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VIRGINIA OIL AND GAS BOARD

HEARING OF MARCH 19, 1996

9:00 A.M.

AT THE SOUTHWEST VA. 4-H CENTER
HILLMANY HIGHWAY
ABINGDON, VIRGINIA

Appalachian Court Reporting Services, Inc.

P. O. Box 833

Abingdon, Virginia

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March 19, 1996

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2 This matter came on to be heard on this the 19th day of
3 March, 1996 before the Virginia Gas and Oil Board at the
4 Southwest Virginia 4-H Center, Hillman Highway, Abingdon,
5 Virginia pursuant to Section 45.1-361.19.B and 45.1-361.22.B
6 of the Code of Virginia.

7 MR. LEWIS: We will now open this meeting. Would the Board
8 members introduce themselves?

9 MR. HARRIS: I'm Bill Harris, a public member.

10 MR. LEWIS: Max Lewis from Buchanan County, a public member.

11 MS. RIGGS: Sandy Riggs, Office of the Attorney General.

12 MR. KELLY: Bill Kelly, oil and gas industry representative.

13 MR. EVANS: Ken Evans, coal industry representative.
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ITEM I

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3 MR. LEWIS: The Department of Mines, Minerals and Energy of
4 Virginia Gas and Oil Board staff will present a report of
5 the Gas and Oil Regulatory Review under Executive Order
6 15.94.

7 MR. WALLS: Thank you, Mr. Chairman. My name is Steve Walls.
8 I'm the policy and planning manager for the Department of
9 Mines, Minerals and Energy. I'm out of the Richmond
10 office. Today I wanted to report on the results of the
11 review of your regulation that was completed under
12 Governor Allen's Executive Order 15.94. Some of you may
13 remember back at the orientation in, I think, early 1995
14 that we gave you that the Governor issued an Executive
15 Order asking that all State agency's regulations be
16 reviewed to see whether they place an undue burden on the
17 regulated community but still meet the essential require-
18 ments of the regulatory program. All agency regulations
19 and all State agencies were directed to go under this
20 review. Your regulation is one of nineteen regulations
21 that the Department of Mines, Minerals and Energy is
22 reviewing. We started the process in October of 1994
23 with the Gas and Oil Regulations and it will run through
24 this June. For your regulation we ran a process that the
25 public was notified through press releases and operators

1 through an operator's memo in October of 1994. We had a
2 30 day public comment period and then the Department
3 convened a regulatory working committee to go through the
4 Gas and Oil Regulations. The results of this work are in
5 your packet that was mailed off for this meeting. There
6 are two pieces that were mailed to you. The first piece
7 was the approval documents that we need to send in to the
8 Secretary of Commerce and Trade and the Governor's Office
9 to receive their approval on issuing the notice of
10 intended regulatory actions. That piece -- I think that
11 piece starts off with the regulatory review summary sheet
12 and that's some of the internal State paperwork that we
13 have to go through on this. The second piece you have
14 was the main report of the regulatory review process and
15 that started out with just a cover page that had regulat-
16 ory regulation analysis for report to the Secretary of
17 Commerce and Trade pursuant to Executive Order 15.94 for
18 the Virginia Gas and Oil Board Regulations. Today what
19 I'd like to do is brief you on the results of the
20 regulation and request your approval to start the
21 regulation promulgation process formally under the
22 Virginia Administrative Process Act and agency's public
23 participation guidelines as we've been asked to do by the
24 Secretary of Commerce and Trade after he reviewed the
25 regulation review report. So if the Board wishes I can

1 run through the report rather quickly to let you know
2 what's in there and tell you a little about the process
3 that we'll go through from here forward. I mentioned
4 that we had formed a regulatory working committee to go
5 through the Gas and Oil Regulations. The members who
6 were on that committee are listed on Page 5 of the
7 report. A number of them, I think, are here today. The
8 report itself follows a format that we were directed to
9 use from the Secretary's Office. There is a general
10 information section in there that gives some background
11 information about the regulation and the committee.
12 There is a section by section analysis of a series
13 questions about whether the regulation was mandated or
14 not that we had to go through and then the recommended
15 changes to the regulation itself. The full report has
16 some other sections in it. We had to have a copy of the
17 regulation as it stands, a copy of the letter from the
18 Attorney General's Office, whether we had authority to
19 promulgate the regulation, some historical information on
20 the regulation, public comments on the regulation when it
21 was first promulgated, information like that. And if
22 anybody wanted to see those I have it here and I'll be
23 glad to get copies to you. But that seemed like a lot of
24 paper for no real reason so we didn't send it through.
25 When the review committee finished this report the

1 Department submitted it to the Secretary of Commerce and
2 Trade. He reviewed the report and has sent a memo up to
3 the Governor's Office recommending that you go ahead with
4 the regulatory review. The Secretary also received
5 permission from the Governor's Office to shorten the
6 process and not wait for the Governor's Office's review
7 of the report but suggested that we go ahead now and
8 overlap the Governor's Office review starting the formal
9 regulation promulgation process. So that's what led to
10 the request today. If you approve we'll start the formal
11 process and we'll submit this pre-notice of intended
12 regulatory action approval package to the Secretary's
13 Office to get the Secretary and Governor's Offices
14 approval. The notice of intended regulatory action will
15 be published in the Virginia Register of Regulations,
16 will send out a release to the press on it and letters to
17 interested parties to let them know that it's open for
18 public comment. There will be a 30 day comment period.
19 We'll then under the Agency's public participation
20 guidelines bring a regulatory working committee back
21 together. And if the Board approves, we could use the
22 same committee as we used in the initial review of the
23 regulations and also just invite any other members who
24 might be interested in doing this. They will then make a
25 recommendation on the final set of changes to the

1 regulation. We will bring that back to you for your
2 approval. Upon your approval it would go from the
3 Department with some stamped report that the Registrar's
4 Office and the Administration requires to the Department
5 of Planning and Budget. They'll have 45 days to complete
6 an economic impact assessment on the regulation. The
7 Department will draft a response to that assessment and
8 then it would go to -- for final approval from the
9 Secretary and the Governor's Office. Upon that it would
10 be published as a proposed regulation in the register of
11 regulations. There will be a 60 day comment period
12 during which you'd be asked to hold a public hearing on
13 the regulation or, if you wish, the Department could man
14 the public hearing for you independent of a Board
15 meeting. After the end of the public comment period we
16 would draft any final changes or recommended changes to
17 the regulation, bring it to you for your approval. Upon
18 your approval it would be published and then there would
19 be a final 30 day wait period before it's effective. So
20 it's a long and involved process from here forward, but
21 we'll move it through as quickly as we can if that's your
22 wish. I guess the question I have is would it be helpful
23 to all of you to go through the different recommended
24 changes to the regulation or have you had a chance to
25 look at it before today that you don't want to spend too

1 much time today. What would be your favor? Mr. Chair-
2 man, do you have any sense? I could run through fairly
3 quickly what the recommendations where.

4 MR. LEWIS: Just go on through it.

5 MR. WALLS: What I'm going to do is I'll jump towards the back
6 part of the package that you sent to a sheet that begins
7 "Recommended Amendments". It starts with a table of
8 contents of the regulation and then it goes into the
9 regulation language with certain parts struck over and
10 certain parts underlined.

11 MR. EVANS: Steve, in going through this the administrative
12 changes, the addition of the words Code of Virginia,
13 would you just kind of skip those? Anything that's --

14 MR. WALLS: Yeah. Just the substantive ones.

15 MR. EVANS: Yeah, any substantive change.

16 MR. WALLS: The first substantive change is in Section 3, on
17 Page 3 of this package. Earlier in the history of the
18 Board there was a question of an application coming in on
19 a weekend or a holiday or something. So we're clarifying
20 that the deadline falls the next -- it's the prior
21 business day if the deadline falls on a weekend or a
22 legal holiday. As Ken mentioned, there was a number of
23 changes that were just put in here for clarity. By the
24 way, where the Code of Virginia is underlined that is not
25 a new language in there. But there were a number of

1 changes that were in there for clarity and in the
2 definitions the definition of meets and bounds was
3 deleted because that's being taken out of the regulation
4 later on. And the definition of mine development plan is
5 being clarified so that it is clearly stated that it's a
6 permit or a license application the Department has
7 received for coal mining. That's what the operators need
8 to consider when they're trying to figure out if there's
9 a mine development plan that would affect the operations.
10 Let's see. The first change is clarifying the day when
11 the applications need to be filed on Page 3. On Pages 4
12 through 6 under the notice of hearings the first deleted
13 section is taking out language that is repeating what is
14 in the Code and then the next section changes the
15 requirement that an application has to send the whole --
16 an applicant has to send the whole application with the
17 notice, instead just listing certain specific information
18 that would need to be sent to simplify and shorten really
19 the amount of material they have to send out on notice of
20 an order. Finally in this section on the bottom of
21 subsection G on Page 6, it is stating that if there is a
22 notice to change a pooling order that notice only has to
23 go to those persons whose interests are to be affected by
24 that change and who are listed in the order. In section
25 5 of the regulation which starts on Page 6 and goes

1 through to Page 8 we are -- really on Page 7 there in the
2 middle. We are finishing the transfer from the meets and
3 bounds descriptions to using the Virginia plane co-
4 ordinates which makes it consistent with the plats and
5 the well work permits. And then on Page 8 taking out the
6 requirement that they provide copies of proposed exhibits
7 with the initial application because those exhibits
8 aren't completed until the time of the hearing anyways.
9 Section 6, at the bottom of Page 8, it's making it clear
10 that in looking for exceptions to statewide spacing the
11 applicant needs to consider both permitted wells and
12 wells for which there's an application pending and then
13 deletes the requirements on the top of Page 9, that they
14 provide a description of the spacing of other wells
15 producing from the formations to be produced by that
16 well. I think that would shift -- if you need the
17 information about other wells producing in that formation
18 and the spacing of those wells it would shift that
19 requirement to provide that information from the appli-
20 cant to the staff who has those records. The applicant
21 wouldn't necessarily have those records and, again, takes
22 out copies of proposed exhibits are a required submittal.
23 Section 7 also changes the description for meets and
24 bounds to the Virginia coordinate system. It deletes the
25 requirements for submitting proposed exhibits and makes

1 some clarifying language changes. There's no changes to
2 Sections 8 or 9. In Section 19 which picks up on Page 11
3 -- if I'm going too fast just interrupt me -- go on to
4 Page 12. It states that a reports of the actual costs
5 where there would be pooled gas or oil operations do not
6 have to be submitted to the Board if there is no election
7 to become a participating or non-participating operator
8 because then it's all under the voluntary agreements or
9 it's just as a lease interest. Section 11 in record
10 keeping, it makes it clear that they have to maintain
11 records of payments made to escrow agents and any
12 suspended payments. So that's adding -- or really
13 clarifying, I think, consistent with what the Board
14 needs. Records need to be kept. Section 12 starting on
15 Page 13 changes the information to be submitted if
16 someone is applying to have a new unit operator estab-
17 lished. That had a lot of specific information there
18 that's being changed to just generally if there's a
19 voluntary agreement to change the operator to submit
20 information on the voluntary agreements and if it's not
21 being done voluntarily they just submit a detailed
22 statement of the facts supporting for the removal or the
23 change of the existing operator and not specify what all
24 of that information is. Section 13, appeals of agency
25 directions, and in Section 14, Miscellaneous petitions to

1 the Board, it just deletes a reference to submitting any
2 other information because everybody always has the
3 ability to submit anything -- any information they want
4 to the Board. Section 15, effective date of Board
5 orders, changes how long the Board orders remain effect-
6 ive if the well is not drilled to match up to when the
7 permit life is. Now, in the General Assembly this year
8 there were proposed changes to the Gas and Oil Act that
9 would further change when a permit is effective and
10 allowed to go to two years plus a two year extension on
11 application. So when this goes through the process
12 consistent with this recommendation they have to make
13 some more changes to again make them consistent with the
14 Act. And then also it tolls the time period if there's
15 an appeal on permit applications so that the Board order
16 won't run out during the time of the appeal. Sections
17 16, 17, 18 which were the enforced notice of violation
18 and closure orders section instead of spelling them all
19 out here and duplicating what is in the Department's
20 regulations. Those are on Pages 17 through 20. It just
21 takes it all out and cross references the Department's
22 enforcement section under the Act. The Department is the
23 enforcement authority for the Board. So we just cross
24 reference them instead of spelling it all out here.
25 Section 17, civil charges, no changes. Surveys and

1 tests, there's just some clarity changes in renumbering
2 things in Section 18 -- starts in Section 18. My copy
3 skipped 19 and 20. In your copy it probably has, too.
4 (Pause.) Oh, the regs were renumbered. So 19 and 20
5 would not be anymore. Section 21, allowable production
6 is proposed to be eliminated because there has been no
7 actions where that was necessary under previous Board
8 orders in the past. Again, we can look at any of these
9 through the regulation review proceeding if it's needed.
10 Section 22, enhanced recovery was proposed to be deleted
11 because there have been no actions that have used this.
12 Section 23, underground storage for natural gas is
13 proposed to be deleted because of a change in State Law
14 giving the State Corporation Commission jurisdiction over
15 underground gas storage fields in providing that they
16 will certificate an underground gas storage field to be
17 used for gas storage. So the Board didn't need to
18 maintain its jurisdiction over that anymore. That runs
19 through the changes. Are there any questions on that? I
20 know that was quick.

21 MR. EVANS: I have a question on Sections 21 and 22. The idea
22 that there have been no actions under allowable produc-
23 tion or enhanced recovery, do you think it wise to
24 delete those sections simply because to this point in
25 time there has been no action whereas if you take them

1 out then we're -- and an action does come we're left
2 pretty much hung and dry on how we handle it?

3 MR. WALLS: I'm going to have to answer this third -- Tom, do
4 you want to handle this? You were at some of the
5 meetings. I wasn't at the regulatory review meetings. I
6 had a staff person who left State employment. So he
7 can't be here to answer him. I think they felt like
8 there was little likelihood that this would come back
9 before the Board. But is there anything more that you
10 would want to add, Tom?

11 MR. FULMER: On allowable production one of the thoughts was
12 that most of what we've got -- or what is actually out
13 there producing are a margin of wells to begin with and
14 the likelihood of allowable production being a part of it
15 would probably come before the Board in Virginia under
16 current situations.

17 MS. RIGGS: The authority for establishing allowable produc-
18 tion is established through 45.1-361.20. So you've got
19 it in the statute. You might want to look and see if
20 that's --

21 MR. EVANS: Well, as long as we have a method to address it.

22 MS. RIGGS: Through your field rule authority that's where
23 you've got it.

24 MR. EVANS: That's fine.

25 MR. FULMER: I think some of the discussions was why have

1 something in the regulation when the Board can do it in
2 any order. I mean, the statute gave you that right and
3 authority and this just said -- I mean, what did it do?
4 That was the question.

5 MR. WALLS: If you wish, when we have the regulatory work
6 committee get back together we can just bring that issue
7 back to them and make sure that they clearly look at that
8 again.

9 MR. EVANS: That's fine. As long as this Board still has
10 something to hang their hat on on those two issues that's
11 all I'm concerned with. And I have to confess that I
12 have not researched the reg to see.

13 MS. RIGGS: The statute, like I said, is 45.1-361.20 which
14 says through your field rules you can establish that.
15 It's not under the forced pooling sections of 45.1-361.20
16 or 21. Your mechanism is through your field rules.

17 MR. EVANS: Okay. As long as there is a mechanism was my
18 concern.

19 MR. WALLS: Any other questions? I guess I would ask the
20 Board if the Board would like us to move ahead in
21 starting the formal regulation promulgation process. I
22 guess we would need some direction from the Board to
23 start that.

24 MR. LEWIS: Do we have a motion?

25 MR. EVANS: Mr. Chairman, I make a motion that we allow the

1 process to proceed from this point.

2 MR. LEWIS: Do we have a second?

3 MR. HARRIS: Second.

4 MR. WALLS: Would that include going ahead and setting up the
5 regulatory working committee similar to what we had?

6 MR. EVANS: Yes.

7 MR. HARRIS: I do have a question, though. Mr. Walls, the
8 Governor's Office review that's happening concurrently
9 with ours, I don't know what time period that's going to
10 take. Will there be any changes? Is there a chance of
11 changes that they would make that's going to affect this
12 process, the timing of it?

13 MR. WALLS: I can't speak for the Governor's Office. My guess
14 is that that will rely heavily on the Secretarial
15 Office's review. I think their review should be going
16 concurrent with this process and if they have anything
17 that they want to bring forward we'll bring that to the
18 regulatory work committee or to the Board.

19 MR. HARRIS: Because my concern is that they would maybe make
20 a substantive change and we would have gone through this
21 process and would have to go back through it again. I
22 don't know what would be involved if there's a major
23 change that's recommended.

24 MR. WALLS: The Board is the authority for this regulation.
25 So no substantive change could be made without it being

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before the Board.

MR. LEWIS: All in favor say yes. (ALL AFFIRM.) It's a
unanimous vote.

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ITEM II

MR. LEWIS: The next item on the docket is a petition from Equitable Resources Exploration under Section 45.1-361.22 for pooling of a coalbed methane well identified as VC-3561 located on the E.S. Counts 261.48 acre tract, Clinchfield Coal Company et al., T-261 in the Ervinton District, Nora Quadrangle of Dickenson County, Virginia. Docket number VGOB-96/02/20-0534. Anyone wishing to participate in this matter please come forward at this time.

MR. KAISER: Mr. Chairman and members of the Board, Jim Kaiser on behalf of the petitioner, Equitable Resources Exploration. Our witnesses in this matter will be Mr. Dennis Baker and Mr. Bob Dahlin. If they could please be sworn at this time. I have an exhibit to hand out to the Board.

COURT REPORTER: (Swears witnesses.)

MR. KAISER: What I'm handing out is a revised Exhibit #A and #B. Our first witness in this matter will be Mr. Baker.

DENNIS R. BAKER

a witness who, after having been duly sworn, was examined and testified as follows:

EXAMINATION

1
2
3 BY MR. KAISER:

4 Q. Mr. Baker, would you please state your full name for the
5 record, who you are employed by and in what capacity?

6 A. My name is Dennis Baker. I'm employed by Equitable
7 Resources Exploration as senior landman.

8 Q. Do your responsibilities include the land involved here
9 and in the surrounding area?

10 A. Yes, they do.

11 Q. Are you familiar with Equitable's application for the
12 establishment of a drilling unit and pooling order for
13 EREX well VC-3561 dated January 18th, 1996?

14 A. Yes.

15 Q. Is Equitable seeking to force pool the drilling rights
16 underlying the drilling unit as depicted at Exhibit #A of
17 the application?

18 A. Yes.

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

21 A. Yes, we do.

22 Q. Will the location proposed for well VC-3561 fall within
23 the Board's order for the Nora Coalbed Methane Field
24 Rules dated March 20th, 1989?

25 A. Yes, they do.

- 1 Q. What is the interest of Equitable in the gas estate in
2 this unit?
- 3 A. At the time of application and at the time of hearing 92
4 percent of the unit is leased to EREX.
- 5 Q. Are you familiar with the ownership of drilling rights of
6 parties other than Equitable underlying this unit?
- 7 A. Yes, I am.
- 8 Q. Could you state that interest to the Board?
- 9 A. At the time of application and at the time of the hearing
10 the unleased portion of the unit is 8 percent.
- 11 Q. And what is the interest of Equitable in the coal estate
12 in the unit?
- 13 A. The interest of the coal estate leased to Equitable is 92
14 percent.
- 15 Q. So the same 8 percent of the coal estate remains unleased
16 in the unit?
- 17 A. That's correct.
- 18 Q. Are all the unleased parties set out in Exhibit #B which
19 I just presented to the Board?
- 20 A. Yes.
- 21 Q. Prior to the filing of the application did you make
22 efforts to contact each of the respondents in an attempt
23 to work out an agreement regarding the development of the
24 unit involved?
- 25 A. Yes, we did.

- 1 any efforts made to determine if the individual
2 respondents were living or deceased or their whereabouts,
3 and if deceased were efforts made to determine the names
4 and addresses and whereabouts of the successors to any
5 deceased individual respondent?
- 6 A. Yes.
- 7 Q. Were reasonable and diligent efforts made and sources
8 checked to identify and locate unknown heirs, including
9 primary sources such as deed records, probate records,
10 assessors records, treasurers records and secondary
11 sources such as telephone directories, city directories,
12 family and friends?
- 13 A. That's correct.
- 14 Q. In your professional opinion, Mr. Baker, was due dili-
15 gence exercised to locate each of the respondents named
16 herein?
- 17 A. Yes.
- 18 Q. Are the addresses set out in Exhibit #B that was just
19 handed out to the Board the last known addresses for the
20 respondents?
- 21 A. Yes.
- 22 Q. Are you requesting the Board to force pool all unleased
23 interests listed in that Exhibit #B?
- 24 A. Yes, we are.
- 25 Q. Does Equitable seek to force pool the drilling rights of

- 1 each individual respondent if living and if deceased the
2 unknown successor or successors to any deceased individ-
3 ual respondent?
- 4 A. That's correct.
- 5 Q. Is Equitable seeking to force pool the drilling rights of
6 the person designated as trustee if acting in capacity of
7 trustee, and if not acting in that capacity is Equitable
8 seeking to force pool the drilling rights of the success-
9 or of each trustee?
- 10 A. Yes.
- 11 Q. Are you familiar with the fair market value of drilling
12 rights in the unit here and in the surrounding area?
- 13 A. Yes, I am.
- 14 Q. Would you advise the Board as to what those are?
- 15 A. A five dollar per acre consideration, a five year term,
16 one-eighth royalty.
- 17 Q. Did you gain your familiarity by acquiring oil and gas
18 leases, coalbed methane leases and other agreements
19 involving the transfer of drilling rights in the unit
20 involved here and in the surrounding area?
- 21 A. Yes.
- 22 Q. In your opinion do the terms you have testified to
23 represent the fair market value of and the fair and
24 reasonable compensation to be paid for drilling rights
25 within this unit?

1 Q. Yes, they do.

2 Q. Based on your testimony as to any respondents who have

3 not voluntarily agreed to lease do you recommend that the

4 respondents listed at Exhibit #B who remain unleased be

5 allowed the following options with respect to their

6 ownership interest within the unit: 1) Participation. 2)

7 A cash bonus of \$5 per net mineral acre plus a one-eighth

8 of eight-eighths royalty. 3) In lieu of the cash bonus

9 and one-eighth of eight-eighths royalty share in the

10 operation of the well on a carried basis as a carried

11 operator under the following conditions; Such carried

12 operator shall be entitled to the share of production

13 from the tracts pooled accruing to his interest exclusive

14 of any royalty or overriding royalty reserved in any

15 leases, assignments thereof or agreements relating

16 thereto of such tracts but only after the proceeds

17 allocable to his share equal A) 300 percent of the share

18 of such costs allocable to the interest of the carried

19 operator of a leased tract or portion thereof, or B) 200

20 percent of the share of such costs allocable to the

21 interest of the carried operator of an unleased tract or

22 portion thereof?

23 A. That's correct.

24 Q. Do you recommend that the order provide that the elec-

25 tions by a respondent be in writing and sent to the

1 applicant at Equitable Resources Exploration, P.O. Box
2 1983, Kingsport, Tennessee, 37662, attention Dennis R.
3 Baker?

4 A. Yes.

5 Q. Should this be the address for all communications with
6 the applicant concerning the forced pooling order?

7 A. Yes, it is.

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

12 A. That's correct.

13 Q. Should the unleased respondents be given 30 days from the
14 date of the recording of the order to file written
15 elections?

16 A. Yes.

17 Q. If an unleased respondent elects to participate should
18 that respondent be given 45 days from the latter of the
19 date of the mailing the time for paying the applicant
20 for the respondents proportionate share of well costs?

21 A. Yes.

22 Q. Does the applicant expect a party electing to participate
23 to pay in advance that party's share of completed well
24 costs?

25 A. Yes, we do.

1 Q. Should the applicant be allowed 60 days following the
2 recording date of the order and thereafter annually on
3 that date till production is achieved to pay or tender
4 any cash bonus becoming due under the order?

5 A. Yes.

6 Q. Do you recommend the forced pooling order provide that if
7 a respondent elects to participate but fails to pay
8 respondent's proportionate share of well costs satis-
9 factory to the applicant for payment of well costs then
10 respondent's election to participate shall be treated as
11 having been withdrawn and void and such respondent should
12 be treated just as if no initial election had been filed
13 under the forced pooling order?

14 A. That's correct.

15 Q. Do you recommend that the forced pooling order provide
16 that where a respondent elects to participate but
17 defaults in regard to the payment of well costs any cash
18 sum becoming payable to such respondent be paid within 60
19 days after the last date on which such respondent could
20 have paid or made satisfactory arrangements for the
21 payment of well costs?

22 A. Yes.

23 Q. Do you recommend that the forced pooling order provide
24 that if a respondent refuses to accept any payment due
25 including any payment due under said order or any payment

1 of royalty or cash bonus or said payment cannot be paid
2 to a party for any reason or there is a title defect in
3 the respondent's interest or in the event of conflicting
4 claims to the coalbed methane that the operator pay into
5 an escrow account created by the Board into which all
6 costs or proceeds attributable to conflicting interests
7 shall be held for the respondent's benefit until such
8 funds can be paid to the party by order of this Board
9 until the title defect or conflicting claim is resolved
10 to the operator's satisfaction?

11 A. Yes.

12 Q. Who should be named operator under the force pooling
13 order?

14 A. Equitable Resources Exploration.

15 MR. KAISER: Mr. Chairman, that's all I have of this witness
16 at this time.

17 MR. LEWIS: Do we have any objections to this well?

18 MR. KAISER: Yes. We did receive some written objections that
19 were filed by Terry Ball and (Inaudible.) that were sent
20 to Mr. Wampler. I think the original objections were
21 filed February 7th. This hearing, as you know, was
22 continued from the February docket and we received a copy
23 of these, I guess, late last week. If you would like us
24 to address those we'd be happy to.

25 MR. EVANS: Mr. Chairman, I just have one question first. Is

1 this a coalbed methane well?

2 MR. DAHLIN: Yes, it is.

3 MR. EVANS: Only?

4 MR. DAHLIN: Yes.

5 MR. EVANS: Even with regard to those objections if you'll

6 look on the letter of objection Terry Ball and Jerry D.

7 Ball with the docket number, it has a location. But if

8 you look on Page 2, second paragraph down, it says

9 "Conventional well P-215 has been drained (Inaudible.)

10 the gas several years without compensation to the owners

11 and we would request that the Board not consider EREX's

12 request to pool any oil or other gases other than coalbed

13 methane" If this is a coalbed methane well it's obvious

14 that they don't object.

15 MR. KAISER: And I think the other objection that he included

16 in here was as to the location of the tract. The only

17 thing we'll add there is that we located that tract based

18 upon information he provided us.

19 MR. EVANS: Okay. And that's your revised exhibit. I have no

20 further questions. That was just for clarification.

21 MR. LEWIS: Does anyone else have anything to speak in this

22 matter?

23 MR. HARRIS: Yes. Let me just ask a real quick question. The

24 conventional well P-215, is that listed on your plat?

25 MR. KAISER: No.

1 MR. HARRIS: Where would that -- can you just give me an idea
2 of where that would be?

3 MR. BAKER: It lies just a little bit north. The spacing on
4 that well was 500 foot.

5 MR. KAISER: That was drilled in May of 1986 under 500 foot
6 spacing and it's a conventional well.

7 MR. FULMER: One thing that might jog your memory. This is in
8 the Nora Coalbed Methane Field Rules. So it was some-
9 thing the Board had already ruled on as far as where the
10 unit it.

11 MR. LEWIS: Anyone else?

(Witness stands aside.)

12
13 MR. LEWIS: Next witness.

14 MR. KAISER: I'd call Mr. Dahlin at this time.

15
16 ROBERT A. DAHLIN, II

17 a witness who, after having been duly sworn, was examined and
18 testified as follows:

19
20 DIRECT EXAMINATION

21
22 BY MR. KAISER:

23 Q. Mr. Dahlin, would you please state your name, who you're
24 employed by and in what capacity?

25 A. Robert A. Dahlin, II. I'm employed by EREX as a produc-

- 1 tion specialist.
- 2 Q. Have you previously testified before the Virginia Gas and
3 Oil Board and have your qualifications as an expert
4 witness previously been accepted by this Board?
- 5 A. Yes.
- 6 Q. Mr. Dahlin, do your responsibilities include the lands
7 involved here and in the surrounding area?
- 8 A. Yes.
- 9 Q. Are you familiar with the proposed exploration and
10 development of the unit involved here under the appli-
11 cant's proposed plan of development?
- 12 A. Yes, I am.
- 13 Q. What is the total depth of the proposed initial well
14 under the applicant's plan of development?
- 15 A. 1,880 feet. Between the time of permit application and
16 the time that we run our economics we've decided to
17 delete the lower most POCO seams and will now be revised
18 to a 300 foot shower depth of 1,880 feet.
- 19 Q. And this will be sufficient to penetrate and test the
20 common sources of supply in the subject formations?
- 21 A. Yes, it will.
- 22 Q. What are the estimated reserves of the unit?
- 23 A. 450 million cubic feet.
- 24 Q. Are you familiar with the costs for the proposed initial
25 well under the applicant's plan of development?

1 A. Yes.

2 Q. Has an AFE been reviewed and submitted to the Board?

3 A. Yes.

4 Q. Was this AFE prepared by an engineering department
5 knowledgeable in the preparation of AFEs and knowledge-
6 able in regard to well costs in this particular area?

7 A. Yes, it was.

8 Q. Does this AFE represent a reasonable estimate of the well
9 costs for proposed unit well under applicant's plan of
10 development?

11 A. It does.

12 Q. Could you please state both the dry hole costs and the
13 completed well costs to the Board?

14 A. The dry hole costs are \$70,003 and the completed well
15 costs are \$173,000.

16 Q. Do these costs anticipate a multiple completion?

17 A. Yes, it does.

18 Q. Does this AFE include a reasonable charge for super-
19 vision?

20 A. Yes.

21 Q. In your professional opinion, Mr. Dahlin, will the
22 granting of this application be in the best interest of
23 conservation, prevention of waste and the protection of
24 correlative rights?

25 A. Yes, it would.

1 MR. KAISER: I have nothing further of this witness, Mr.
2 Chairman.
3 MS. RIGGS: Which formations did you say dropped out?
4 THE WITNESS: The lower most Pocahontas seams. The deepest
5 one we intend to complete is currently the Poka #8.
6 MS. RIGGS: 4, 3 and 1 drop out then?
7 THE WITNESS: Yes.
8 MR. EVANS: Mr. Chairman, I have one quick question. On your
9 revised exhibit, the well location, it's not within the
10 300 foot offset, is it?
11 MR. KAISER: No.
12 MR. EVANS: Okay. Because it's according to this pretty much
13 right on line.
14 MR. KAISER: It's more than 750 feet from the bottle tract in
15 tract number four. But no, it does not require a
16 location exception.
17 MR. EVANS: That's fine. That's my -- that was my question.
18 MR. LEWIS: Anyone else have any questions?
19 (Witness stands aside.)
20 MR. LEWIS: Mr. Chairman, I move we grant the petition.
21 MR. KELLY: Second.
22 MR. LEWIS: All in favor? (ALL AFFIRM.) Thank you.
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3 ITEM III

4 MR. LEWIS: The next thing on our docket is a petition from
5 Equitable Resources Exploration for a well location
6 exception under Section 45.1-361.17 for well V-3190. The
7 proposed well is located on PVRC Tract 632 on the Norton
8 Quadrangle, Gladeville District, Wise County, Virginia.
9 That EREX well V-2759, an existing well, lies 2010.09
10 feet North 60 degrees 33 minutes 05 seconds east from
11 proposed well V-3190. Docket number VGOB-96/02/20-0536.
12 If anyone wishes to speak in this matter come forward.

13 MR. KAISER: Mr. Chairman, members of the Board, Jim Kaiser on
14 behalf of Equitable Resources Exploration. Our witnesses
15 in this matter will once again be Mr. Dahlin and also Mr.
16 Don Hall who needs to be sworn. While he's being sworn
17 I'd like to present the Board with two different exhibits
18 that we'll use in conjunction with this -- our applic-
19 ation for a variance.

20 COURT REPORTER: (Swears witness.)

21 MR. KAISER: Mr. Hall will be our first witness in this
22 matter.

23 DON C. HALL

24 a witness who, after having been duly sworn, was examined and
25 testified as follows:

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DIRECT EXAMINATION

BY MR. KAISER:

Q. Mr. Hall, could you please state your full name for the record, who you're employed by and in what capacity?

A. My name is Don C. Hall. I employed by Equitable Resources Exploration as district landman.

Q. Have your qualifications as an expert witness previously been accepted by this Board?

A. Yes, they have.

Q. Do your responsibilities include the lands involved here and in the surrounding area?

A. They do.

Q. Has EREX applied for and is a permit now pending before the DMME for well V-3190?

A. Yes, it is.

Q. When was that permit application dated?

A. February 6th, 1996.

Q. Are you familiar with the application for a location exception for well V-3190 and the relief requested?

A. Yes, I am.

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

1 A. They have.

2 Q. Would you indicate for the Board the ownership of the oil
3 and gas underlying well V-3190?

4 A. Penn-Virginia Resources owns 83.2 percent and Greater
5 Wise owns 16.80 percent.

6 Q. Does EREX have an oil and gas lease covering all these
7 tracts?

8 A. Yes, we do.

9 Q. Does EREX have the right to operate any reciprocal wells?

10 A. Yes, sir.

11 Q. Are there any correlative rights issues involved in the
12 seeking of this location exception?

13 A. No. We have all the acreage leased in the area around
14 these wells from either Penn-Virginia or Greater Wise.

15 Q. Mr. Hall, in conjunction with the two exhibits that we
16 have provided to the Board, one being a map that have
17 provided with a sort of a (Inaudible.) and another being
18 a letter from the president of Penn-Virginia Coal
19 Company, Mr. Horton. Could you explain in your own words
20 the reasons why we are seeking this location exception
21 for V-3190?

22 A. 3190 is an exception on your exhibit -- on the map 3190
23 is highlighted and 2759 is highlighted and that's the
24 well we're getting an exception from. The area high-
25 lighted in pink is the area that we could put a legal

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location in in relation to that well plus the adjacent wells around that. In their review of approval process for this location Penn-Virginia and their lessee, Virginia Iron, Coal & Coke Company, would not approve the location anywhere within the pink area because of ongoing and projected mine operations. Mr. Horton's letter which was handed out indicates the same, I think.

Q. And I think his letter indicates that they could not agree on any location which would not require a location exception and that this is -- in fact, I think we've been trying to get a location here for quite some time and this is the only location that they will approve?

A. That's correct.

MR. KAISER: I have no further questions of this witness at this time, Mr. Chairman.

MR. LEWIS: Other witnesses?

MR. KAISER: Our next witness will be Mr. Bob Dahlin.

ROBERT A. DAHLIN, II

a witness who, after having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

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3 BY MR. KAISER:

4 Q. Mr. Dahlin, could you please once again state your name
5 for the Board, who you're employed by and in what
6 capacity?

7 A. Robert A. Dahlin, II. I'm employed by EREX as a produc-
8 tion specialist.

9 Q. And you've previously testified before and been accepted
10 as an expert witness before the VGOB?

11 A. Yes, I have.

12 Q. Are you familiar with the application for the location
13 exception filed by EREX for well 3190?

14 A. Yes.

15 Q. In the event this location exception is not granted would
16 you project for the Board the estimated loss of reserves
17 that would result in waste?

18 A. We anticipate 600 million cubic feet of gas.

19 Q. What's the total depth of the proposed well under
20 applicant's plan of development?

21 A. 5,675 feet.

22 Q. And this will be consistent with the formations listed in
23 the well work permit now pending before the DMME?

24 A. Yes, it will.

25 Q. Will this be sufficient to penetrate and test the common

1 sources of supply and the subject formations?

2 A. Yes.

3 Q. Is the applicant requesting the location exception to
4 cover conventional gas reserves not only to include the
5 designated formations but any other formations excluding
6 coal formations which may be between those formations
7 designated from the surface to the total depth drilled?

8 A. We are.

9 Q. Mr. Dahlin, in your opinion will the granting of this
10 location exception be in the best interest of preventing
11 waste, protecting correlative rights and maximizing the
12 recovery of the gas reserves underlying V-3190?

13 A. Yes.

14 MR. KAISER: I have nothing further of this witness at this
15 time, Mr. Chairman.

16 MR. LEWIS: Any questions?

17 MR. HARRIS: I was kind of curious about the shape of this
18 pink figure, whatever, the area. I realize these are
19 parts of circles that are your -- I guess your drilling
20 windows -- not windows. I'm sorry. The circles for
21 those area. How does this impact -- I notice you're
22 saying that the distance to VP-2759 is 2,000, a little
23 more than 2,000 feet?

24 MR. HALL: That's correct. 2,010 I believe.

25 MR. HARRIS: I'm just when I -- I don't know. When I complete

1 the circles I'm enclosing VP-2759 in the circle. And it
2 could be that this was --

3 MR. HALL: 2759 is the location we're getting the exception
4 from. So the circle --

5 MR. HARRIS: Oh, okay. I'm sorry. I realize what you're
6 saying now.

7 MR. LEWIS: Any more questions?

8 (Witness stands aside.)

9 MR. EVANS: Mr. Chairman, I move we grant the petition

10 MR. KELLY: Second.

11 MR. LEWIS: All in favor. (ALL AFFIRM.) It's a unanimous
12 vote.

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1 ITEM IV

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3 MR. LEWIS: The next thing on the docket is a petition from

4 Equitable Resources Exploration for a well location

5 exception under Section 45.1-361.17 for well VC-3555.

6 That well number VC-3555 is proposed to be located at a

7 point within the unit which is less than 300 feet from

8 the interior boundary of the unit. That the proposed

9 well be located on a mineral tract consisting of 1321.75

10 acres known as the Clinchfield Coal Company's John S.

11 Rose T-117 Tract on the Caney Ridge Quadrangle, Kenady

12 District, Dickenson County, Virginia. Docket number

13 VGOB-96/03/19-0539. Anyone wishing to speak in this

14 matter come forward.

15 MR. KAISER: Mr. Chairman, members of the Board, Jim Kaiser on

16 behalf of Equitable Resources Exploration. Our witnesses

17 in this matter will once again be Mr. Hall and Mr.

18 Dahlin. I'm going to hand out the exhibit that we'll be

19 using in conjunction with this application. (Pause.)

20 Mr. Hall will be our first witness in this matter.

21

22 DON C. HALL

23 a witness who, after having been previously sworn, was

24 examined and testified as follows:

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DIRECT EXAMINATION

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3 BY MR. KAISER:

4 Q. Mr. Hall, would you please once again state your name,
5 who you're employed by and in what capacity?

6 A. My name is Don C. Hall with Equitable Resources Explora-
7 tion and titled as district landman.

8 Q. Have your qualifications previously been accepted as an
9 expert witness before the Board?

10 A. Yes, they have.

11 Q. Do your responsibilities include the lands involved here
12 and in the surrounding area?

13 A. They do.

14 Q. Has a permit for well VC-3555 been applied for?

15 A. Yes, on March 11th, 1996.

16 Q. Are you familiar with the application for the location
17 exception for well VC-3555 and the relief requested?

18 A. Yes, I am.

19 Q. Have you personally visited this location and are you
20 familiar with this location --

21 A. Yes, sir.

22 Q. -- as it may relate to mining operations, topography and
23 effective land management practices?

24 A. I most certainly have.

25 Q. Would you indicate for the Board the ownership of the oil

1 underlying well VC-3555?

2 A. Pine Mountain Oil & Gas owns 100 percent.

3 Q. And does EREX have an oil and gas lease covering all
4 these tracts?

5 A. Yes, we do.

6 Q. Have the mineral owners, being Clinchfield, Pyxis and
7 Pine Mountain, approved the well location site?

8 A. Yes, they have

9 Q. Mr. Hall, in your own words based upon your experience
10 and your site visit and your exhibit that has been handed
11 out to the Board would you explain for the Board why a
12 variance is needed for VC-3555?

13 A. As you can see from the exhibit, the interior window is
14 outlined in green. All the area within the interior
15 window will probably average somewhere between 60 and 65
16 percent grade. It's just really -- just too steep to try
17 to do anything as far as building a location. In the
18 northwest corner of that grid you have the highway and
19 the stream and just above the highway and those areas are
20 precluded also. Basically the window -- the area within
21 the window is just too steep to build a location on.

22 MR. KAISER: Mr. Chairman, I have no further questions of this
23 witness.

24 MR. LEWIS: Any other witnesses?

25 MR. EVANS: I've got a question. In the adjacent grid

1 immediately south is there a CBM located in that grid?
2 MR. HALL: Yes, there is.
3 MR. EVANS: What's the access route to that CBM?
4 MR. HALL: It comes in from -- if you see P-37 there in the
5 curve of the road -- or P-136 I believe that is.
6 MR. EVANS: Uh-huh.
7 MR. HALL: It comes across the creek. That location is in a
8 gap that's been mined out in there -- a low gap in there.
9 The road comes across the creek and up the side of the
10 hill on the left.
11 MR. EVANS: I'm talking about the one that's immediately south
12 in the J.C. Smith Tract.
13 MR. HALL: That is correct.
14 MR. EVANS: So you have an access road to that area?
15 MR. HALL: Right. Yes.
16 MR. EVANS: What precludes you from continuing your access
17 road on the top of the ridge to a location within the
18 drilling window?
19 MR. HALL: Grade. It's just too steep. If you build a
20 location you're going to have a lot of spoil from the
21 location that you probably can't contain and it's just --
22 believe me, it's just impossible to put one up there.
23 MR. DAHLIN: There's another reason that we've been over in
24 similar circumstances in prior hearings where we do try
25 to locate the location somewhat centrally in the units.

1 Also adjoining this tract to the north there's an
2 existing well PC-4. If you'll notice the topography
3 that Don's wrestling with here in this tract is the same
4 -- pretty much the same in all -- about all of that tract
5 except the northwest corner of that tract also where the
6 other drainage pattern hit. That's the only place we
7 could drill that well and it's existing. So, in effect,
8 our spacing centers are skewed in this particular
9 instance quite to the northwest. So to again establish
10 as best drainage we can sub-surface with the topography
11 we've got in this case the best locations are both
12 skewed to the northwest to maintain well head spacing.

13 MR. EVANS: I understand that. Let me ask another question
14 then. Immediately -- let's see. It will be about --
15 looks like about 300 feet down the road from the north-
16 east to southwest the road itself crosses into the
17 drilling window. I notice that you've come off and
18 basically gone somewhat close to Spring Fork looking for
19 a level spot for the proposed location.

20 MR. HALL: Uh-huh.

21 MR. EVANS: What does the topography -- it looks similar just
22 inside that where the red cuts the northwest corner of
23 the green. Just to the southeast of that is there not a
24 location that can be made in there to keep you inside the
25 drilling window?

1 MR. HALL: The road cut goes straight off into the creek
2 there.

3 MR. EVANS: What's the topo interval on this?

4 MR. HALL: 40 foot intervals.

5 MR. EVANS: Okay. It's 40 foot intervals.

6 MR. HALL: Yeah. The well Bob was speaking to that is to the
7 north was 1,274 feet distance wise from this well. We
8 have wells in the units to the northwest, the west, the
9 south and the east surrounding this unit also.

10 MR. EVANS: Has there been any forced pooling in any of those
11 other units?

12 MR. HALL: No. All those wells are on Pittston property.

13 MR. EVANS: So there's no forced pooling orders issued for any
14 of the surrounding grids?

15 MR. HALL: No.

16 MR. EVANS: And it's your testimony that due to topographic
17 constraints that's about the only place that you can put
18 this well?

19 MR. HALL: That's correct.

20 MR. EVANS: I have no further questions.

21 MR. LEWIS: Does anyone else?

22 (Witness stands aside.)

23 MR. LEWIS: Do I have a motion?

24 MR. KAISER: We have another witness.

25 MR. LEWIS: Oh, I'm sorry. I forgot.

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ROBERT A. DAHLIN, II

a witness who, after having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KAISER:

Q. Mr. Dahlin, would you please state your name, who you're employed by and in what capacity?

A. My name is Robert A. Dahlin, II and I'm employed as a production specialist for EREX.

Q. And you've previously been accepted by this Board as an expert witness in these matters?

A. Yes.

Q. Are you familiar with the application for the location exception filed by EREX for well VC-3555?

A. Yes, I am.

Q. In the event the location exception is not granted would you project the estimated loss of reserves that would result in waste?

A. 450 million cubic feet.

Q. What is the total depth of the proposed well under applicant's plan of development?

A. 2,100 feet.

1 Q. Will this include all the formations consistent with the
2 well work permit now pending before the DMME?

3 A. Yes, it will.

4 Q. In your opinion will the granting of this location
5 exception be in the best interest of preventing waste,
6 protecting correlative rights and maximizing the recovery
7 of gas reserves underlying VC-3555?

8 A. Yes, it would.

9 MR. KAISER: Nothing further of this witness at this time, Mr.
10 Chairman.

11 MR. LEWIS: Any further witnesses?

12 MR. KAISER: Not from us, Mr. Chairman.

13 (Witness stands aside.)

14 MR. LEWIS: Do we have a motion on this?

15 MR. EVANS: Mr. Chairman, I move to grant the petition.

16 MR. KELLY: Second.

17 MR. LEWIS: All in favor. (ALL AFFIRM.) It's a unanimous
18 vote.

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ITEM V

MR. LEWIS: The next thing on our docket is a petition from Equitable Resources Exploration under Section 45.1-361.22 for the pooling of a coalbed methane well identified as P-392C located on the S.G. Rose 70.89 acre tract of Clinchfield Coal Company identified as T-123 in the Kenady District, Caney Ridge Quadrangle of Dickenson County, Virginia. The docket number is VGOB-96/03/19-0541. Anyone wishing to speak in this matter come forward.

MR. KAISER: Mr. Chairman and members of the Board, Jim Kaiser on behalf of Equitable Resources Exploration. Our witnesses in this matter will be again Mr. Bob Dahlin and our backup is Mr. Dennis Baker. I'll remind Mr. Baker that he's under oath.

DENNIS BAKER

a witness who, after having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KAISER:

Q. Mr. Baker, please state your full name, who you're

1 employed by and in what capacity?

2 A. Dennis Baker, employed by Equitable Resources Exploration
3 as senior landman.

4 Q. Do your responsibilities include the lands involved here
5 and in the surrounding area?

6 A. Yes, they do.

7 Q. Are you familiar with Equitable's application for the
8 establishment of a unit and a pooling order for EREX well
9 P-392C which was dated February 16th, 1996?

10 A. I am.

11 Q. Is Equitable seeking to force pool the drilling rights
12 underlying the unit as depicted in Exhibit #A of the
13 application?

14 A. Yes.

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

17 A. Yes, we do.

18 Q. Does the location proposed for well P-392C fall within
19 the Board's order for the Nora Coalbed Field Rules dated
20 March 20th, 1989?

21 A. Yes, they do.

22 Q. What is the interest of Equitable in the gas estate in
23 the unit?

24 A. The interest leased to Equitable in the drilling unit is
25 98.11 percent of the gas estate.

- 1 Q. Are you familiar with the ownership of drilling rights of
2 parties other than Equitable underlying this unit?
- 3 A. Yes, I am.
- 4 Q. What is the unleased portion of the unit at this time?
- 5 A. The unleased portion of the drilling unit is 1.89
6 percent of the gas estate. The coal estate underlying
7 the drilling unit is 100 percent leased to Equitable.
- 8 Q. Are all unleased parties set out at Exhibit #B?
- 9 A. Yes, they are.
- 10 Q. Prior to filing the application were efforts made to
11 contact each of the respondents in an attempt to work
12 out an agreement regarding the development of the unit
13 involved made?
- 14 A. Yes, they were.
- 15 Q. Subsequent to the filing of the application have you
16 continued to attempt an agreement with any respondent
17 listed at Exhibit #B?
- 18 A. Yes.
- 19 Q. Actually in this case is the only unleased interest that
20 we have within the unit represented by the unknown heirs
21 of Nancy A. Hale?
- 22 A. That's correct.
- 23 Q. Were efforts made to determine if the individual respond-
24 ents were living or deceased or their whereabouts and if
25 deceased were efforts made to determine the names and

- 1 addresses and whereabouts of the successors to any
2 deceased individual respondents?
- 3 A. That's correct.
- 4 Q. Were reasonable and diligent efforts made and sources
5 checked to identify and locate these unknown heirs to
6 include primary sources such as deed records, probate
7 records, assessors records, treasurers records and
8 secondary sources such as telephone directories, city
9 directories, family and friends?
- 10 A. Yes, they were.
- 11 Q. In your professional opinion was due diligence exercised
12 to locate each of the respondents named herein?
- 13 A. Yes.
- 14 Q. Are the addresses set out in Exhibit #B to the applic-
15 ation the last known addresses for the respondents?
- 16 A. Yes. That's correct.
- 17 Q. Are you requesting this Board to force pool all unleased
18 interests listed in Exhibit #B?
- 19 A. Yes, we are.
- 20 Q. Does Equitable seek to force pool the drilling rights of
21 each individual respondent if living and if deceased the
22 unknown successor or successors to any deceased individ-
23 ual respondent?
- 24 A. Yes, we are.
- 25 Q. Is Equitable seeking to force pool the drilling rights of

1 the person designated as trustee if acting in the
2 capacity of trustee, and if not acting such capacity is
3 Equitable seeking to force pool the drilling rights of
4 the successor of any such trustee?

5 A. Yes.

6 Q. Are you familiar with the fair market value of drilling
7 rights in the unit here and in the surrounding area?

8 A. Yes, I am.

9 Q. Please advise the Board as to what those are?

10 A. A five dollar per acre consideration, a five year term
11 and a one-eighth royalty.

12 Q. Did you gain your familiarity with these figures by
13 acquiring oil and gas leases, coalbed methane leases and
14 other agreements involving the transfer of drilling
15 rights in the unit involved here and in the surrounding
16 area?

17 A. That's correct.

18 Q. In your opinion do the terms you have testified to
19 represent the fair market value of and the fair and
20 reasonable compensation to be paid for drilling rights
21 within this unit?

22 A. Yes, it is.

23 MR. KAISER: Mr. Chairman, at this time I'm at large to
24 testimony regarding the election period -- time periods
25 in which to make an election and the election options

1 afforded any unleased respondents I'd like to incorporate
2 the testimony that was elicited earlier in VGOB-96/02/20-
3 0534 which was the second matter on today's docket.

4 MR. LEWIS: Any objections? Go ahead.

5 Q. (Mr. Kaiser continues.) Mr. Baker, do you recommend that
6 the force pooling order provide that if a respondent
7 refuses to accept any payment due including any payment
8 due under said order or any payment of royalty or cash
9 bonus or said payment cannot be paid to a party for any
10 reason or there is a title defect in the respondent's
11 interest or in the event of conflicting claims to the
12 coalbed methane that the operator pay into an escrow
13 account created by this Board into which all costs or
14 proceeds attributable to conflicting interests shall be
15 held for the respondent's benefit until such funds can be
16 paid to the party by order of this Board or until the
17 title defect or conflicting claim is resolved to the
18 operator's satisfaction?

19 A. That's correct.

20 Q. Who should be named the operator under this forced
21 pooling order?

22 A. Equitable Resources Exploration.

23 MR. KAISER: Mr. Chairman, that's all I have of this witness
24 at this time.

25 MR. LEWIS: Any questions?

1 MR. HARRIS: I do have a question about the Hale heirs which
2 is Tract 4 on Exhibit #B. I'm looking also at the well
3 location plat. This is the lower right corner of this
4 window, is that where that is?

5 MR. BAKER: Yes. That's correct.

6 MR. HARRIS: The initials are A.W. Hale there but they're
7 Nancy A. Hale in the Exhibit #B. Are these different
8 people or is that the same person or --

9 MR. BAKER: The A.W. Hale tract is the 54.84 acre that is
10 covered under lease number 244792 and Nancy A. Hale heirs
11 is the oil and gas tract underlying 43.5 acres.

12 MR. HARRIS: Okay. I see it. I didn't read far enough down.
13 Thank you.

14 (Witness stands aside.)

15 MR. LEWIS: Other witnesses?

16 MR. KAISER: I'd call Mr. Dahlin at this time.

17
18 ROBERT A. DAHLIN, II

19 a witness who, after having been previously sworn, was
20 examined and testified as follows:

21
22 DIRECT EXAMINATION

23
24 BY MR. KAISER:

25 Q. Mr. Dahlin, once again would you please state your name,

1 who you are employed by and in what capacity?
2 A. My name is Robert A. Dahlin, II and I'm employed by EREX
3 as a production specialist.
4 Q. And your qualifications have previously been accepted by
5 the Virginia Gas and Oil Board as an expert witness?
6 A. That's correct.
7 Q. Do your responsibilities include the lands involved in
8 this unit and in the surrounding area?
9 A. Yes.
10 Q. Are you familiar with the proposed exploration and
11 development of the unit involved here?
12 A. I am.
13 Q. What is the total depth of the proposed well under
14 applicant's plan of development?
15 A. 2,725 feet.
16 Q. Will this include formations that are consistent with the
17 well work permit now pending before the DMME?
18 A. Yes, it will.
19 Q. And will this be sufficient to penetrate and test the
20 common sources of supply in the subject formation?
21 A. Yes.
22 Q. What are the estimated reserves in this unit?
23 A. 400 million cubic feet.
24 Q. Are you familiar with the well costs for proposed initial
25 well under applicant's plan of development?

- 1 A. Yes, T - 0.
- 2 Q. Has an AFE been prepared, reviewed and submitted to the
3 Board?
- 4 A. Yes.
- 5 Q. Was this AFE prepared by an engineering department
6 knowledgeable in the preparation of AFEs and knowledge-
7 able in regard to well costs in this particular area?
- 8 A. Yes, it was.
- 9 Q. Does this AFE in your opinion represent a reasonable
10 estimate of the well costs for proposed unit well under
11 applicant's plan of development?
- 12 A. Yes.
- 13 Q. Would you please state both the dry hole costs and the
14 completed well costs for the Board?
- 15 A. The dry hole costs are \$91,388 and completed are \$199,-
16 000.
- 17 Q. Do these costs anticipate a multiple completion?
- 18 A. Yes.
- 19 Q. Does this AFE include a reasonable charge for super-
20 vision?
- 21 A. Yes.
- 22 Q. In your professional opinion will the granting of this
23 application be in the best interest of conservation,
24 prevention of waste and the protection of correlative
25 rights?

1 A. Yes, it will.

2 MR. KAISER: I have nothing further of this witness at this
3 time, Mr. Chairman.

4 MR. LEWIS: Any questions?

5 (Witness stands aside.)

6 MR. LEWIS: Do I hear a motion from the Board?

7 MR. EVANS: Mr. Chairman, I move we grant the petition.

8 MR. HARRIS: Second.

9 MR. LEWIS: All in favor. (ALL AFFIRM.) Unanimous vote.

10 MR. HARRIS: Let me ask a question. I know this is after the
11 fact but it actually it relates to all of the projects.
12 When I noticed on your AFE this is -- I noticed the total
13 depth doesn't have units and I know we're talking feet.
14 Do we need to be -- I was thinking at one time we use to
15 have the feet there. I know we all note these, but I'm
16 just saying that when someone looks at this who is from
17 England or someplace that uses the metric system -- I
18 notice that's on all of the applications and that may
19 have been all there since day one and I just hadn't
20 realized that. Do we normally put feet on that, though?

21 MR. DAHLIN: Typically this is how we present it.

22 MR. HARRIS: I was thinking that I didn't remember seeing that
23 without feet before but then I don't know if that's --
24 like I said, that's just a suggestion. You might want to
25 do that.

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MR. DAHLIN: Okay.

MR. KAISER: I think we did use to put a dash.

MR. HARRIS: Yeah.

MR. LEWIS: If there's nothing else this concludes the hearing. The Board's adjourned.

(End of Proceedings for
March 19, 1996.)

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CERTIFICATE

COMMONWEALTH OF VIRGINIA
COUNTY OF WASHINGTON

I, Deborah J. Bise, Notary Public in and for the Commonwealth of Virginia, at Large, do hereby certify that the foregoing proceedings of the Virginia Gas and Oil Board meeting held on March 19, 1996 at the Southwest Virginia 4-H Center, Hillman Highway, Abingdon, Virginia, were taken by me and that the foregoing is a true and correct transcript of the proceedings had as aforesaid to the best of my ability.

I further certify that I am not a relative, counsel, or attorney for either party, or otherwise interested in the outcome of this action.

GIVEN under my hand this 1st day of April, 1996.

Deborah J. Bise
DEBORAH J. BISE
NOTARY PUBLIC

My commission expires September 30, 1996.