

**VIRGINIA GAS & OIL BOARD  
WORK COMMITTEE MEETING**

**JULY 17, 2008**

**The following is a summary of the July 17, 2008 Committee Meeting:**

**Members present were Katie Dye, Bruce Prather, Mary Quillen, Donald Ratliff and Bill Harris. Also present were David Asbury and Gloria Clark, Office of the Attorney General.**

The meeting was called to order at 9:00 AM by David Asbury, Acting Director of the Division of Gas and Oil.

The Director presented the agenda for the day's work session which included: 1) the seating of a committee chairperson; 2) the scheduling of future work sessions; 3) review and consideration of written comments regarding post-production cost allowances received from the public; and, 4) discussion of current regulations and statutory allowances, plus a review of past testimony before the board regarding post-production costs. He noted that the objective of the committee was to review available information and provide any recommendations to the full Board later this fall.

A motion was made by Mary Quillen, with a second by Donnie Ratliff, that Bruce Prather be chosen as Chairman of the Work Committee. Following discussion, the vote was unanimous that Bruce Prather would serve as Chairperson.

Following discussion, a motion was made by Donnie Ratliff, with a second by Mary Quillen, that the monthly meetings of the Work Committee would be held on the third Thursday following the Virginia Gas and Oil Board meetings, which meets on the third Tuesday of each month, and these meetings would convene at 9:30 AM. The Director agreed to check with staff of Bonanza Restaurant to confirm that the meetings could be held there. (confirmed). The vote was unanimous for scheduling of monthly Work Committee meetings at this date, time and place.

The Work Committee reviewed and discussed current language from the Gas & Oil Act and the Virginia Administrative Code. Extensive discussions followed regarding current cost allowances and written public comments received by the Board. The Board noted the differences between cost allowances within a lease agreement, which are beyond the Board's authority and jurisdiction, versus cost allowances pertaining to force pooled units.

Motions for committee consideration were made by member Donnie Ratliff, with seconds by Mary Quillen, including the following proposals:

- 1) That a letter from the Division Director to all Virginia gas operators be drafted providing notice of the Board's ongoing consideration of this issue and seeking input in regard to post-production cost allowances in force pooled units. The letter would indicate the Board is considering a percentage cap on certain costs that can be allowed as deductions against royalty interests.
  
- 2) That a recommendation be made for a legislative change such that each operator of coalbed methane wells be required to control a minimum 25% of surface, coal, and gas rights before requesting the establishment or pooling of a unit before the Board.
  
- 3) That each operator be directed to reflect adjacent wells on the survey plat provided within each permit application and final plat. It would also be required that each plat show the scale distance well-to-well. If necessary to accomplish this, a regulatory change is being recommended.

All three motions were unanimously approved by the Work Committee and will be presented as committee recommendations when these are later reported to the full Board for consideration.

Chairman Prather stated the next meeting will be held on August 21, 2008 at 9:30 AM

Chairman Prather adjourned the committee at 12:50 PM

Respectfully submitted,

Gloria Clark