

VIRGINIA OIL AND GAS CONSERVATION BOARD HEARING
FORCED POOLING OF WELL P-330
EQUITABLE RESOURCES, INCORPORATED
DICKENSON COUNTY, VIRGINIA

DATE OF HEARING: February 22, 1990

LOCATION OF HEARING: School Board Office, Clintwood, Virginia

TIME: 10:00 a.m.

BOARD MEMBERS PRESENT:

Mr. Benny Wampler, Acting Chairman
Dr. Russell Wayland
Dr. Robert Whisonant
Mr. James Bunn

Mr. Mike Lepchitz, Assistant Attorney General
Mr. Byron T. Fulmer, State Oil & Gas Inspector
Ms. Diane Davis, Secretary

Mr. Wampler

Good morning if we could, we will come to order. My name is Benny Wampler. I am Assistant Director for Mining for the Virginia Department of Mines, Minerals and Energy. This is our Virginia Oil and Gas Conservation Board. To my extreme left is Dr. Wayland. Beside him is Dr. Whisonant. Beside me to my left is Mr. Bunn, Diane Davis our secretary of the Oil and Gas Office, Tom Fulmer the Oil and Gas Inspector and Michael Lepchitz with the Attorney General's office and advisor to the Board today. Today's hearing has been requested by Equitable Resources Exploration for well number P-330. The applicant requests that the Oil and Gas Conservation Board enter an order establishing a drilling unit and pooling the interest of those royalty owners and gas operators who have not entered into an agreement with the applicant for pooling of their respective interests in the formation underlying the Nora fields and they have described that in their application. With that brief introduction I will ask Mr. Counts to address the Board and make a presentation.

Mr. Counts

Mr. Counts do you want us to come up front while we are making our presentation. Can I possibly bring the microphone to the table.

Mr. Wampler

If the cord will reach it will be fine to do that.

Mr. Counts

Thank you Mr. Chairman. Equitable Resources has filed an application for pooling of well P-330 located in Dickenson County, Virginia. If it pleases the Board I would like to put on our evidence at this time with regard to our request for pooling.

Mr. Wampler

That will be fine.

Mr. Counts

Mr. Chairman, I would like to call Mr. Jerry Garland.

Mr. Garland was sworn in

Mr. Counts

Would you state your name please for the record.

Mr. Garland

Jerry Garland

Mr. Counts

Mr. Garland who are you employed by and in what capacity?

Mr. Garland

Equitable Resources as a contractor.

Mr. Counts

Mr. Garland have you ever testified before the Oil and Gas Conservation Board and have your qualifications as an expert witness previously been accepted by this Board?

Mr. Garland

Yes

Mr. Counts Mr. Garland, do your responsibilities include the lands underlying well P-330 and the surrounding area?

Mr. Garland Yes

Mr. Counts Are you familiar with Equitable's application to establish a drilling unit and pooling order for well P-330 dated December 20, 1989?

Mr. Garland Yes

Mr. Counts Is Equitable seeking to force pool the drilling rights underlying the drilling and spacing unit as depicted on Exhibit A of this application?

Mr. Garland Yes

Mr. Counts Has notification been made of all persons as required by Virginia Code Ann. Section 45.1-320 and has a copy of the return receipts been provided to the Board?

Mr. Garland Yes

Mr. Counts Mr. Garland, does Equitable own drilling rights in the units involved underlying well P-330?

Mr. Garland Yes

Mr. Counts Does the proposed unit depicted at Exhibit "A" include all acreage within 1250' of proposed well P-330?

Mr. Garland Yes

Mr. Counts Mr. Garland what is Equitable's interest in this unit?

Mr. Garland Approximately 74.87 acreage and 74.87 percent.

Mr. Counts Are you familiar with the ownership of other drilling rights of other parties other than Equitable underlying this unit?

Mr. Garland Yes

Mr. Counts Would you state for the record any other operators within this unit?

Mr. Garland Edwards & Harding Petroleum has approximately 14.5 acres or 12.56%.

Mr. Counts Do you have any unleased owners within this unit?

Mr. Garland Yes, approximately 28.33 acres or 25.13%.

Mr. Counts Thank you Mr. Garland. Subsequent to the filing of the application, have you continued to attempt to reach an agreement with the respondents listed in Exhibit "B" of the application?

Mr. Garland Yes

Mr. Counts Mr. Chairman, if it pleases the Board, I would like to read into the record, go through exhibit "B" and update that exhibit for the Board.

Mr. Wampler Proceed

Mr. Counts Tract one through nine there would be no changes with regard to those parties. Tract two, number one, no change there. Number two, the interest of Louise D. Fraley and husband is now leased to Edwards & Harding Petroleum.

Mr. Bunn Which one Rick?

Mr. Counts That would be number two under tract two on page one of exhibit "B". On top of page two of exhibit "B", parties three through nine are now leased to Edwards & Harding. Tract ten remains unleased. Tract eleven is leased to Edwards & Harding. Number 12 and 13 remain unleased. Number 14 through 17 are leased to Edwards and Harding. Number 18, Mr. Turner, Rufus G. Turner is leased to Equitable. Turn now to page three, number 19 is leased to Equitable. Number 20 remains unleased. Number 21-23 are now leased to Edwards & Harding. Number 24 remains unleased. Edwards & Harding is listed at #25 as being an operator in the unit and that is correct. The bottom of page three there are no changes. Top of page four, numbers four through seven and as matter of fact, this entire page as I show it remains unchanged. One moment please. Going to page five, the only change on page five is under tract four, number one Harry T. Mullins and wife, that is leased to Edwards and Harding. Mr. Wampler if I could just have one minute to confer with counselor.

Mr. Wampler Sure

Mr. Counts Mr. Chairman, that will complete all of our changes to exhibit "B" at this time. I would like to make one change. I think Mr. Garland testified to the interest of Equitable, I am showing 70.21 acres and that should reflect 62.31% of the unit. If you take the 62.31 there, the 12.56 controlled by Edwards & Harding and 25.13 unleased I am hoping that is reasonably close to 100%. Mr. Garland as a result of these efforts, do you wish to dismiss the parties now shown on exhibit "B" as being under lease?

Mr. Garland Yes, and Edwards and Harding.

- Mr. Counts Also wish to dismiss Edwards and Harding shown at number 25 from this forced pooling application as well?
- Mr. Garland Yes
- Mr. Counts Thank you sir. Mr. Garland with the exception of those parties which you are dismissing from this proceeding, are you requesting this Board to force pool all other interests listed in exhibit "B"?
- Mr. Garland Yes
- Mr. Counts Does Equitable seek to force pool drilling rights of each individual respondent, if living, and if deceased, the unknown successor or successors to any deceased individual respondent?
- Mr. Garland Yes
- Mr. Counts Mr. Garland, were any efforts made to determine if the individual respondents were living or deceased or there whereabouts and, if deceased, were efforts made to determine the names and addresses and whereabouts of the successors to any deceased individual respondent?
- Mr. Garland Yes
- Mr. Counts Mr. Garland what efforts were made and what sources were checked?
- Mr. Garland Deed records, probate records, assessors and treasurers records, telephone directories, city directories, families and friends and all leads and referrals.
- Mr. Counts Is Equitable seeking to force pool drilling rights of the person designated as trustee if acting in capacity of a trustee and if not acting in such capacity, is Equitable seeking to force pool the drilling rights of the successor to each trustee?
- Mr. Garland Yes
- Mr. Counts Is Equitable seeking to force pool drilling rights of corporations and unincorporated associations listed as respondents herein if in existence and if any such corporations and unincorporated associations are dissolved or otherwise not in existence, is Equitable seeking to force pool drilling rights of the successors of these entities?
- Mr. Garland Yes
- Mr. Counts Are you familiar with the ownership of drilling rights underlying the unit sought to be established hereunder and

are the owners of such rights set out accurately in exhibit "B"?

Mr. Garland

Yes

Mr. Counts

Are the addresses set out in exhibit "B" to the application the last-known addresses for the respondents?

Mr. Garland

Yes

Mr. Counts

Prior to filing the application, were efforts made to contact each of the respondents in an attempt to work out an agreement regarding the development of the unit involved herein?

Mr. Garland

Yes

Mr. Counts

Is it within your professional opinion, was due diligence exercised to locate each of the respondents?

Mr. Garland

Yes

Mr. Counts

Mr. Garland, are you familiar with the fair market value of drilling rights in this unit and the surrounding area?

Mr. Garland

Yes

Mr. Counts

Would you advise me as to what those are?

Mr. Garland

\$2.00 per acre bonus, five year term and a one|eighth royalty

Mr. Counts

Did you gain your familiarity by acquiring oil and gas leases and other agreements in the surrounding area and checking records in Dickenson County as to oil and gas leases and other agreements and checking with other owners and operators?

Mr. Garland

Yes

Mr. Counts

Are there any recent forced pooling areas in the immediate area? Forced pooling of units in the immediate area.

Mr. Garland

No

Mr. Counts

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

Mr. Garland

Yes

Mr. Counts

Thank you sir. Mr. Chairman I have no further questions of this witness.

Mr. Wampler Mr. Garland when you said there is no other forced pooling units in this immediate area, would you clarify that a little bit. I know that the Board we were looking at a map where we had forced pooled one other well.

Mr. Garland Well, I meant adjoining.

Mr. Wampler O.k. Any other questions of the witness? Thank you Mr. Garland.

Mr. Counts Mr. Chairman, I would now like to call Mr. Don Hall.

Mr. Don Hall was sworn in

Mr. Counts Mr. Hall who are employed by and in what capacity?

Mr. Hall Equitable Resources as a landman.

Mr. Counts Has your testimony as an expert witness previously been accepted by this Board?

Mr. Hall Yes sir.

Mr. Counts Mr. Hall, Mr. Garland has testified as to the fair market value of term in the surrounding area, based on that, do you recommend that the order issued by the Board provide for the following options: (i) participation (ii) \$2.00 per net mineral acre, plus a 1/8 of 8/8ths royalty (iii) in lieu of cash bonus and 1/8 of 8/8ths royalty, share in the operation of the well on a carried basis as a carried operator under the following conditions: (a) The carried operator will be entitled to the share of the production from the tracts pooled accruing to his interest, exclusive of any royalty or override reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds allocable to his share equal (a) 300% of the share of such costs allocable to the interest of the carried operator of a leased tract or portion thereof; or (b) 200% of the share of such costs allocable to the interests of the carried operator of an unleased tract or portion thereof? Are these the options you would recommend to the Board?

Mr. Hall Yes sir

Mr. Counts Mr. Hall, do you recommend that the order provide that elections by respondent be in writing and sent to the applicant at the address in paragraph 1.1 of the application?

Mr. Hall Yes

Mr. Counts Should this be the address for all communications with applicant concerning the forced pooling order?

Mr. Hall Yes

Mr. Counts Do you further recommend that the forced pooling order provide that if no written election is properly made by a respondent, then such respondent should be deemed to have elected the cash option?

Mr. Hall Yes

Mr. Counts How much time from the date of the order should respondent have to file a written election?

Mr. Hall Twenty days

Mr. Counts If respondent elects to participate, how much time from the date of the order should respondent have to pay applicant for respondents proportionate share of well costs?

Mr. Hall Twenty days

Mr. Counts Does the applicant expect the party electing to participate to pay in advance that party's share of completed well costs?

Mr. Hall Yes

Mr. Counts How much time from the date of the Order should the applicant have to pay or tender any cash bonus becoming due under any forced pooling order?

Mr. Hall 30 days

Mr. Counts How much time from the date of the order should applicant have to pay or tender any cash bonus becoming due under the forced pooling today?

Mr. Hall 20 days

Mr. Counts How much time from the date of the order should the operator have to commence operations under the order?

Mr. Hall One year

Mr. Counts From the date of the order, correct?

Mr. Hall From the date of the order.

Mr. Counts Mr. Hall, do you recommend the forced pooling order provide that if respondent elects to participate but fails to pay respondents proportionate share of well costs satisfactory to applicant for payment of well costs, then respondent's election to participate should be treated as having been withdrawn and void and such respondent should

be treated just as if no initial election had been filed under the forced pooling order?

Mr. Hall Yes sir

Mr. Counts Do you recommend that the forced pooling order provide where a respondent elects to participate but defaults in regard to the payment of well costs, any cash sum becoming payable to such respondent be paid by the applicant within thirty days after the last date on which respondent could have paid or made satisfactory arrangements for the payment of well costs?

Mr. Hall Yes sir

Mr. Counts Mr. Hall do you recommend the forced pooling order provide that if respondent refuses to accept the cash bonus or the cash bonus cannot be paid to a party for any reason or there is a title defect in respondent's interest, that the operator create an escrow account for the respondents benefit until the money can be paid to the party or until the title defect is cured to operator's satisfaction?

Mr. Hall Yes

Mr. Counts Mr. Hall, who should be named operator under the forced pooling order?

Mr. Hall Equitable Resources Corporation

Mr. Counts Does Equitable have on file with the Department of Mines, Minerals & Energy a plugging agreement and proper security for such agreement?

Mr. Hall Yes

Mr. Counts I have no further questions of this witness, Mr. Chairman.

Mr. Bunn When you said days were those working days or is that just days?

Mr. Counts We would request that they be just days from the date of the order, not just working days but days of the week. Mr. Bunn we are satisfied that based upon the notification procedures and the fact that the parties have been aware of the forced pooling that this is not an election that they are being required to make in undue haste. That in fact as a result of going through the unitization process and forced pooling process, that there has been a significant amount of time allowed for consideration of these matters and these dates are fair and reasonable.

Mr. Wampler Any other questions of the witness? Thank you, you are dismissed.

Mr. Counts *If it pleases the Board I would like to call Mr. Bob Dahlin*

Mr. Bob Dahlin was sworn in

Mr. Counts *Mr. Dahlin, would you state your occupation for the record please.*

Mr. Dahlin *My name is Bob Dahlin and I am a production geologist for Equitable Resources.*

Mr. Counts *Would you describe briefly your responsibilities for Equitable?*

Mr. Dahlin *Coordinate and develop Virginia and general drilling program.*

Mr. Counts *Would you state for the Board your background including your education?*

Mr. Dahlin *I have a B.S. in geology in 1975 from WVU. 75-76 Equitable Gas in Prestonsburg, Kentucky, 76-80 consulting engineering firm primarily the limestone and coal exploration and municipal water systems, 80-87 independent oil and gas developer, self-employed 87 to late last year at which time I am employee of Equitable Resources.*

Mr. Counts *Mr. Dahlin would you also state any professional associations that you are a member of?*

Mr. Dahlin *SPE and Professional Geologist in Tennessee.*

Mr. Counts *Would you state for the benefit of the Board what the pseudonym for SPE is please sir.*

Mr. Dahlin *Society of Petroleum Engineers*

Mr. Counts *Mr. Dahlin do your responsibilities include the lands involved here and the surrounding area?*

Mr. Dahlin *They do*

Mr. Counts *Are you familiar with the proposed exploration and development of units involved herein under the applicant's proposed plan of development?*

Mr. Dahlin *I am*

Mr. Counts *Mr. Dahlin what is the projected total depth of the initial well under this plan of development?*

Mr. Dahlin *5134 footage*

Mr. Counts *Will this be sufficient to penetrate and test the common sources of supply set forth in paragraph 1.2 of the application?*

Mr. Dahlin *It will*

Mr. Counts *Will the initial well be at a legal location?*

Mr. Dahlin *It will*

Mr. Counts *Are you familiar with the well costs of the proposed initial unit well under applicant's plan of development?*

Mr. Dahlin *I am*

Mr. Counts *Has an AFE been prepared or reviewed and revised within the last 45 days?*

Mr. Dahlin *Yes it has*

Mr. Counts *Was this AFE prepared by an engineer knowledgeable in the preparation of AFE's and knowledgeable in regard to well costs in this area?*

Mr. Dahlin *It was*

Mr. Counts *Does this AFE represent a reasonable estimate of the reasonable well costs for the proposed initial unit under applicants plan of development?*

Mr. Dahlin *Yes it does.*

Mr. Counts *Would you state the dry hole costs under this AFE?*

Mr. Dahlin *Dry hole costs is \$128,300*

Mr. Counts *And would you state the completed well costs?*

Mr. Dahlin *Completed well costs is \$213,650*

Mr. Counts *Do these costs anticipate a multiple completion?*

Mr. Dahlin *They do*

Mr. Count *Does your AFE include a reasonable charge for supervision?*

Mr. Dahlin *Yes it does.*

Mr. Counts *Mr. Chairman, I would like to offer to the Board a copy of the AFE. Mr. Dahlin, in your opinion will the granting of the application be in the best interests of conservation, prevention of waste and protection of correlative rights?*

Mr. Dahlin *Yes it will.*

Mr. Counts I have no further questions of this witness Mr. Chairman.

Mr. Wampler Any questions by members of the Board? You are dismissed, thank you. Anything else Mr. Counts?

Mr. Counts No Mr. Chairman.

Mr. Wampler Any parties represented here today that wish to address the Board? Mr. Reilly.

Mr. Reilly was sworn in

Mr. Reilly Mr. Chairman, I am Barney Reilly, President of the Dickenson County Citizen's Committee. The purpose of our committee or the reason us folks has got together is in an effort to protect our natural resources and to protect our property rights and to have the state and all agencies that are developing lands in our county to give a modicum of respect to our water resources. We have no objections to the development of coal. We have no objections to the development of natural gas. Our only interest is the protection of our property. I would like to bring to your attention today some of the Articles in the Virginia Oil and Gas Act which have me confused. I have talked to the Inspector and he has tried to explain it to me but it still doesn't seem to be sinking through my thick head what he is trying to say to me. In reviewing the Oil and Gas Act with the changes that were put in from the 1987 session paragraph or Virginia Code 45.1-300....

Mr. Bunn Would you read that again, which one?

Mr. Reilly Section 45.1-300 which is the and I am just so happy that a representative from the Attorney General's office is here today because I would like him to look into this and see if I am wrong and maybe he can explain it to me so that I can understand it. But in paragraph B of that part of the Virginia Code it says, "...the jurisdiction of the Virginia Oil and Gas Conservation Board under this article shall not apply to or affect the following categories of oil and gas wells" and number one is gas wells subject to the distance limitations of Virginia Code 45.1-319. Now all wells, the well that we are talking about today is subject to the distance limitations of that particular part of the Virginia Code. So, the Oil and Gas Conservation Board has no authority in this matter. As far as I read the Virginia Statutes. So you can't very well then make a ruling on it in my estimation. And the reason I question this is as I say, we don't have any problem with the development of gas or development of coal just as long as our property rights are respected. And that restoration or reclamation of a site is done properly and proper attention is paid to our particular surface rights. This Board assumes the authority of forced

pooling. In other words, if I don't want to let my gas go, you have the authority to force me to do that. Now Mr. Count's in his questioning of Mr. Garland identified almost 25% of this gas or property as still unleased. Mr. Garland indicated that an extensive, exhaustive search was made to identify all the people that owned or had some interest in that unleased property. But he didn't identify if he had contacted some of those people and they didn't want to lease their property. That is the problem. If someone leases their property to the coal operator, to EREX or whoever it might be. It just tickles us to death. Someone has leased their property and they have gotten something for it. But we don't like the fact that if someone doesn't want to lease their property or the company doesn't really make a big effort to contact somebody because they know they are not going to release that gas, you have the authority to give it away. That part gives us quite a bit of heartburn here in the county here. That is why I bring up the subject, I don't think you have the authority to do that. When the new gas act comes out in July, we assume it will come out. Then of course you do have that authority or whoever is on the Board at that time. But as of right now according to the paragraphs I have read out of the Virginia statutes, this Commission does not have authority in this area. Thank you.

- Mr. Wampler Any questions from members of the Board?
- Mr. Lepchitz I have one of Mr. Reilly. Mr. Reilly are specifically representing any of the unleased interests here or just speaking on behalf of your committee?
- Mr. Reilly I am speaking on behalf of our committee.
- Mr. Lepchitz To your knowledge, there is no one objecting to the location of the well that may own a particular interest in this?
- Mr. Reilly I haven't contacted anyone and I don't have any indication of that or any knowledge of that. My only question is if you would in your position as a representative of the Attorney General's Office to make a decision or what have you that says that this Board does have this authority. In talking to the members of the Virginia General Assembly, they acknowledge that this Board doesn't have authority in the coalfields. So if they don't have the authority to make these decisions, then they can't give away our gas.
- Mr. Lepchitz That is the only question I have Mr. Chairman.
- Mr. Wampler Thank you Mr. Reilly.

Mr. Reilly Thank you

Mr. Wampler Is there anyone else that would like to address the Board? Any other questions by any members of the Board?

Citizen Can anyone else address the Board that is not in these names here. I have gas in Dickenson County and I am interested in what the pooling is going to be later? My name is not on these papers. I don't have a copy of these but I do own quite a bit of mineral rights in the county. I am interested in the pooling situation, if this law is enacted then I will come under the same jurisdiction.

Mr. Wampler We will be happy to have our Oil and Gas Inspector get with you later and fully explain your rights under the law and regulations. It wouldn't be appropriate at this hearing to do that.

Citizen You mean I don't have a right in otherwords to speak out for my gas rights in Dickenson County if this law is going to pertain to the whole county?

Mr. Wampler This hearing is for this particular well and the specific aspects related to this well for forced pooling and establishment of it. It is not for any other well to go into the county that may affect your rights. If it were, you would certainly have a right to speak to the Board. But any comments we receive today need to be related specifically to this hearing. Mr. Reilly questioned broadly the jurisdiction of the Board and that is why we allowed that to occur.

Citizen Why wouldn't the whole county be informed, gas and property owners of this meeting to speak out for themselves. It looks like it shouldn't be just one little bunch decide for the whole county.

Mr. Wampler There was public notice sir that is always done.

Citizen But you are not giving me the authority to speak though. I mean in otherwords it is just pertaining to these particular names on this paper is going to set the agenda for this particular ruling.

Mr. Wampler For this particular well that is correct.

Citizen For just one well in Dickenson County?

Mr. Wampler That is correct. That is all this hearing pertains to.

Citizen O.k. I was talking about a law that would be passed that would rule all of us.

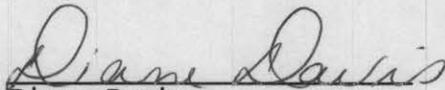
- Mr. Wampler The law that was referenced that Mr. Reilly was referencing is currently a bill before the Virginia General Assembly, sir. Certainly not any authority of this Board. This Board will just be guided by that law if and when it is passed.
- Citizen I am the man that started to get the law changed that was changed. A lot of people told me I couldn't get it done. But Senator Buchanan and Victor McFall and myself did quite a bit of leg work on it to get that law changed from 500' to a radius of 2500'. I was the man that started that and with the help of L. Victor McFall an attorney and Senator Buchanan did a lot of work for us and we sent out about three or four hundred letters and we got that law changed in the General Assembly about that. But I wouldn't sit idle and not have a say if that is going to pertain to the whole county.
- Mr. Wampler It does not. It just pertains to this one well and certainly any questions on your rights we will be happy to answer at a separate time.
- Citizen In otherwords they will have separate laws for the county for separate wells. The state will.
- Mr. Wampler There will be one law covering all wells sir. The jurisdiction of this Board and the rulings and the questions that come before this Board will be on a well by well basis.
- Citizen The laws will be different for each different well, right?
- Mr. Bunn No, there is no difference in the law. It is just that we have a hearing if there is a forced pooling for each well.
- Citizen Alright say there....
- Mr. Wampler Excuse me sir I am going to have to cut you off and close this hearing and then we will be happy to talk with you off record. Thank you.
- Mr. Counts Mr. Chairman may we go back on the record briefly. Just in closing I would like to very briefly address Mr. Reilly's comments. The authority of this Board has been established with regard to jurisdiction over conservation issues throughout the State of Virginia. That certainly includes Southwest Virginia. Conservation matters are those matters primarily involving spacing and pooling and other special field rules. Mr. Reilly also referenced that this Board was attempting to give away rights of those parties that chose not to lease. There is absolutely nothing that could be any further from the truth. This Board requires that each operator make a diligent effort to attempt to come to a lease with each

landowner. Those efforts must be documented. The due process of each of those parties is afforded. Apparently what Mr. Reilly is suggesting is that those people who do own minerals in this county and who want to develop those minerals should not be entitled to do so. The Virginia General Assembly has seen fit to pass legislation which provides for spacing and pooling which will provide for the orderly development of the mineral resources under this Commonwealth. The purpose of spacing and pooling is for the absolute unquantitative protection of correlative rights of each owner of property throughout the Commonwealth of Virginia. It is for the benefit and enjoyment of the resources underlying this Commonwealth and I think that the Virginia Oil and Gas Act is replete with protection of all parties under the law. Equitable Resources would request this Board to grant the application for forced pooling under this matter. Thank you very much for your time.

Mr. Wampler

The hearing is closed. Thank you.

I certify that this is a true and accurate transcript of the proceedings held before the Conservation Board on February 22, 1990, in the School Board Office, Clintwood, Virginia at 10 a.m. concerning the forced pooling of well P-330.

A handwritten signature in cursive script that reads "Diane Davis".

Diane Davis
3/6/90

P. 330
2/22/90

Name Address

Therma Lee P.O. Box 98, Clintwood, Va. 24228
Joy Wick Lee " " " 24228
Billy R. Large Rt. 1, Box 254 Clintwood
Gerald Large Rt. 1, Box 254 Clintwood
Walter N. Counts Rt 1 Box 394 Clintwood Va.
Barney & Vina Reilly Rt 1 Box 602 Clinchco Va 24226
Alma Proskett Rt 1 Box 558 Clinchco Va. 24226
Bulah Rose Rt 1 Box 606 Clinchco 24226
James A. Bond P.O. Box 156, Norton, VA. 24227
~~BARNEY REILLY Rt 1 Box 602 CLINCHCO VA 24226~~
David N. Addington P.O. Box 596 Clintwood, Va. 24228
Don Hall P.O. Box 313, Norton, Va. 24222
Bob Dahlin 302 CUSTARD AV KANSAS TN 37660 EREX
Rand Sterling Kin EREX
Rick Counts
MICHAEL EDWARDS B-X. 2404, ABINGDON CTPC

PROJECT OR WELL LOCATION (INCLUDE STATE & COUNTY) DICKENSON CO., VIRGINIA

TYPE WELL (DEVELOPMENT, EXPLORATORY) DEVELOPMENT TOTAL DEPTH 5134'

SUBSIDIARY W.I. 0.75

| ACCOUNT CODES | DESCRIPTION | PAGE 1 | GROSS AMOUNT | NET AMOUNT |
|---------------|------------------------------------|--------|-----------------|---------------|
| B | AFE - WELL DRILLING AND COMPLETION | | | |
| 1610.0001 | LEASEHOLD COSTS | | | |
| 1610.100000 | LEASE ACQUISITION COSTS | | | |
| 1610.10020 | Assignments | | 0 | 0 |
| | LEASE ACQUISITION COSTS | | 0 | 0 |
| 1620 | INTANGIBLE DRILLING COSTS | | | |
| 1620.10000 | IDC-DRILLING | | | |
| 1620.10010 | Contract Footage | | 66,800 | 50,100 |
| 1620.10020 | Daywork | | 0 | 0 |
| 1620.10030 | Contractor Setup | | 0 | 0 |
| 1620.10040 | Abstracts | | 1,000 | 750 |
| 1620.10050 | Curative and Title | | 1,000 | 750 |
| 1620.10060 | Survey Location and Plat | | 2,800 | 2,100 |
| 1620.10070 | Directional Survey | | 0 | 0 |
| 1620.10080 | Permits and Bonds | | 100 | 75 |
| 1620.10090 | Right of Way - Bonds | | 1,000 | 750 |
| 1620.10100 | Location/Roads | | 12,000 | 9,000 |
| 1620.10110 | Location Fees | | 0 | 0 |
| 1620.10120 | Fuel and Power | | 0 | 0 |
| 1620.10130 | Drilling Mud and Chemicals | | 0 | 0 |
| 1620.10140 | Bits | | 0 | 0 |
| 1620.10150 | Reamers and Stabilizers | | 0 | 0 |
| 1620.10160 | Drilling Hammer | | 0 | 0 |
| 1620.10170 | Drilling Water | | 0 | 0 |
| 1620.10180 | Open Hole Logging | | 3,500 | 2,625 |
| 1620.10190 | Mud Logging | | 0 | 0 |
| 1620.10200 | Coring | | 0 | 0 |
| 1620.10210 | Core Analysis | | 0 | 0 |
| 1620.10220 | Drill Stem Test | | 0 | 0 |
| 1620.10230 | Surface Casing Cementing | | 2,000 | 1,500 |
| 1620.10240 | Intermediate Casing Cementing | | 4,500 | 3,375 |
| 1620.10250 | Misc Cementing | | 0 | 0 |
| 1620.10260 | Power Tongs for Casing/Tubing | | 500 | 375 |
| 1620.10270 | Floats, Baffles, Centralizer | | 300 | 225 |
| 1620.10280 | Equipment Rental | | 0 | 0 |
| 1620.10290 | Dozer | | 0 | 0 |
| 1620.10300 | Transportation | | 1,800 | 1,350 |
| 1620.10310 | Fishing Expenses | | 0 | 0 |
| 1620.10320 | Sidetracking Expenses | | 0 | 0 |
| 1620.10330 | Plugging Expenses | | 0 | 0 |
| 1620.10340 | Surface Damages | | 1,500 | 1,125 |
| 1620.10700 | Supervision | | 300 | 225 |
| 1620.10710 | Well Control Insurance | | 0 | 0 |
| 1620.10720 | Operator Overhead | | 0 | 0 |
| 1620.10750 | Other | | 1,000 | 750 |
| FILE NO. | IDC DRILLING | | 100,100 | 75,075 |

ACCOUNT CODES

DESCRIPTION

GROSS
AMOUNTNET
AMOUNT

| ACCOUNT CODES | DESCRIPTION | GROSS AMOUNT | NET AMOUNT |
|---------------|--|--------------|------------|
| 1660 | LEASE AND WELL EQUIPMENT | | |
| 1660.10000 | LEASE & WELL EQUIPMENT - DRILLING | | |
| 1660.10010 | Drive Pipe | 0 | 0 |
| 1660.10020 | Conductor Pipe (16" or 20") | 200 | 150 |
| 1660.10030 | Surface Casing (688'-11 3/4", 42.0#/FT.) | 10,200 | 7,650 |
| 1660.10040 | Intermediate Casing (2458'-8 5/8", 23#/ft.) | 17,800 | 13,350 |
| 1660.10050 | Other | 0 | 0 |
| 1660.10055 | Valves, Fittings, Line Pipe | 0 | 0 |
| | LEASE AND WELL EQUIPMENT - DRILLING | 28,200 | 21,150 |
| 1670.20000 | LEASE & WELL EQUIPMENT - COMPLETION | | |
| 1670.20010 | Production Casing (5134' -4 1/2", 11.6#/FT.) | 16,200 | 12,150 |
| 1670.20020 | Liner | 0 | 0 |
| 1670.20030 | Tubing (4893'-2 3/8", 4.6#/FT.) | 7,400 | 5,550 |
| 1670.20040 | Packers and Retainers | 0 | 0 |
| 1670.20050 | Wellhead Equipment | 1,400 | 1,050 |
| 1670.20055 | Valves, Fittings, Line Pipe | 2,500 | 1,875 |
| 1670.20060 | Gathering Lines (Already Laid) | 0 | 0 |
| 1670.20070 | Royalty Meters | 1,700 | 1,275 |
| 1670.20080 | Master Meters | 0 | 0 |
| 1670.20090 | Consumer Meters | 0 | 0 |
| 1670.20100 | Separators | 1,150 | 863 |
| 1670.20110 | Drips | 400 | 300 |
| 1670.20120 | Heater Treaters | 0 | 0 |
| 1670.20130 | Tank Battery | 0 | 0 |
| 1670.20140 | Well Testing Facilities | 0 | 0 |
| 1670.20150 | Pumping Unit | 0 | 0 |
| 1670.20160 | Sucker Rods | 0 | 0 |
| 1670.20170 | Downhole Pump | 0 | 0 |
| 1670.20180 | Other | 1,000 | 750 |
| | LEASE AND WELL EQUIPMENT - COMPLETION | 31,750 | 23,813 |
| | TOTAL LEASE AND WELL EQUIPMENT | 59,950 | 44,963 |
| | TOTAL COMPLETED WELL COST | 213,650 | 160,238 |

| PROJECT OR WELL DESCRIPTION | DRILL AND COMPLETE NEW VIRGINIA WELL 30 | DATE PRINTED | 25-Jan-90 |
|-----------------------------|---|--------------|------------|
| ACCOUNT CODES | DESCRIPTION | GROSS AMOUNT | NET AMOUNT |
| 1630.20000 | IDC-COMPLETION | | |
| | | PAGE 2 | |
| 1630.20010 | Daywork | 0 | 0 |
| 1630.20020 | Service Rig and Per Diem Charge | 4,500 | 3,375 |
| 1630.20030 | Fuel and Power | 0 | 0 |
| 1630.20040 | Drilling Mud and Chemicals | 0 | 0 |
| 1630.20050 | Bits | 0 | 0 |
| 1630.20060 | Floats,Baffles,Centralizer | 600 | 450 |
| 1630.20070 | Cased Hole Logging | 1,000 | 750 |
| 1630.20080 | Perforation | 1,600 | 1,200 |
| 1630.20090 | Open Flow Test | 200 | 150 |
| 1630.20100 | Production Casing Cementing | 5,500 | 4,125 |
| 1630.20110 | Misc. Cementing | 0 | 0 |
| 1630.20120 | Acidize - Frac | 15,000 | 11,250 |
| 1630.20130 | Squeeze | 0 | 0 |
| 1630.20140 | Tank Rental | 800 | 600 |
| 1630.20150 | Completion Fluid (Water) | 1,100 | 825 |
| 1630.20160 | Frac Valves and Lines | 0 | 0 |
| 1630.20170 | Power Tongs for Casing/Tubing | 700 | 525 |
| 1630.20180 | Carbon Dioxide/Nitrogen | 6,000 | 4,500 |
| 1630.20190 | Completion Service | 1,200 | 900 |
| 1630.20200 | Contract Labor | 3,500 | 2,625 |
| 1630.20210 | Location Restoration | 5,900 | 4,425 |
| 1630.20215 | Drilling/Frac Fluid Disposal | 500 | 375 |
| 1630.20220 | Right of Way Pipeline | 0 | 0 |
| 1630.20230 | Equipment Rental | 0 | 0 |
| 1630.20240 | Dozer | 2,500 | 1,875 |
| 1630.20250 | Transportation | 1,500 | 1,125 |
| 1630.20260 | Plugging Expense | 0 | 0 |
| 1630.20700 | Supervision | 500 | 375 |
| 1630.20710 | Well Control Insurance | 0 | 0 |
| 1630.20720 | Operator Overhead | 0 | 0 |
| 1630.20750 | Other | 1,000 | 750 |
| | IDC COMPLETION | 53,600 | 40,200 |
| 1650.1950 | Salaries & Wages - Allocated | 0 | 0 |
| 1650.2950 | Other Employee Compensation - Allocated | 0 | 0 |
| 1650.3950 | Payroll Taxes - Allocated | 0 | 0 |
| 1650.4950 | Workmen's Compensation - Allocated | 0 | 0 |
| 1650.5950 | Employee Benefits - Allocated | 0 | 0 |
| 1650.600 | PER DIEM AND TRAVEL EXPENSES | | |
| 1650.6000 | Per Diem Expenses | 0 | 0 |
| 1650.6100 | Travel Expenses | 0 | 0 |
| 1650.6200 | Personal Auto Mileage Reimb | 0 | 0 |
| 1650.6900 | Other | 0 | 0 |
| 1650.6950 | Allocated | 0 | 0 |
| | PER DIEM AND TRAVEL EXPENSES | 0 | 0 |
| 1657 | Interest Expense | | 0 |
| | TOTAL INTANGIBLE DRILLING COSTS | 153,700 | 115,275 |

 AFE APPROVAL SHEET

| | | | | | |
|------------------|----------|-----------------|--|-------------|-----------|
| AFE | | Description | Drill and Complete new Production Well PP-330. | Amount | \$160,238 |
| Alternate AFE | N/A | | | Company | EREX |
| Operator | 10200 | Name | EREX | Cirg CC | N/A |
| Cost Center Type | AW | | | Ledger Type | CN |
| Approved by | 596 | Name | J. C. Bertges | Status | PND |
| Prepared Date | 01/25/90 | In Service Date | | Closed Date | |

SCOPE OF WORK

Drill and complete new production well PP-330, located in Dickenson County, Virginia, in the Berea and Upper Shale formations.

| | |
|---------------------------|-------------|
| Working Interest | = 75% |
| Gross Producing Well Cost | = \$213,650 |
| Gross Dry Hole Cost | = \$128,300 |

REPORTING CODES

| | | | | | |
|---------------------|-----|-----------------|-------------------------|-----|----------------|
| Company/Division | 200 | EREX | Primary Formation | 251 | BEREA |
| Joint Venture | | YES | Responsible Mgr | CG | CHARLES, G. |
| Partnership | N/A | | Operator | 200 | EREX |
| State | VA | VIRGINIA | Acquisition | N/A | |
| County | 051 | DICKENSON | Committed | N/A | |
| District/Township | N/A | | Capital Budget Category | 031 | 90 - Dev. Well |
| Field | | NORA | Blanket AFE | N/A | |
| Prospect | N/A | | Undesignated | N/A | |
| AFE/Lease/Well Type | AW | AFE-Dev Well | Undesignated | N/A | |
| Primary Product | 7C5 | GAS - 107(C)(5) | Undesignated | N/A | |

SIGNATURE

DATE

Prepared By
 Authorized Co-signer
 Exec. Officer - EREX

Susan A. Foster

J. C. Bertges

Ray T. Whitfield

[Signature]

1/25/90

1/26/90

1-27-90

1/31/90

File No.

File #: VA90012
 Review: [Signature]
 Received: 1/31/90
 Pittsburgh: 1-31-90