560 feet and another one 2437 feet, their exhibit called for
11 \$507,991, which is a significant difference. I mean, if you
12 add the two of them together that comes up a lot more than
13 the 8,000 total feet that you're talking about.

14 BRUCE PRATHER: Those are 2500 foot wells.

15 MARY QUILLEN: Those are different kind of wells.

16 BRUCE PRATHER: Those are CBM wells. Those are
17 coalbed methane wells. They're talking about a horizontal
18 well. It will go...that horizontal well will go at least
19 3,000 feet below where this coal seam that you're talking
20 about on your AFEs that you've got there. So, it's a
21 different animal so to speak.

22 Q. Okay. But you say it's basically \$400,000?

23 A. Just for the drilling part itself.

24 Q. Okay.

25

1 A. Again, there are other services involved
2 that you're required to have to actually steer the well and
3 drill that well. There are other associated costs included
4 here in that dry hole cost.

5 Q. Do you own part of the drilling company?

6 A. No, we do not.

7 Q. Have you recently purchased a part of a
8 drilling company or made arrangements to purchase a---?

9 TIM SCOTT: Objection.

10 Q. ---drilling corporation?

11 BUTCH LAMBERT: Yeah. Well, I---.

12 TIM SCOTT: Objection.

13 BUTCH LAMBERT: Excuse me, Ms. Fran. I don't... I
14 don't understand what this has to do with the pooling order.

15 CATHLEEN FRAN: Well, I'm trying to find out the cost
16 of this.

17 BUTCH LAMBERT: But asking him whether or not he's
18 part owner or purchased---.

19 CATHLEEN FRAN: No, I'm not asking him personally
20 that. I was asking him was the company, in terms of the
21 costs, do they own part of the drilling equipment? This
22 company has a lot of subsidiaries.

23 BUTCH LAMBERT: I still don't understand what that
24 would have to do with the costs. The gentleman has presented

25

1 an AFE of their costs. What would it make any difference of
2 who is drilling it or whether or not they own the drilling
3 right?

4 CATHLEEN FRAN: I believe in the 10-K they talk about
5 how...let me find that.

6 TIM SCOTT: Mr. Chairman, if Ms. Fran has
7 alternative or alternate figures that she would like to
8 present saying that this is an unreasonable cost for this
9 well, I'd like to see those. Do you have those?

10 CATHLEEN FRAN: No, sir, I don't. I'm asking you.
11 You're supposed to be the expert here.

12 TIM SCOTT: That's exactly what he is testifying,
13 Ms. Fran to tell you exactly that.

14 CATHLEEN FRAN: Well, I have a right to...I have a
15 right to question that, don't I?

16 BUTCH LAMBERT: Well, Ms. Fran---

17 TIM SCOTT: Within the perimeters of the
18 application, yes, ma'am.

19 BUTCH LAMBERT: Ms. Fran, you came before this Board
20 representing yourself as a citizen and not as an attorney.

21 CATHLEEN FRAN: That's correct.

22 BUTCH LAMBERT: So, you need to direct questions to
23 the Board who will then ask the other party.
24 Normally...typically we don't allow just a citizen to come

25

1 in and cross examine the witnesses on the other party.

2 CATHLEEN FRAN: Okay. Even though I'm appearing
3 like pro se? Their consolidated report for the 10-K that
4 they filed for the first quarter ending March the 31st,
5 2012---.

6 TIM SCOTT: Objection.

7 CATHLEEN FRAN: I'm directing a question to the
8 Board.

9 BUTCH LAMBERT: Let me see what she's going to ask
10 and then---.

11 TIM SCOTT: I'm sorry. Sorry, Mr. Chairman.

12 BUTCH LAMBERT: ---I'll...and then we'll---.

13 TIM SCOTT: Okay. I'm sorry.

14 BUTCH LAMBERT: If you will ask that question to the
15 Board, Ms. Fran, we'll see...we'll try to determine where
16 you're going with that and whether or not it's relevant.

17 CATHLEEN FRAN: I would like to know something about
18 their information so that I can evaluate the options under
19 the statute about participating or non-participating or the
20 three options that you have under the statute there. Your
21 statute under the definition has a definition for first point
22 of sale. I'm looking at their 10-K page 24 for March the 31,
23 2012 and it says that they have two different types of
24 agreements under which they sale natural gas. One of them

25

1 being A) Net back arrangement where we sell natural gas and
2 oil at the well head and collect a price and no transportation
3 incurred by the purchaser; or we sell natural gas or oil at
4 a specific delivery point and receive proceeds from the
5 purchaser with no transportation deduction. Now, they did
6 present me a lease agreement on a couple of other wells for
7 which I had no notice involving this property, two other
8 wells. It's revised only as I understand them for well head
9 prices for payments to a lessee. But here they're saying
10 they had two different arrangements under which they sell
11 natural gas. Do I receive the benefit of both of those sale
12 agreements or is mine just strictly at the well head?

13 BUTCH LAMBERT: I would pose that question to Range
14 Resources. In this particular instance, which one of those
15 options does Ms. Fran have?

16 PHIL HORN: Would you repeat the...what it says in
17 there again, please?

18 CATHLEEN FRAN: I'm providing a copy of your
19 10-K.

20 PHIL HORN: Of course, we've got districts all over
21 the country and we're a small district here.
22 So---.

23 CATHLEEN FRAN: This says it's a consolidated report
24 for the entire company. It says natural gas is sold under

25

1 these two options. What I'm wanting to know is when you sell
2 under the second option does a lessee obtain the benefit of
3 that price or is it strictly well head price? The lease
4 agreement that you've presented to me seems to be strictly
5 well head price.

6 PHIL HORN: The lease agreement that I have
7 presented to you says there's a reasonable rate for
8 transportation fees to make the gas marketable is what our
9 lease says.

10 CATHLEEN FRAN: Yes. And so if you're going to
11 charge me---.

12 PHIL HORN: We're charging you what it would charge
13 to get the gas to the market.

14 CATHLEEN FRAN: Well, if he's charging me what it
15 would cost to get the gas to the market---.

16 PHIL HORN: It would be number two.

17 CATHLEEN FRAN: ---but he's...but he's paying me
18 at the well head price, it seems to me that I'm getting docked
19 that transportation cost unless on the other end of it I
20 receive the price under the second option, if I'm making
21 myself clear.

22 BUTCH LAMBERT: You are. Absolutely. I
23 understand. As soon as our Counsel finds it in the Regs, if
24 you have researched our Regs, you will see that it says well

25

1 head price.

2 SHARON PIGEON: The Regs say well head. The order
3 itself will say net back.

4 CATHLEEN FRAN: But I believe that the definitions
5 under your Section 45 defines point of sale...the first point
6 of sale---.

7 SHARON PIGEON: It's---.

8 CATHLEEN FRAN: Under Section 45.1-361.1 it
9 discusses about first point of sale. So, it seems to me---.

10 SHARON PIGEON: Yeah, that's a definition.
11 Exactly.

12 CATHLEEN FRAN: Uh-huh.

13 SHARON PIGEON: The Regs at 4VAC25-160-100E...I'm
14 sorry, I'm giving you the wrong...I had it and I've lost it.
15 Oh, B, sorry. Where there are conflicting royalty claims to
16 the coalbed methane gas the unit operator of a force pool
17 coalbed methane gas unit shall deposit proceeds in accordance
18 with 361.22 to be determined at the well head.

19 CATHLEEN FRAN: Well, you've got two different
20 scenarios here in which they're marketing it. If it's to be
21 determined at the well head, why should I be charged
22 transportation costs?

23 SHARON PIGEON: Because it's a net back. There's
24 no market at the well head. So, the first point of sale of

25

1 a reasonable arms length sale is used deducting out the costs
2 to get the gas there. It's not just a location of the sale,
3 it's the quality of the gas and at the well head it's
4 substantially different than after it has been transported
5 and treated.

6 CATHLEEN FRAN: Okay. What if it's not the net back
7 arrangement? They don't sell all of their gas under the net
8 back arrangement. It says, "Revenues also include
9 arrangements where we sell natural gas or oil at a specific
10 delivery point and receive proceeds from the purchaser with
11 no transportation deduction."

12 SHARON PIGEON: That's what that says on their FCC
13 filing, is that what you're saying?

14 CATHLEEN FRAN: Yes...yes, ma'am.

15 SHARON PIGEON: But what this Board's order will say
16 is the net back method will be used.

17 CATHLEEN FRAN: So, it doesn't matter how they get?
18 I'm limited to the smaller amount?

19 SHARON PIGEON: Well, we're not following their
20 operations all over the country. We're working under our Act
21 and our Regs.

22 CATHLEEN FRAN: I would have to---.

23 BRUCE PRATHER: May I make a comment, please? The
24 original version that you were talking about there they have

25

1 operations in Texas and that's...and since it has the oil and
2 this, that and the other I'd say that that's their Texas
3 sales. Up here since it's strictly natural gas, you
4 (inaudible) about oil and what it amounts to is that FERC and
5 all of their wisdom, the ACT 20 years ago, they put brokers
6 into the income stream of the sale of natural gas. So, what
7 it amounts to is that your gas no longer is sold at the well
8 head. It is sold to some far distant point in which the
9 operator tries to get the maximum amount of money that he can
10 get. Consequently, since it is at a far distant point from
11 the well head the royalty owners are paying these post
12 production costs. What caused it was FERC did this back in
13 the '80s. That's when this all happened.

14 CATHLEEN FRAN: But you are, in effect, condemning
15 private property with this pooling order and this (inaudible)
16 force pooling---.

17 BRUCE PRATHER: We're not condemning anything.

18 CATHLEEN FRAN: Well, in so many words.

19 MARY QUILLEN: No, ma'am.

20 CATHLEEN FRAN: It's coming out that way.

21 MARY QUILLEN: No, we're not.

22 CATHLEEN FRAN: Because it's a resource that's going
23 to private as opposed to a public entity.

24 BRUCE PRATHER: I mean, it may be going to a utility,
25

1 you know, far away from here. I don't have any idea where
2 these markets are. They might know where their selling most
3 of their gas. But it may vary from month to month really.
4 Isn't that correct?

5 GUS JANSEN: I don't have that specific knowledge
6 with that marketing side of it.

7 BRUCE PRATHER: Yeah. I mean, it's basically...the
8 way I've always seen it is, you know,---

9 GUS JANSEN: There is a variable cost in the payment.

10 BRUCE PRATHER: You try to get the highest price that
11 you can get from the market that's available.

12 CATHLEEN FRAN: And, you know, I appreciate that
13 they have that right under our system of government, but I
14 don't see that there's anything wrong with me having that
15 right also.

16 TIM SCOTT: Mr. Chairman, I'd like to---

17 WOODROW W. FRAN, JR.: Do you understand, Mr.
18 Prather, what she's saying?

19 BRUCE PRATHER: Sure. I know exactly what I'm
20 saying.

21 WOODROW W. FRAN, JR.: She's saying that we're being
22 paid for the price at the well head yet charging
23 transportation.

24 BRUCE PRATHER: Well, unless it is specific, I don't
25

1 know of anybody that is being paid at the well head right now.
2 Most of these companies---

3 SHARON PIGEON: There's no market at the well head.
4 That's why it has to be transported where there's a market.

5 WOODROW W. FRAN, JR.: But if we're being paid at
6 the well head, should not have to pay for transportation.

7 SHARON PIGEON: There's no market at the well head.
8 You can't sell your gas there.

9 BRUCE PRATHER: Yeah.

10 WOODROW W. FRAN, JR.: Do we...even if we've got to
11 pay for the transportation logically we should get the price
12 at the market and not at the well head.

13 SHARON PIGEON: No, logically if you're to be paid
14 at the well head and that's the quality of gas that you get,
15 you should pick your gas up at the well head.

16 BUTCH LAMBERT: Mr. Scott, do you have a comment?

17 TIM SCOTT: I was...I just wanted to address
18 something that Ms. Fran said about the notice with regard to
19 the earlier hearings. It would 900035 and 900095. Those
20 packets came back to our office and to the identical address
21 sent this time for which Ms. Fran signed. So, I don't...I
22 don't know what's going on in Nicklesville whether the
23 mailman is not delivering, but it was received at this point.
24 So---

25

1 CATHLEEN FRAN: I will explain that. That was
2 my---

3 TIM SCOTT: Please do.

4 CATHLEEN FRAN: That was my mother's residence.
5 She died in 2009. My brother inherited that farm. That was
6 the home place. There has been no mail delivering. All mail
7 was forwarded to his address. For some reason the postman
8 that day made a special effort and walked up on the porch and
9 left a notice to the door...put a notice on the door.

10 WOODROW W. FRAN, JR.: While I happen to be here.
11 Before they just sent it back to the post office and they never
12 bothered to check the forwarding address.

13 CATHLEEN FRAN: I can't explain that. That was just
14 an anomaly that happened that day. But my mother died August
15 the 13th, 2009. It may be a postman that knew of my brother
16 or knew of the family. I'm kin to about everybody in the
17 county over there. I go back to the founding of the county.
18 So, I don't know.

19 TIM SCOTT: I'd like to...I'd like to ask Mr. Horn
20 some more question, please.

21 BUTCH LAMBERT: Mr. Scott.

22

23

PHIL HORN

24

REDIRECT EXAMINATION

25

1 QUESTIONS BY MR. SCOTT:

2 Q. Mr. Horn, what's recorded in the Dickenson
3 County Clerk's office presently with regard to this Estate?

4 A. Noah Mullins sold the surface to this
5 property and reserved the oil and gas over a 100 years ago
6 and that's where the record title stops in Dickenson County.

7 Q. Now, in your efforts to locate these
8 individuals, what all did you do?

9 A. Chesapeake has a partial list where they had
10 encountered this tract years before. We took that and we
11 mailed leases out to people and we talked to the people...a
12 gentleman by the name of Clyde Taylor, Jr. in Pikeville sent
13 us some more of a composite list that he had from Pikeville,
14 Kentucky. So, even though the property is in Dickenson
15 County, Virginia we sent a landman over to Pikeville,
16 Kentucky and met with Mr. Taylor and looked at some of these
17 wells and list of heirs for these folks that...like I said,
18 this is her great, great-granddaddy that reserved this over
19 a 100 years ago. We came up with a list. Apparently, her
20 mother was listed. We didn't know. They are over in Central
21 Kentucky. None of them are in Virginia. So, we mass mailed
22 leases out and then begin our process and here we are now.
23 They picked up third package. The first two green cards came
24 back and it says, "No mailbox...no mailbox." That's what we

25

1 got. Then she signed for the third one.

2 CATHLEEN FRAN: I just happened to be there that day.
3 We were dividing up my mother's furniture. We were still
4 dividing up her estate. We still haven't divided it up.

5 MARY QUILLEN: Well, is there a current address that
6 you can give them.

7 PHIL HORN: I mailed leases to both of them. Yes,
8 they have leases. I've contacted them and mailed them copies
9 of the plats. We're going to send them copies of the other
10 applications. When I get back in the office, we'll send them
11 copies of the other two pooling applications.

12 CATHLEEN FRAN: My mother has an estate attorney.
13 That name has been provided. I believe he has been contact
14 with Mr. Scott.

15 TIM SCOTT: That's correct.

16 PHIL HORN: And me.

17 TIM SCOTT: I've assisted him in trying to get title
18 confirmed from Noah Mullins to present so that there will be
19 a complete chain---.

20 CATHLEEN FRAN: And I---.

21 TIM SCOTT: ---of title.

22 CATHLEEN FRAN: I have an authenticated copy of the
23 Will of my mother. I've attached to my objection that I filed
24 on the record. I have the original here. We were going to

25

1 file in the Dickenson County Courthouse. I sought to obtain
2 the authenticated copy of the Will of my grandfather, James
3 (inaudible) Fran. Years ago I think the paper copy in the
4 Pike County Courthouse were damaged by flood waters and they
5 have a microfilm copy of a number of years of the records.
6 The copying machine was down for those special microfilms.
7 I paid for the authenticated copy. I've yet to receive it.
8 They told me they would mail it to me. I have not received
9 it.

10 BUTCH LAMBERT: So, Ms. Fran, you're here today to
11 object to the pooling order---?

12 CATHLEEN FRAN: No. I don't object to the pooling
13 order. I object to the terms of the lease and the cost of
14 the expense. I have questions as to why...this is
15 evidentially the third pooling order. I don't know why tract
16 is broken up into three different pools here. I don't have
17 any explanation of that. When your statute defines pool
18 under Section 45.1-361.1 I don't know whether there are three
19 different pools on this tract and there's still acreage
20 that's not included in any of the three. Again, I don't
21 understand.

22 BUTCH LAMBERT: Can you give us a clarification of
23 that, Mr. Horn?

24 PHIL HORN: We've got a vertical unit and two
25

1 overlapping horizontal units and we...the units themselves
2 take in whatever piece of property they have. So, we're only
3 getting bits and pieces of it. I believe this one has 34
4 acres of the 78.

5 BUTCH LAMBERT: Where those wells overlap in that
6 case they will be double paid?

7 PHIL HORN: Yes. Correct. Yes. That's correct.
8 If...they will be paid for the vertical well and also the
9 horizontal wells, all three of them even though it's the same
10 acreage.

11 BUTCH LAMBERT: Right.

12 TIM SCOTT: Well, Mr. Horn, this is based on acreage
13 contributions to each of these units, is that correct?

14 PHIL HORN: That's correct.

15 BUTCH LAMBERT: Okay.

16 CATHLEEN FRAN: The pooling application has in it
17 the term 1200 mmcf. When I called...I think I called the
18 Board here and spoke to somebody. I asked what that meant.
19 They didn't know. I spoke to somebody. I called Mr. Scott's
20 office and spoke to a lady and asked her what it meant and
21 she called somebody else to the phone and they said they
22 didn't know. And---.

23 TIM SCOTT: No one...no one in my office talked to
24 Ms. Fran about this particular issue. She was referred to

25

1 Mr. Horn as was Mr. Downing to get the particulars about this
2 particular...these are...she was talking to clerical staff,
3 Mr. Chairman, and not to someone who understands the nature
4 of these particular applications. This is ridiculous.

5 BUTCH LAMBERT: And no one on this Board---

6 CATHLEEN FRAN: Well, I would like to know what it
7 stands for exactly.

8 BUTCH LAMBERT: Was anyone on this Board contacted?

9 (No audible response.)

10 CATHLEEN FRAN: I mean, they spell it out in language
11 or they can put all of the zeros after it or something so that
12 I'll know what it is.

13 TIM SCOTT: Mr.---

14 BRUCE PRATHER: What is it? I mean, read it.

15 WOODROW W. FRAN, JR.: 1200 mmcf. What does that
16 mean? Is that one billion and 200 million cubic feet of
17 natural gas?

18 BRUCE PRATHER: Yeah. That's what it is. That's
19 what it is.

20 WOODROW W. FRAN, JR.: Okay. That's what we're
21 asking.

22 CATHLEEN FRAN: What didn't it just say that? I
23 mean---

24 BRUCE PRATHER: Well, you could have put it down as
25

1 1.2 bcf. You could have done the same thing. What this is
2 is everyone of these ms you put on is a million. So, you could
3 also say...what it is it's a million...it's one billion and
4 200 million if you want to put it that way. When you put an
5 m on the end of it, that's one million and you go to other
6 end (inaudible)...the m is referring to the thousand cubic
7 feet. The other end is a million. So, you've got a million
8 and two.

9 CATHLEEN FRAN: Well, I talked to Mr. Downing and
10 asked him and he said he didn't know and that I needed to be
11 asking...raising that question and asking it.

12 BRUCE PRATHER: I mean, in what context is
13 this---?

14 CATHLEEN FRAN: He wasn't sure.

15 BUTCH LAMBERT: Ms. Fran, you could have looked that
16 up on the internet real easy.

17 CATHLEEN FRAN: Well---.

18 BRUCE PRATHER: In what context is this used?

19 SHARON PIGEON: Yeah. As far as what abbreviations
20 mean.

21 BRUCE PRATHER: I mean, you know, you asked me what
22 a billion and 200 million is, in what context is this used
23 in used in here?

24 CATHLEEN FRAN: It's your application...or their

25

1 application as to the anticipated---

2 BRUCE PRATHER: Oh, okay. Okay.

3 CATHLEEN FRAN: ---of production of the well.

4 BRUCE PRATHER: All right. What you're talking
5 about is the estimated reserves over the life time of this
6 well.

7 BUTCH LAMBERT: So, Ms. Fran, so we can move this
8 along, exactly what it is that are you asking for this Board
9 to do? I mean, we need to take a vote on this application.
10 But I don't understand what you're asking from the Board.

11 CATHLEEN FRAN: Well, I would like to have the lease
12 agreement that they have presented to me not say that they're
13 going to charge me back taxes pro-rata against that. I don't
14 know if that includes severance taxes or not.

15 PHIL HORN: Yes, it does. Severance tax. We pay
16 seven-eighths severance tax and charge---

17 SHARON PIGEON: The Board doesn't---

18 BUTCH LAMBERT: We...yeah. Yeah. This Board
19 cannot control leases. We have nothing to do with leases.
20 We don't review leases. We don't make decisions on leases.
21 That's between you and the company.

22 CATHLEEN FRAN: Well, if, you know, it's sort of
23 presented to you on a take it or leave basis? Is there any
24 real negotiating there?

25

1 BUTCH LAMBERT: That's what the pooling order is
2 for. They're required to have a certain percentage of this
3 unit under lease before they can come to this Board and ask
4 for a pooling.

5 WOODROW W. FRAN, JR.: Do we have the choice as to
6 whether or not we can accept this or reject it or does the
7 individual heir can they say no to drilling on the property
8 or is it all just kind of like well we condemn the property
9 and we're going to drill and that's that?

10 BUTCH LAMBERT: That's what the pooling phase of it
11 is. If the royalty owner says no, they come to the Board and
12 we pool it.

13 SHARON PIGEON: If it's not a voluntary unit and all
14 leased then compulsory pooling comes into play. But as far
15 as your options, the statute provides election options three
16 and you have those choices after the---

17 WOODROW W. FRAN, JR.: I...I understand. I
18 understand the difference.

19 SHARON PIGEON: Well, okay---

20 WOODROW W. FRAN, JR.: You know, my question is do
21 we as individuals have the right to say no you can't do this?

22 SHARON PIGEON: And I say no.

23 BUTCH LAMBERT: No.

24 SHARON PIGEON: You do not have the right to say no.

25

1 MARY QUILLEN: No. Because there are 82.2% that's
2 under lease and that's---

3 WOODROW W. FRAN, JR.: Okay.

4 MARY QUILLEN: ---high enough that they can---

5 WOODROW W. FRAN, JR.: I have one more question.
6 I'm reading a lot of material about the Pulitzer prize winning
7 articles saying how bad natural gas and resources are managed
8 in Virginia. Is there anyway that the State of Virginia or
9 somebody is going to, you know, check these wells to check
10 and see how much gas they're producing and monitor the
11 situation?

12 BUTCH LAMBERT: Yes, sir. There are production
13 reports that they are required to submit to the Division of
14 Gas and Oil.

15 WOODROW W. FRAN, JR.: Do they actually check or do
16 they just take the company's word for it?

17 BUTCH LAMBERT: We take the company's word for it
18 on what they submit.

19 CATHLEEN FRAN: I have one other question. If let's
20 say this well has an environmental problem out there, is there
21 any sort of regulation that requires an indemnification
22 clause to indemnify me so that I would never be held
23 accountable for something like that as a mineral rights
24 owner?

25

1 BUTCH LAMBERT: Well, that would be something that
2 you would work out with the company. But through our
3 regulations of the Division of Gas and Oil you are not held
4 responsible. All the permitting responsibilities fall back
5 up on the company.

6 CATHLEEN FRAN: Well, I'm not talking about
7 permitting. I'm talking about---

8 BUTCH LAMBERT: Permitting, drilling and
9 environmental issues the company is held responsible.

10 CATHLEEN FRAN: And so I would have no potential
11 liability of any kind?

12 BUTCH LAMBERT: As long as there's a valid permit
13 on that areas then they are responsible for any environmental
14 issues that may arise.

15 CATHLEEN FRAN: And I don't have to supervise it?
16 I know that they're out there. I don't have to go out and
17 supervise it in anyway or have any kind of responsibilities
18 for committing waste or illegal operations or whatever?

19 BUTCH LAMBERT: Those fall within the regulations
20 of our Division of Gas and Oil. They have inspectors out
21 there periodically to check up on the condition of the site.

22 CATHLEEN FRAN: So, I won't have any liability under
23 any...under any scenario?

24 BUTCH LAMBERT: Unless..unless...unless you as a
25

1 citizen or anyone else goes and does...creates a situation.
2 That would be a third party. Then that would be taken into
3 consideration on who would be responsible.

4 CATHLEEN FRAN: Well, it seems to be that your Regs
5 ought to provide that...for indemnification clause in those
6 circumstances for landowners.

7 BUTCH LAMBERT: Okay.

8 CATHLEEN FRAN: For mineral owners.

9 BUTCH LAMBERT: Thank you for the comment. But this
10 Board doesn't set regulations or make regulations. That's
11 left up to our General Assembly.

12 CATHLEEN FRAN: Well, you asked for comments today
13 and I'm assume that I'm allowed to make those. That seems
14 to be a very---

15 BUTCH LAMBERT: At public comment period you
16 absolutely were welcome, but you didn't participate.

17 CATHLEEN FRAN: Well, I thought I had to participate
18 now.

19 BUTCH LAMBERT: Well, thank you for your comments.

20 BILL HARRIS: Mr. Chairman, let me just make one
21 comment.

22 BUTCH LAMBERT: Mr. Harris.

23 BILL HARRIS: I don't want to prolong this, but you
24 talked about money and about the 1.2 million. Of all of the

25

1 people on the Board, I'm not saying other folks aren't doing
2 this, I am one have always been concerned about how much these
3 cost to drill. Of the horizontal wells that we've seen cross
4 the desk, this amount is...and I can't say everyone of them
5 is the same, but this amount is very typical for a horizontal
6 well. So, this is not...I should say this is not A-typical
7 from all of them that I've seen. I've always questioned
8 about why is this costing this much or why...you know, and
9 there's a variety of costs. But most every horizontal well
10 that we've seen and, you know, I can't say I could pull up
11 every record and look at it, but most of them have been a
12 million to million and two or somewhere in there to drill.

13 (Donnie Ratliff exits the hearing.)

14 BUTCH LAMBERT: Mr. Scott, have you got anything
15 further?

16 TIM SCOTT: No, sir.

17 BUTCH LAMBERT: Any further discussion from the
18 Board?

19 BRUCE PRATHER: A lot depends...a lot depends on
20 whether to drill on top of the hill or in the valley. That
21 will make a heck of a difference on these horizontal wells
22 casing wise and other wise.

23 CATHLEEN FRAN: And I assume the hardness of the
24 strata that they go through would make another big difference

25

1 in the drilling costs.

2 BUTCH LAMBERT: Do I have a motion?

3 MARY QUILLEN: Motion to approve.

4 BRUCE PRATHER: Second.

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

7 (No audible response.)

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

9 (All members signify by saying yes.)

10 BUTCH LAMBERT: Opposed, no.

11 (No audible response.)

12 BUTCH LAMBERT: It's approved. We're calling
13 docket item number 27. A petition from Range Resources-Pine
14 Mountain, Inc. for pooling of a drilling unit for well
15 VH-530183, docket number VGOB-12-0515-3072. All parties
16 wishing to testify, please come forward.

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

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

20 TIM SCOTT: Thank you, Mr. Chairman.

21 PHIL HORN

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

24 DIRECT EXAMINATION

25

1 QUESTIONS BY MR. SCOTT:

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

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

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

8 A. Yes, I am.

9 Q. How many acres does this unit contain?

10 A. 220.

11 Q. And Range has this unit under lease, is that
12 right, and what percentage?

13 A. We have 96.04%.

14 Q. And for those parties that you haven't
15 reached an agreement with you, you've attempted to reach an
16 agreement, is that correct?

17 A. That's correct.

18 Q. Are we going to dismiss anybody today?

19 A. No, we're not.

20 Q. Okay. Now, we've notified the parties
21 listed on Exhibit B. How was that accomplished?

22 A. By certified mail and also by publication in
23 the Dickenson Star on May the 2nd, 2012.

24 Q. And we don't have any unknowns in this unit,
25

1 is that right?

2 A. That's correct.

3 Q. And we've provided the Board with our proof
4 of publication and mail certification, is that right?

5 A. Yes, you have.

6 Q. Okay. Range is authorized to conduct
7 business in the Commonwealth, is that right?

8 A. That's correct.

9 Q. It has a blanket bond on file?

10 A. Right.

11 Q. Is that right?

12 A. That's correct.

13 Q. And if you were to reach an agreement with
14 the parties listed on Exhibit B-3 what would the terms that
15 you would offer?

16 A. \$25 per acre for a five year paid up lease
17 that provides a one-eighth royalty.

18 Q. And you consider that to be a reasonable
19 compensation for a lease in this area?

20 A. Yes, I do.

21 Q. And what percentage of the oil and gas estate
22 is Range seeking to pool today?

23 A. 3.96%.

24 Q. And, again, we've said there are no
25

1 unknowns, right, no unlocateables?

2 A. That's correct.

3 Q. So, we don't have an escrow requirement?

4 A. That's correct.

5 Q. And you're requesting the board to pool the
6 unleased parties listed on Exhibit B-3?

7 A. That's right.

8 Q. And that Range be named operator for this
9 unit?

10 A. That's correct.

11 Q. Now, if the Board grants our application
12 today and parties listed on B-3 would make...would take
13 advantage of the election options that are set out in the
14 order, what would be the address that would be used for making
15 such elections?

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

18 Q. Is that the address for all communications
19 for this particular unit?

20 A. Yes, it is.

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

22 BUTCH LAMBERT: Any questions from the Board?

23 (No audible response.)

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

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TIM SCOTT: Thank you, Mr. Chairman.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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

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

A. I am.

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

A. 9,497 feet.

Q. And the estimated reserves for this unit?

A. 1 bcf.

Q. Now, you participated in the preparation of the AFE, is that right?

A. I did.

Q. So, you are familiar with the well costs?

1 A. Yes, I am.

2 Q. What's the estimated dry hole cost for this
3 particular unit?

4 A. \$594,063.

5 Q. And the estimated completed well cost?

6 A. \$1,307,824.

7 Q. And we've provided an AFE with our
8 application, is that right?

9 A. That is correct.

10 Q. And it includes a charge for supervision, is
11 that correct?

12 A. It does.

13 Q. Do you consider that charge to be
14 reasonable?

15 A. Yes, I do.

16 Q. In your opinion, if this application were
17 granted, it would prevent waste, promote conservation and
18 protect correlative rights, is that correct?

19 A. That is correct.

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

21 BUTCH LAMBERT: Any questions from the Board?

22 MARY QUILLEN: Mr. Jansen, could you state the
23 production...total production cost again, please?

24 GUS JANSEN: The total cost?

25

1 MARY QUILLEN: Uh-huh.

2 GUS JANSEN: \$1,302,824.

3 TIM SCOTT: And that's reflected on the AFE, is that
4 correct?

5 GUS JANSEN: That is correct.

6 TIM SCOTT: Okay.

7 MARY QUILLEN: Thank you.

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

10 BUTCH LAMBERT: Anything further, Mr. Scott?

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

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.)

20 BUTCH LAMBERT: Opposed, no.
21 (No audible response.)

22 BUTCH LAMBERT: Thank you, Mr. Scott.

23 TIM SCOTT: Thank you.

24 PHIL HORN: Thank you.

25

1 GUS JANSEN: Thank you.

2 BUTCH LAMBERT: The next item on the docket is the
3 Board will receive an update of Board and Division activities
4 from the staff. Rick, do you have anything?

5 RICK COOPER: Just quickly. We're continuing to
6 work on the audit and sub-audit. As you all heard from some
7 of the testimony today, we've been delayed at EQT. That will
8 set us back a little bit. Rick Crites was the holder of our
9 information at EQT. As you heard earlier on, he passed away.
10 Someone has assumed that position, but it will be...there
11 will be a little delay in that. So, we're working with that
12 process. It's still going pretty smooth. So, we hope to
13 report on that rather soon. Also, what we hope to put on the
14 website here relatively soon, we have scanned all of the
15 transcripts that we could find from 1990 forward and we hope
16 to...we've gathered all of those up. We're in the process
17 of converting to pdf searchable files. We'll be placing
18 those on the Internet relatively soon. We've also scanned
19 all of the Wachovia documents that we had from 1990 up until
20 now. We're making searchable pdfs out of that. We will be
21 placing those on the website hopefully in the next month or
22 so. So, in the next month I hope to say that those are on
23 our website.

24 BUTCH LAMBERT: Thank you, Rick. The next item on

25

1 the agenda is the Board will review---.

2 DIANE DAVIS: Mr. Chairman---

3 BUTCH LAMBERT: ---the March and April 2012 minutes
4 for approval. Are there any...do you have any comments about
5 those now?

6 DIANE DAVIS: I had two questions to ask that fell
7 under the comments. I wanted to know if there was...I wanted
8 some direction from the Board.

9 BUTCH LAMBERT: Okay. But nothing to do with the
10 minutes?

11 DIANE DAVIS: No. Nothing to do with the minutes.

12 BUTCH LAMBERT: Okay. Any comments, additions or
13 deletions or corrections for the minutes for the March and
14 April meetings?

15 (No audible response.)

16 BUTCH LAMBERT: If not, do I have a motion to approve
17 both March and the April minutes?

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.)

25

1 BUTCH LAMBERT: Opposed, no.

2 (No audible response.)

3 BUTCH LAMBERT: Now, Diane.

4 DIANE DAVIS: Okay. I just had a question, please.
5 I needed a little direction from the Board.

6 BUTCH LAMBERT: Real quickly. Some of us have
7 another meeting in just a few minutes.

8 DIANE DAVIS: Okay. If you have...I received an
9 original order, which required escrow of say two tracts.
10 The...no money has flowed into the escrow account as of to
11 date. The supplemental order require...comes in and to
12 tract it they added another tract to be escrowed. Is that
13 acceptable testimony only referenced two tracts to be
14 escrowed and the supplemental reference is three tracts to
15 be escrowed? The supplemental is really used to show what
16 people's elections are. I don't have a problem dismissing
17 people. But I don't know about adding to escrow.

18 SHARON PIGEON: You can't do it that way.

19 DIANE DAVIS: Cannot do that.

20 BUTCH LAMBERT: Can't do it. They have to come
21 before the Board.

22 DIANE DAVIS: Okay. I just also wanted to mention
23 that Range Resources is the only one that is doing their due
24 diligence after that letter went out last year. I just

25

1 thought you should know. They are still the only company.

2 BUTCH LAMBERT: Thank, guys. I appreciate that.

3 MARY QUILLEN: Good job. Good job.

4 DIANE DAVIS: Just so you would know. Okay.

5 BUTCH LAMBERT: Do we need to have...have you had
6 any discussions with the other producers on why they're not
7 doing it?

8 DIANE DAVIS: The last discussion I heard was pretty
9 much mmm, we're not doing it. So---

10 RICK COOPER: I'll do a followup on that.

11 BUTCH LAMBERT: Mr. Cooper, if you do a followup
12 letter for the Board Chairman's signature we'll be happy to
13 take care of that.

14 DIANE DAVIS: I just wanted you to be aware of that.

15 BUTCH LAMBERT: Okay.

16 DIANE DAVIS: Okay. So, they need to come back to
17 the Board to add for escrowing?

18 BUTCH LAMBERT: Yes. Absolutely, they do.

19 DIANE DAVIS: Okay. Thank you.

20 BUTCH LAMBERT: Anything further from the Board?

21 (No audible response.)

22 BUTCH LAMBERT: Do I have a motion to adjourn?

23 MARY QUILLEN: Motion to adjourn.

24 BRUCE PRATHER: Second.

25

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

3 (All members signify by saying yes.)

4 BUTCH LAMBERT: Opposed, no.

5 (No audible response.)

6 BUTCH LAMBERT: We're adjourned. Thank you, ladies
7 and gentlemen.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF VIRGINIA,
2 COUNTY OF BUCHANAN, to-wit:

3 I, Sonya Michelle Brown, Court Reporter and Notary
4 Public for the State of Virginia, do hereby certify that the
5 foregoing hearing was recorded by me on a tape recording
6 machine and later transcribed by me personally.

7 Given under my hand and seal on this the 11th day
8 of June, 2012.

9

10 _____ NOTARY PUBLIC

11

12 My commission expires: August 31, 2013.
13 My Notary Registration No.: 186661

14

15

16

17

18

19

20

21

22

23

24

25