

**VIRGINIA GAS  
AND OIL BOARD**

**MONTHLY  
BOARD  
TRANSCRIPT**

**JANUARY 1997**

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**VIRGINIA OIL AND GAS BOARD**

**HEARING OF JANUARY 21, 1997**

**9:00 A.M.**

**AT THE SOUTHWEST VIRGINIA 4-H CENTER**

**HILLMAN HIGHWAY**

**ABINGDON, VIRGINIA**

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**Appalachian Court Reporting Services, Inc.**

**P. O. Box 833**

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INDEX

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

	<u>Page</u>
Item I	3
Item II	12
Item III	12
Item IV	12

1  
2 January 21, 1997

3 This matter came on to be heard on this the 21st day of  
4 January, 1997 before the Virginia Gas and Oil Board at the  
5 Southwest Virginia 4-H Center, Hillman Highway, Abingdon,  
6 Virginia pursuant to Section 45.1-361.19.B and 45.1-361.22.B  
7 of the Code of Virginia.

8 MR. WAMPLER: Good morning. My name is Benny Wampler and  
9 I'm Deputy Director for the Virginia Department of  
10 Mines, Minerals and Energy and Chairman of the Gas and  
11 Oil Board. I'll ask the members to introduce them-  
12 selves.

13 MR. BRENT: I'm Mason Brent from Richmond and I represent  
14 the gas and oil industry.

15 MR. GARBIS: I'm Dennis Garbis from Northern Virginia,  
16 Fairfax County, a public member.

17 MR. HARRIS: I'm Bill Harris from Big Stone Gap, a public  
18 member.

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

20 MS. RIGGS: Sandra Riggs with the office of the Attorney  
21 General.

22 MR. GILLUM: Richard Gillum, Abingdon, coal representative.

23 MR. KING: Clyde King, Abingdon, a public representative.

24 MR. FULMER: Tom Fulmer, Department of Mines, Minerals and  
25 Energy.

1 MR. CHAIRMAN: Thank you.

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ITEM I

MR. CHAIRMAN: The first item on today's agenda is a petition from Equitable Resources Energy Company for pooling of a conventional gas well unit identified as V-3607. This is docket number VGOB-97/01/21-0560. We'd ask the parties that wish to address the Board in this matter to come forward at this time and identify yourself.

MR. WILHOIT: We are here, Mr. Wampler. My name is Tony Wilhoit. I'm here on behalf of Equitable Resources Energy. I have two witnesses with me this morning on this particular matter, Mr. Dennis Baker and Mr. Bob Dahlin. We're here on an application for force pooling.

MR. CHAIRMAN: Are you ready to proceed?

MR. WILHOIT: Yes, sir.

COURT REPORTER: (Swears witnesses.)

MR. WILHOIT: I'd call Mr. Dennis Baker first.

DENNIS BAKER

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

DIRECT EXAMINATION

1  
2  
3 BY MR. WILHOIT:

4 Q. Mr. Baker, would you explain to the Board, as if they  
5 don't know you, who you work for and what you do?

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

8 Q. And how long have you been in that position?

9 A. Approximately four years.

10 Q. How long have you been a landman?

11 A. About twelve.

12 Q. Have you appeared before this Board on many occasions?

13 A. Yes, I have.

14 Q. Are you familiar with Equitable's application for the  
15 establishment of the drilling unit and pooling order  
16 for well V-3607?

17 A. Yes, I am.

18 Q. Are you seeking an order from the Board to force pool  
19 the drilling rights underlying as depicted on Exhibit  
20 #A attached to the application?

21 A. Yes, we are.

22 Q. Do you have a permit or has an application been filed  
23 for a permit for the drilling of this well?

24 A. Yes, we have. It's dated December 18th, 1996.

25 A. Does Equitable own drilling rights in this unit?

1 A. Yes, we do.

2 Q. Does the proposed unit depicted on Exhibit #A attached

3 to the application include all acreage within 2,500

4 feet of the proposed well?

5 A. That's correct.

6 Q. At the time of filing the application what was the

7 interest that Equitable owned?

8 A. At the time of application the leased interest was

9 94.11 percent.

10 Q. So the corresponding unleased interest would have been

11 how much?

12 A. 5.89 percent.

13 Q. Have you set out all the unleased parties -- on the

14 application that was submitted did you set out all the

15 unleased parties?

16 A. Yes.

17 Q. Since submitting the application have you made an

18 attempt to contact any of these unleased people?

19 A. Yes, we have.

20 Q. Have you had any success?

21 A. Yes, we have.

22 Q. So do you have a revised exhibit to submit to the

23 Board?

24 A. Yes, we do.

25

1 (AFTER A BRIEF PAUSE, THE PROCEEDINGS CONTINUED AS

2 FOLLOWS:)

3 Q. (Mr. Wilhoit continues.) At the time of this hearing  
4 today what is the interest owned by Equitable in this  
5 unit?

6 A. At the time of the hearing the interest leased is 98.58  
7 percent.

8 Q. And unleased remaining unleased?

9 A. The unleased interest is 1.42 percent.

10 Q. Have you made every effort to contact those people who  
11 are unleased and attempted to acquire a lease from  
12 them?

13 A. Yes, we have.

14 Q. In your opinion has due diligence been exercised in  
15 trying to reach these respondents?

16 A. Yes, it has.

17 Q. Are their complete addresses set out on revised Exhibit  
18 #B?

19 A. Yes.

20 Q. Are you familiar with the market value of drilling  
21 rights in the area in this unit?

22 A. Yes, I am.

23 Q. Would you tell the Board what those fair market value  
24 of the drilling rights would be?

25 A. A five dollar per acre consideration, five year term

1 with a one-eighth royalty.

2 Q. In your opinion do the terms you have testified to  
3 represent the fair market value of and a fair and  
4 reasonable compensation to be paid for drilling rights  
5 within the unit?

6 A. Yes, I do.

7 Q. Are you asking the Board then to enter an order that  
8 provides that the respondents listed on revised Exhibit  
9 #B be allowed the options to either participate, lease  
10 for a cash bonus or participate on a carried basis?

11 A. That's correct.

12 Q. And are you asking that those elections that the  
13 respondents make be mailed in writing to you at  
14 Equitable Resources Energy Company?

15 A. Yes, I am.

16 Q. At your address in Kingsport?

17 A. Yes.

18 Q. Should the order also provide that in the event the  
19 respondent fails to respond that they will be deemed to  
20 have elected to the lease option?

21 A. Yes.

22 Q. Are you also asking that the order provide the standard  
23 notice requirements of 30 days and 45 days?

24 A. That's correct.

25 Q. Are you also asking that the order contain the standard

1 provision regarding the respondent's failure to pay,  
2 default and the establishment of an escrow account?

3 A. Yes.

4 Q. Are you asking that Equitable Resources Energy Company  
5 be named operator under this order?

6 A. Yes, we are.

7 MR. WILHOIT: Thank you. That's all I have of this witness.

8 MR. CHAIRMAN: Any questions, members of the Board?

9 (Witness stands aside.)

10 MR. WILHOIT: I call Mr. Dahlin.

11

12 ROBERT A. DAHLIN, II

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

15

16 DIRECT EXAMINATION

17

18 BY MR. WILHOIT:

19 Q. Would you state your name, please, and your position?

20 A. Robert A. Dahlin, II. I'm employed by EREX as a  
21 production specialist.

22 Q. Sir, could you explain what your responsibilities  
23 involving this unit concern?

24 A. I'm familiar with the drilling program and coordinate  
25 these efforts.

- 1 Q. Sir, do you know what the total depth proposed under  
2 this plan of development is?
- 3 A. Yes, sir. 5.125 feet.
- 4 Q. Will that be sufficient to penetrate and test the  
5 subject formations?
- 6 A. Yes, sir.
- 7 Q. And is this initial well at a legal location?
- 8 A. Yes, it is.
- 9 Q. What are the estimated reserves?
- 10 A. 600 million cubic feet of gas.
- 11 Q. Are you familiar with the costs of drilling this well?
- 12 A. Yes, I am.
- 13 Q. Has an AFE been prepared and submitted to the Board?
- 14 A. It has.
- 15 Q. Was that prepared by people in your department under  
16 your supervision who have knowledge in regard to costs  
17 in this area?
- 18 A. Yes, it was.
- 19 Q. What does the AFE represent is a reasonable cost for  
20 the drilling of the well?
- 21 A. Total costs are \$256,400 and the dry hole costs are  
22 \$135,950.
- 23 Q. Is this anticipated to be a multiple completion?
- 24 A. Yes.
- 25 Q. Does it include a charge for supervision?

1 A. Yes.

2 O. In your opinion are you testifying to the Board that  
3 the granting of this application would be in the best  
4 interest of conservation, the prevention of waste and  
5 the protection of correlative rights?

6 A. Yes.

7 MR. WILHOIT: That's all I have, Mr. Chairman.

8 MR. CHAIRMAN: Any questions of this witness, members of the  
9 Board?

10 (Witness stands aside.)

11 MR. HARRIS: Just one quick question. We were given another  
12 plat but I don't recall anything being said about it.  
13 Was there a difference in those items?

14 MR. BAKER: The Exhibit #A that was submitted -- the plat  
15 itself has not changed. The only thing that has  
16 changed is the information schedule that's attached to  
17 it for Tract #3 and Tract #6. It's the same plat.

18 MR. HARRIS: Okay. Thank you.

19 MR. CHAIRMAN: Other questions? Do you have anything  
20 further?

21 MR. WILHOIT: No, sir.

22 MR. CHAIRMAN: Do we have a motion?

23 MR. LEWIS: I make a motion to grant the application.

24 MR. CHAIRMAN: A motion to grant the application.

25 MR. GARBIS: Second.

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MR. CHAIRMAN: Any further discussion? All in favor signify  
by saying yes. (ALL AFFIRM.) Opposed say no. (NONE.)  
Unanimous approval. Thank you.

ITEM II, III, IV

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3 MR. CHAIRMAN: The next item on today's agenda is a petition  
4 from Buchanan Production Company for the pooling of a  
5 coalbed methane unit identified as V-9 in the Oakwood  
6 Coalbed Methane Gas Fields I and II on the Keen  
7 Mountain Quadrangle. This is docket number VGOB-  
8 97/01/21-0561. We'd ask the parties that wish to  
9 address the Board in this matter to come forward at  
10 this time and identify yourself.

11 MR. SWARTZ: Mark Swartz and Les Arrington appearing for  
12 Buchanan Production Company.

13 MR. CHAIRMAN: The record will show there are no others.

14 MR. SWARTZ: It might be convenient to call the other two  
15 since they're in the same panels and affected by the  
16 same wells. Put it together at least for some of the  
17 testimony.

18 MR. CHAIRMAN: All right. We'll do that. Without objection  
19 we will go ahead and call all three of these docket  
20 numbers, VGOB-97/01/21-0562 and docket number VGOB-  
21 91/04/30-0109-01. We'd ask the parties that wish to  
22 address the Board in any of these three matters to come  
23 forward at this time.

24 MR. SWARTZ: Mark Swartz and Les Arrington, also here on the  
25 W-9 and W-10 units.

1 MR. CHAIRMAN: The record will show there are no others.

2 You may proceed.

3 MR. SWARTZ: While Les is passing out the exhibits, we need  
4 to continue W-9. Let me tell you why. One of the  
5 respondents in W-9 is Buchanan County and normally we  
6 notice Buchanan County as a courtesy really if the  
7 well is in their county. In this particular instance  
8 Buchanan County is actually a respondent with an  
9 interest in the unit. They're shown as having a 47  
10 percent interest in this unit in the oil and gas. A  
11 problem has arisen. That interest in Buchanan County  
12 was -- they were suppose to receive that interest from  
13 the Department of Corrections and that transaction is  
14 pending. When we noticed this for hearing we thought  
15 it would have already occurred. It turns out it has  
16 not apparently. So we're going to re-notice this for  
17 next month to add the Department of Corrections. We  
18 just have a notice problem here. We thought the deed  
19 would make it into Buchanan County by the time we got  
20 here today and it apparently has not. So it's going to  
21 show up next month and there will be a re-notice. But  
22 I thought I'd tell you the reason why we needed to do  
23 that.

24 MR. CHAIRMAN: Any objection to the continuance till next  
25 month on the W-9 well? With no objection it will be

1 continued.

2 MR. SWARTZ: The V-9 and V-10 units are affected basically  
3 by the same panels. Exhibit #G which has the mine map  
4 shows their location and the location of the longwall  
5 panels.

6 MR. CHAIRMAN: Excuse me just one second. You said V-9 and  
7 V-10. Is it W-10? I have V-9 and W-10.

8 MR. SWARTZ: I'm sorry. Yes. It's V-9 and W-10. A  
9 difference between the two pooling applications is on  
10 V-9 this is the first time that that would have been  
11 pooled and we're requesting that you pool it under both  
12 Oakwood I and Oakwood II. W-10 was pooled before as a  
13 frack unit. W-10 was pooled under the Oakwood I Rules  
14 following a hearing that was held on April 30th, 1991.  
15 A Board order was entered on May 31st, 1991. It was  
16 recorded May 31st, 1996 at Deed Book 375, Page 422.  
17 But this order as I indicated just pooled the W-10 unit  
18 as a frack unit. This application seeks to allow the  
19 production of active gob under Oakwood II from this W-  
20 10 unit. So that is a difference between the two  
21 applications. Les, do you want to be sworn here?

22 COURT REPORTER: (Swears witness.)  
23  
24  
25

1 LESLIE K. ARRINGTON

2 a witness who, after having been duly sworn, was examined  
3 and testified as follows:  
4

5 DIRECT EXAMINATION

6  
7 BY MR. SWARTZ:

8 Q. Could you state your name for us?

9 A. Leslie K. Arrington.

10 Q. Les, who do you work for?

11 A. Consol, Inc.

12 Q. And what is your job with Consol, Inc.?

13 A. Permit specialist.

14 Q. And what is your participation in the pooling process?

15 A. I draft the pooling applications, make sure all the  
16 notices are done properly.

17 Q. Do you also participate in preparing the exhibits?

18 A. Yes, I do.

19 Q. Exhibit #G, for example, and the title exhibits?

20 A. Yes, I do.

21 Q. With regard to applications V-9 and W-10 did you, in  
22 fact, draft both the notices and the applications for  
23 those?

24 A. Yes, I did.

25 Q. And have you signed them?

1 A. Yes, I did.

2 Q. Who is the applicant?

3 A. Buchanan Production.

4 Q. Is Buchanan Production Company a Virginia general  
5 partnership?

6 A. Yes, it is.

7 Q. Who are the partners in that partnership?

8 A. Appalachian Operators and Appalachian Methane, Inc.

9 Q. Are both of these corporations -- these corporate  
10 partners -- indirect subsidiaries of NCN Corporation?

11 A. Yes, they are.

12 Q. Is Buchanan Production Company authorized to do  
13 business in the Commonwealth?

14 A. Yes, it is.

15 Q. Who are you requesting be appointed designated operator  
16 in both of these applications?

17 A. Consol, Inc.

18 Q. What is your relationship with Consol? You're an  
19 employee, right?

20 A. Employee, yes.

21 Q. What is Consol's relationship to Buchanan Production  
22 Company?

23 A. It's the designated operator.

24 Q. Have there been some acts on the part of Buchanan  
25 Production Company as management committee to, in fact,

1 turn over the management of Buchanan Production's  
2 assets in general to Consol?  
3 A. Yes.  
4 Q. And are there certain people that are specified as  
5 having management responsibilities that are Consol  
6 employees but with regard to the affairs of Buchanan  
7 Production?  
8 A. Yes.  
9 Q. Who are those people?  
10 A. Claude Morgan as general manager. William Gillenwater  
11 as land manager. Randy Albert as regulatory manager.  
12 Q. Are there any exhibits before the Board that pertain to  
13 that delegation?  
14 A. Yes, there is. It would be Exhibits #4, #5 and #6.  
15 Q. In the booklet you passed out this morning?  
16 A. Yes.  
17 Q. In both of these units are all of the respondents  
18 listed in the notice of hearing?  
19 A. Yes, they are.  
20 Q. And in both of these applications, V-9 and W-10,  
21 Buchanan County does not have a claim but is simply  
22 given courtesy notice?  
23 A. That's correct. They are.  
24 Q. Unlike the one we had to continue?  
25 A. That's correct.

1 Q. Did you mail to all of the respondents in both applic-  
2 ations?  
3 A. Yes, we did on December 20th.  
4 Q. Was that certified mail, return receipt?  
5 A. Yes, it was.  
6 Q. And have you filed your proofs of mailing with Mr.  
7 Fulmer?  
8 A. Yes, we have.  
9 Q. Did you publish notices with regard to both of these?  
10 A. Yes, we did in the Bluefield Daily Telegraph on  
11 December 27th.  
12 Q. And did you file proof of publication with the Board?  
13 A. Yes, we did.  
14 Q. By mail?  
15 A. Yes.  
16 Q. On January 16th, 1997?  
17 A. Yes, we did.  
18 Q. Is it a fact that W-10 seeks to re-pool a previously  
19 pooled unit?  
20 A. Yes, it is. It was only pooled for the Oakwood I. We  
21 want to re-pool it for the Oakwood II.  
22 Q. And what's the request in V-9?  
23 A. Oakwood I and II.  
24 Q. Do you wish to amend either of these applications to  
25 either add or subtract respondents today?

- 1 A. No.
- 2 Q. Have you submitted an Exhibit #A, Page 2, with regard  
3 to both of these applications that summarizes the  
4 standing of the applicant Buchanan Production to file  
5 these pooling applications?
- 6 A. Yes, we did.
- 7 Q. With regard to the V-9 unit what interests are you  
8 seeking to pool?
- 9 A. 14.4125 percent of the oil and gas interests.
- 10 Q. And you've got the rest of the unit leased?
- 11 A. Yes, we do.
- 12 Q. Leased or pooled, I guess -- leased on that one?
- 13 A. Leased on that one.
- 14 Q. With regard to the W-10 unit what is the percentage of  
15 interest that is sought to be pooled by that applic-  
16 ation?
- 17 A. 0.1875 percent, that which was originally pooled in the  
18 109 docket.
- 19 Q. So you're re-pooling .1875 percent of the oil and gas  
20 interests to allow the production of active gob?
- 21 A. That's correct.
- 22 Q. With regard to the mine plans, if you would turn toward  
23 the end of either of the exhibits, there is an Exhibit  
24 #G, correct?
- 25 A. That's correct.

- 1 Q. Is Exhibit #G the same document in both applications?
- 2 A. Yes, it is.
- 3 Q. And does it show the V-9 and W-10 units?
- 4 A. Yes, it does.
- 5 Q. Does it show the longwall panels that would affect
- 6 those units?
- 7 A. Yes, it does.
- 8 Q. Is there also an Exhibit #G, Page 1, in both of these
- 9 applications?
- 10 A. Yes, there is.
- 11 Q. Is it the same document?
- 12 A. Basically, yes.
- 13 Q. Except for the last entries?
- 14 A. Yes, it is.
- 15 Q. With regard to the frack wells in each of these units
- 16 with regard to 3-West how many frack wells are included
- 17 in the costs?
- 18 A. Five frack wells.
- 19 Q. And the average cost per well?
- 20 A. Average cost is \$236,797.
- 21 Q. In 4-West how many frack wells are included?
- 22 A. Six.
- 23 Q. What is the average well cost?
- 24 A. \$251,713.
- 25 Q. And does Exhibit #G, Page 1, then allocate those costs

1 for those two longwall panels to the various units  
2 that are affected by the panel?

3 A. Yes, it does.

4 Q. With regard to V-9 and the 3-West panel what is the  
5 cost that's allocated?

6 A. \$84,191.34.

7 Q. Is there any cost allocated out of 4-West with regard  
8 to V-9?

9 A. No, there is not.

10 Q. With regard to W-10 what is the cost that's allocated  
11 out of the 3-West longwall panel?

12 A. \$105,931.54.

13 Q. And out of the 4-West longwall panel?

14 A. \$351,323.54.

15 Q. And the total cost with regard to frack and active gob  
16 development for W-10?

17 A. \$457,225.09.

18 Q. Is it 255? You said 225.

19 A. Oh, I'm sorry. 255.

20 Q. So it's \$457,255.09?

21 A. Yes.

22 Q. Have you also with regard to each of these units  
23 included an Exhibit #E?

24 A. Yes, we have.

25 Q. And the purpose of Exhibit #E?

- 1 A. This to denote the conflicting claimants within that  
2 unit.
- 3 Q. And that's true with regard to each unit?
- 4 A. Yes, it is.
- 5 Q. In terms of pooling what seams do these applications  
6 seek to pool?
- 7 A. All seams below the Tiller.
- 8 Q. And each of these units is an 80 acre unit?
- 9 A. Yes, they are.
- 10 Q. And they are each covered by both the Oakwood I and  
11 Oakwood II Rules?
- 12 A. That's correct. They are.
- 13 Q. Obviously you've leased significant positions in both  
14 of these units and I would ask you to tell the Board  
15 what kind of lease terms you have offered for the  
16 interests that you've obtained?
- 17 A. It's a dollar per acre for a coalbed methane lease,  
18 one-eighth royalty, a five year term and it's a rental  
19 only payable on an annual basis until production  
20 commences.
- 21 Q. Would you recommend those lease terms for coalbed  
22 methane only to the Board in the event that they enter  
23 an order that addresses the deemed to be leased  
24 problem?
- 25 A. Yes, we do.

1 Q. Is it your opinion that the plan for development as  
2 shown on Exhibit #G is a reasonable plan to either  
3 initiate or continue the development of the coalbed  
4 methane under these units?

5 A. Yes.

6 Q. Will these plans with regard to both of the units that  
7 we're considering today contribute to the protection of  
8 correlative rights of the owners of the methane by  
9 assuring each of them their fair share of the product-  
10 ion?

11 A. Yes, it will.

12 MR. SWARTZ: That's all I have.

13 MR. CHAIRMAN: Any questions, members of the Board?

14 (Witness stands aside.)

15 MR. CHAIRMAN: There are no questions as to docket number  
16 VGOB-97/01/21-0561 which is the V-9 unit. Do I have a  
17 motion?

18 MR. LEWIS: I make a motion to grant the application for  
19 both of these.

20 MR. KING: Second.

21 MR. CHAIRMAN: That was a motion and a second for both V-9  
22 and W-10. Any further discussion? All in favor  
23 signify by saying yes. (ALL AFFIRM.) Opposed say no.  
24 (NONE.) It's a unanimous approval. Thank you very  
25 much.

1 MR. SWARTZ: Thank you.

2 MR. CHAIRMAN: The only thing I'm aware of additionally is  
3 the Board has been provided a copy of the orders which  
4 I have signed regarding MacConstruction that we had  
5 last hearing. We have a copy of both of those orders.  
6 Mr. Fulmer, did you have anything else today?

7 MR. FULMER: Only the note on the agenda I sent you. I  
8 guess we've been planning this since October and it's  
9 left up to the Board what you do want to do. There is  
10 a document I put together in regards to a Board order  
11 -- a summary of Board field orders that if the Board  
12 would like I could go over with them. That's left up  
13 to the Board, whatever their time schedule will allow  
14 them. I'm willing to go forward with it. I could  
15 probably go through it in 30 to 40 minutes, something  
16 like that.

17 MR. CHAIRMAN: Let's take a ten minute recess here and do  
18 that then.

19  
20 (End of Proceedings for  
21 January 21, 1997.)  
22  
23  
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1  
2 CERTIFICATE  
3

4 COMMONWEALTH OF VIRGINIA

5 COUNTY OF WASHINGTON  
6

7 I, Deborah J. Bise, Notary Public in and for the  
8 Commonwealth of Virginia, at Large, do hereby certify that the  
9 foregoing proceedings of the Virginia Gas and Oil Board  
10 meeting held on January 21, 1997 at the Southwest Virginia  
11 4-H Center, Hillman Highway, Abingdon, Virginia, were taken by  
12 me and that the foregoing is a true and correct transcript of  
13 the proceedings had as aforesaid to the best of my ability.

14 I further certify that I am not a relative, counsel, or  
15 attorney for either party, or otherwise interested in the  
16 outcome of this action.  
17

18 GIVEN under my hand this 4th day of February, 1997.  
19

20 Deborah J. Bise  
21 DEBORAH J. BISE  
22 NOTARY PUBLIC  
23

24 My commission expires September 30, 2000.  
25