

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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8  
9 DECEMBER 17, 1999

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12 BOARD MEMBERS:

13 MASON BRENT

14 MAX LEWIS

15 BENNY WAMPLER, CHAIRMAN

16 SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL

17 CLYDE KING

18 RICHARD GILLIAM

19 BOB WILSON, ACTING DIRECTOR OF THE DMME

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BENNY WAMPLER: Is everybody ready? Good morning.  
My name is Benny Wampler. I'm Deputy Director for the  
Department of Mines, Minerals and Energy, and Chairman of the  
Gas and Oil Board; and I'll ask the Board members to  
introduce themselves, please.

MASON BRENT: My name is Mason Brent. I'm from  
Richmond, and I represent the Gas and Oil Industry.

MAX LEWIS: My name is Max Lewis and I'm from  
Buchanan County. I represent...I'm a public member.

SANDRA RIGGS: I'm Sandra Riggs with the Office of  
the Attorney General, here to advise the Board.

CLYDE KING: I'm Clyde King, a public member from  
Abingdon.

BOB WILSON: I'm Bob Wilson. I'm acting Director of  
the Division of Gas and Oil, and Principal Executive to the  
staff.

BENNY WAMPLER: The first item on today's agenda is  
the Board will consider a petition from Pocahontas Gas  
Partnership for pooling of a Coalbed Methane unit under the  
Oakwood Coalbed Methane Gas Field I Order, identified as X-  
46. This docket number VGOB-99-12/14-0766; and we'd ask the  
parties that wish to address the Board to come forward at

1 this time, please.

2                   MARK SWARTZ: Mark Swartz and Les Arrington for the  
3 applicant.

4                   BENNY WAMPLER: The record will show there are no  
5 others. You may proceed.

6                   (Lealie K. Arrington hands out exhibits.)

7                   MARK SWARTZ: Would you swear the witness for me?

8                   (Witness is duly sworn.)

9

10   LESLIE K. ARRINGTON

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

13   DIRECT EXAMINATION

14 QUESTIONS BY MR. SWARTZ:

15                   Q.        Could you state your name for us, please?

16                   A.        Leslie K. Arrington.

17                   Q.        Who do you work for?

18                   A.        Consol.

19                   Q.        And what is your job title or description  
20 with Consol?

21                   A.        A permit specialist.

22                   Q.        And what office do you work out of?

23                   A.        Tazewell.

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1 Q. North Tazewell?  
2 A. Yes.  
3 Q. Who is the applicant here?  
4 A. Pocahontas Gas Partnership.  
5 Q. And is this a pooling application under the  
6 Oakwood I rules?  
7 A. Yes, it is.  
8 Q. Is Pocahontas Gas Partnership a Virginia  
9 General Partnership?  
10 A. Yes, it is.  
11 Q. Are the two partners in that partnership  
12 Consolidation Coal Company and Conoco, Inc.?  
13 A. Yes, it is.  
14 Q. In the application, is there a request that  
15 Pocahontas Gas Partnership be appointed the designated  
16 operator?  
17 A. Yes, it is.  
18 Q. And in that connection, is Pocahontas Gas  
19 Partnership authorized to do business in the Commonwealth/  
20 A. Yes, it is.  
21 Q. And has it registered with the Department of  
22 Mines, Minerals and Energy, and does it have a blanket bond  
23 on file as is required by law?

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1           A.       Yes, it does.

2           Q.       Are the respondents that you're seeking

3 ...the people that you're seeking to pool identified in the

4 Notice in the very first section after two?

5           A.       Uh-huh.  Yeah...yes.

6           Q.       Those are the respondents?

7           A.       Yes, it is.  I'm sorry.

8           Q.       Do you wish to add or subtract any

9 respondents today?

10          A.       No.

11          Q.       So, we're staying with that list?

12          A.       Correct.

13          Q.       Okay.  And Exhibit B-3, which is attached to

14 the application, does that list the same folks the

15 respondents?

16          A.       Yes, it does.

17          Q.       And does it state their address, if you have

18 an address?

19          A.       Yes, it does.

20          Q.       Can you tell me whether or not you mailed

21 Notice of these proceedings to these persons?

22          A.       Yes, we did.

23          Q.       And when did you mail?

24

1           A.       We mailed the notices on November the 12th,  
2 1999?

3           Q.       And were the notices sent to people that you  
4 had addresses for certified mail return, receipt requested?

5           A.       It was.

6           Q.       And have you filed the schedule and the  
7 return receipts with the Board today?

8           A.       We have.

9           Q.       And so from that, they can determine, you  
10 know, what...what folks signed for the mail and what mail was  
11 returned, if any?

12          A.       Correct.

13          Q.       Okay. Did you also publish?

14          A.       Yes, in the Bluefield Daily Telegraph on  
15 November the 18th, 1999.

16          Q.       There...there is a plat attached to the...to  
17 both the notice and the application, is that correct?

18          A.       That's correct.

19          Q.       And that shows the 80 acre Oakwood I unit,  
20 does it not?

21          A.       It does.

22          Q.       And it shows the drilling window?

23          A.       It does.

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1 Q. And where is the well located in relation to  
2 the window?  
3 A. Approximately the center.  
4 Q. How many wells are proposed for this unit at  
5 this time?  
6 A. One.  
7 Q. Okay. And that well has been issued a  
8 permit, if I'm not mistaken, 4161, is that correct?  
9 A. That's correct.  
10 Q. Has it already been drilled?  
11 A. It has.  
12 Q. And what is the cost?  
13 A. \$235,599.33.  
14 Q. Okay. Is part of that cost actual and part  
15 of an estimate, or is it all actual?  
16 A. The drilling is as near actual as you can  
17 get it.  
18 Q. Okay. And then the completion or fracture  
19 remains to be done in that estimate?  
20 A. It is. Uh-huh.  
21 Q. Okay. In Exhibit B-3, have you set forth  
22 the percentage of each of the people that you're seeking to  
23 pool, or percentage interest that they would have in the  
24

1 unit?

2 A. It does.

3 Q. Okay. Under a column titled "interest in  
4 unit?"

5 A. Yes.

6 Q. And then have you also provided the Board  
7 with an exhibit that describes the...that identifies the  
8 tracts and describes the interest that require escrow?

9 A. We have.

10 Q. And is that Exhibit E?

11 A. Yes.

12 Q. Okay. And at least at this point, is that  
13 your company's view of what funds need to be escrowed?

14 A. Yes, it is.

15 Q. And that might be subject to change  
16 depending on elections and future leasing?

17 A. Correct. It will.

18 Q. Now turning for a minute to the unit again,  
19 this is an 80 acre unit, correct?

20 A. It is.

21 Q. You're seeking to produce from the Tiller on  
22 down?

23 A. That's correct.

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1 Q. Okay. And the interest that you have thus  
2 far leased are, with regard to coal, what...what percentage?

3 A. 75.6625% of the coal for a Coalbed Methane  
4 lease and 51.40834% of the oil and gas interest.

5 Q. Okay.

6 A. We're seeking to pool of the coal interest,  
7 24.3375% for a Coalbed Methane lease and 48.59166% of the oil  
8 and gas interest.

9 Q. Obviously, you've leased roughly 75% of the  
10 coal interest and roughly 50% of the oil and gas interest,  
11 correct?

12 A. That's correct.

13 Q. And what lease terms have you commonly been  
14 offering to people that you've obtained leases from?

15 A. A dollar per acre per year for a Coalbed  
16 Methane lease with a five (5) year term, with a 1/8 royalty.

17 Q. Okay. And would you propose to the Board in  
18 that in the event they should elect to pool this unit, that  
19 those be the terms that be expressed in any order with regard  
20 to folks that are deemed to have been leased?

21 A. Yes, we do.

22 Q. The percentage in the unit that is set forth  
23 in Exhibit B-3 and, again in Exhibit E, is that the

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1 percentage which partici...which respondents could use to  
2 determine their participation payment or their carried  
3 interest multiplier or, in fact, their royalty?

4 A. Yes, it is.

5 Q. Okay. Lastly, is it your opinion that the  
6 plan of development which is disclosed by this application,  
7 and specifically by the plat here, and the well that's  
8 proposed for this unit, is a reasonable plan to develop the  
9 Coalbed Methane under this particular unit?

10 A. Yes, it is.

11 Q. And if approved, would this application  
12 permit development that would serve to protect the  
13 correlative rights of all of the owners and all of the  
14 claimants in this unit?

15 A. Yes, it is.

16 MARK SWARTZ: That's all I have.

17 BENNY WAMPLER: Could you discuss your due  
18 diligence? You have a large number of folks, address  
19 unknown. Talk about what you...what you've done to try to  
20 identify these folks.

21 LESLIE K. ARRINGTON: We...for one, we've  
22 even...okay. This Rebecca...such as Rebecca Roberts, that  
23 was years ago and we're having a real hard time locating any

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1 of those heirs. We're doing...as a matter of fact, there was  
2 someone up in that area yesterday again trying to further  
3 clean up some of this information.

4 MARK SWARTZ: When you say years ago, how long are  
5 you talking?

6 LESLIE K. ARRINGTON: I don't have that date with  
7 me. I just don't remember.

8 MARK SWARTZ: Okay.

9 LESLIE K. ARRINGTON: But we have went to...gone to  
10 the Courthouse and spoke with as many of the area people as  
11 possible to try to locate these people, or the heirs of them.

12 BENNY WAMPLER: Other questions from members of the  
13 Board?

14 CLYDE KING: Mr. Chairman, what is the procedure  
15 ...how long will you spend trying to find these people, the  
16 addresses and that sort of thing? I never have seen this  
17 many before. That's quite a few.

18 LESLIE K. ARRINGTON: We'll spend quite a bit of  
19 time...you know, to tell you...to say how much, I can't  
20 answer that.

21 BENNY WAMPLER: How did you identify the names of  
22 the folks and how did you...are you fairly certain that you  
23 have all of the names?

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1           LESLIE K. ARRINGTON: To be quite honest with you,  
2 the list is prepared by our field agents by going out and  
3 speaking with the locals and doing the courthouse work.  
4 That's...that's our procedure to go through and through our  
5 title work.

6           MARK SWARTZ: I mean, normally, if you have no  
7 addresses at all, that's an indication that it was...these  
8 people were identified in the courthouse as opposed to in  
9 person because we have, you know, at least one (inaudible).  
10 So, I mean, my guess is that this is a courthouse  
11 identification here probably.

12           LESLIE K. ARRINGTON: The courthouse identification  
13 probably came with Rebecca E. Roberts and then the additional  
14 people was from field work.

15           MARK SWARTZ: You think so?

16           LESLIE K. ARRINGTON: Uh-huh.

17           (The Board members and everyone confer among  
18 themselves.)

19           BENNY WAMPLER: Any other questions from members of  
20 the Board?

21           CLYDE KING: I move we approve, Mr. Chairman.

22           BENNY WAMPLER: Let me---.

23           CLYDE KING: Oh, I'm sorry.

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1           BENNY WAMPLER: That's okay. Mr. Joyce is here and  
2 I went over and talked with him and he came for X-46 on  
3 behalf of his children and, I think, he---.

4           CLYDE KING: Oh, excuse me. I withdraw---.

5           BENNY WAMPLER: That's okay.

6           CLYDE KING: I didn't know if he was---.

7           BENNY WAMPLER: That's okay. That's what I was just  
8 checking out and you didn't know that. I hadn't...I just  
9 want to make sure if he has any questions, he can get it  
10 raised and answered here to the extent we can. We've...we've  
11 called this case for the record now and we've...you know,  
12 they've just gone through their testimony. But if you will,  
13 just...just ask, you know, the question that you...you may  
14 have and what you're trying to preserve, so we'll have it on  
15 record. State your full name for the record. Les, if you'll  
16 move that mike down. It doesn't amplify, but it will pick up  
17 your voice.

18           DENNIS JOYCE: My name is Dennis Joyce and I'm here  
19 for my kids, Teresa Joyce, Donald Joyce and Emory Joyce. The  
20 question I want to know is under this pool on our 3  
21 acre...our 3.2 acres and we have approximately 95 acres, and  
22 I was wanting to know if this would interfere with the rest  
23 of our property on...under this well.

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1           LESLIE K. ARRINGTON: No, sir.

2           DENNIS JOYCE: Just---.

3           BENNY WAMPLER: Les, go ahead and---.

4           LESLIE K. ARRINGTON: No, sir.

5           BENNY WAMPLER: ---explain to him how this is going  
6 to work.

7           LESLIE K. ARRINGTON: Okay. This is...this for...if  
8 you'll look at your plat that's included in...in your  
9 application. It only includes, of your 95 acres...it  
10 only...I'll have to look and see which tract...where your  
11 property is.

12           (Mr. Arrington reviews a document.)

13           MARK SWARTZ: 2K.

14           DENNIS JOYCE: I believe it's 2K there if you want  
15 to look.

16           LESLIE K. ARRINGTON: Okay. 2K.

17           BENNY WAMPLER: 3.898.

18           LESLIE K. ARRINGTON: Okay. Your tract is on over  
19 in here in the other units?

20           DENNIS JOYCE: Yes, sir.

21           LESLIE K. ARRINGTON: Okay. It's only going to  
22 include for this pooling this piece here, 3.89 acres. It  
23 doesn't have anything to do with the rest of your acreage.  
24

1           DENNIS JOYCE: Acreage.

2           LESLIE K. ARRINGTON: No, sir.

3           MARK SWARTZ: Well, you might tell him where the  
4 well is in the road as well.

5           LESLIE K. ARRINGTON: I imagine you've seen up here  
6 along the highway where our well is at.

7           DENNIS JOYCE: Yeah, I know...I know where the well  
8 is at.

9           LESLIE K. ARRINGTON: Okay.

10          DENNIS JOYCE: The well is just right above my  
11 property line.

12          LESLIE K. ARRINGTON: Yes, sir.

13          BENNY WAMPLER: Mr. Joyce, anytime that they...the  
14 company...any company plans to locate a well and to pool your  
15 interest, they would have to come before this Board for that  
16 particular tract of land.

17          DENNIS JOYCE: Do they?

18          BENNY WAMPLER: Each...each individual case stands  
19 on its own. If you leased in one and didn't in the other, or  
20 if that's what you're getting at, one of your children wanted  
21 to and the other two didn't, or however they wanted to do  
22 that. That's up to the individuals.

23          DENNIS JOYCE: Yeah.

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1           BENNY WAMPLER: And you don't...you do not forfeit  
2 any rights for future drilling sites by what you do with one.

3           DENNIS JOYCE: Yes, sir. And will that...in other  
4 words, that...under this pooling, say, if your well...they  
5 pump the well dry or discontinue it, will this 3 acres be  
6 tied up under the gas company's lease after they leave this  
7 under this pooling?

8           LESLIE K. ARRINGTON: I don't believe it would, you  
9 know, because if it's a dry hole, then it's going to be  
10 plugged.

11          BENNY WAMPLER: Well, I think he's saying after you  
12 produce it all.

13          DENNIS JOYCE: Well, what I mean is, in the future  
14 after that, the company can't come back and claim that they  
15 have the gas on it, or whatever, or rights on this 3 acres.

16          SANDRA RIGGS: Well, the well...this is in what's  
17 called an Oakwood I well, which is in advance of their mining  
18 operations.

19          DENNIS JOYCE: Yeah.

20          SANDRA RIGGS: They're producing the Coalbed Methane  
21 gas off of the coal seams to degas the coal before they come  
22 in to mine the coal. So, you know, look at it in sequence.  
23 They produce the gas in advance of mining to degas the coal

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1 seam. They'll produce gas during mining and then perhaps  
2 post mining off of the gob area of the mine. So, I don't  
3 know how far in advance of mining you are at this particular  
4 location. Probably---

5 LESLIE K. ARRINGTON: It's quite a ways.

6 SANDRA RIGGS: Quiet a ways off. So, the life of  
7 this well in advance of mining could be five (5) to ten (10)  
8 years. I mean, a well can produce up to twenty (20) years.  
9 I don't know what the life of this particular well is  
10 projected to be under Oakwood I.

11 BENNY WAMPLER: So, he's looking...his specific  
12 question, I think, though, is once it's all produced...now  
13 you correct me if I'm not stating it correctly for you, once  
14 it's all produced, what happens to the rights under the  
15 lease?

16 SANDRA RIGGS: Well, if you enter into a voluntary  
17 lease with them, it would be controlled by the terms of that  
18 lease. If you don't and it's...and you're deemed to have  
19 leased under the terms of this pooling order, this pooling  
20 order terminates when they plug the well.

21 DENNIS JOYCE: Plug the well.

22 SANDRA RIGGS: So, when they go in and plug...when  
23 they're through and they plug the well, which they're

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1 required to do under...under the law, this pooling order  
2 terminates. Now, to do anything after that in the future,  
3 they would have to come back before this Board and get all  
4 new rights all over again.

5 LESLIE K. ARRINGTON: And we're required...anything  
6 we do beyond the plugging of that well, which was included in  
7 our permit application, anything we do additionally beyond  
8 this X-46 well, we're required to give you notice of it. So,  
9 anything that happens within this unit up through X-46, we're  
10 required to give you all notice.

11 SANDRA RIGGS: For example, if they mine, say, eight  
12 (8) years from now and they wanted to produce off of that  
13 active coal mine, they would have to come back and repool  
14 this unit and you would get Noticed all over again. This is  
15 just a well in advance of mining in the coal seam as it  
16 exists right now.

17 DENNIS JOYCE: Exist.

18 SANDRA RIGGS: Not during mining and not post  
19 mining.

20 BENNY WAMPLER: And for Coalbed Methane.

21 SANDRA RIGGS: For Coalbed Methane gas only.

22 DENNIS JOYCE: Well, when they come back, say, to  
23 unplug that well and open it up for gob well...process---?  
24

1           SANDRA RIGGS: They probably wouldn't do that. They  
2 would just come back before the Board and you'd get new  
3 Notice and they'd say, all right, mining is advancing toward  
4 this particular unit and we want to convert this well from a  
5 frac unit over to a active gob unit and you would get new  
6 notice at that time and just like you did this time and they  
7 would have to come back before the Board and do a new  
8 application.

9           CLYDE KING: With a new lease or---?

10          SANDRA RIGGS: New terms would be offered and new  
11 rights of election, yes.

12          DENNIS JOYCE: And this...all this is, is to bleed  
13 the methane off from the coalbed prior to mining?

14          SANDRA RIGGS: In advance of mining.

15          DENNIS JOYCE: In advance of mining.

16          SANDRA RIGGS: That's what Oakwood I Field Rules are  
17 for, is in advance of mining. Oakwood II Field Rules, which  
18 this Board established, govern during mining, active gob  
19 production during mining and then post mining, that's...  
20 that's called sealed gob production and that's a separate  
21 proceeding all together. So, each time they have to come  
22 back to the Board. Now, they could have come before the  
23 Board this time and asked for both in advance of and during

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1 mining. Combine those two (2) applications, but they haven't  
2 done that. This is an Oakwood...Oakwood I only.

3 BENNY WAMPLER: If they're close enough.

4 SANDRA RIGGS: Yeah, if their mining...say their  
5 mining were a year away, they might do them both at the same  
6 time, but they didn't do it in this case. It's an Oakwood I  
7 only.

8 DENNIS JOYCE: Well, I think they're mining out  
9 toward our area where I'm talking...where I'm---

10 SANDRA RIGGS: Well, I don't know how far away they  
11 are at this point.

12 MAX LEWIS: This 3 acres that you own that you're  
13 talking about now in reference to, do you own the minerals on  
14 the other, you said 90 some acres or how many acres?

15 DENNIS JOYCE: The gas and oil.

16 MAX LEWIS: Yeah. Do you own it on the other?

17 DENNIS JOYCE: Yes, sir. Uh-huh. As far as I know  
18 it's all...it's all under the same boundary.

19 BENNY WAMPLER: Do you understand that the  
20 discussion we just had would apply to each well?

21 DENNIS JOYCE: Each well.

22 BENNY WAMPLER: Each individual well?

23 DENNIS JOYCE: Uh-huh.

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1           MAX LEWIS: How close is this well to your other  
2 property line?  
3           SANDRA RIGGS: Well, it's a piece of his...it's  
4 a---.  
5           DENNIS JOYCE: To my property line?  
6           MAX LEWIS: Yeah.  
7           (Sandra Riggs explains it to the Board members.)  
8           MARK SWARTZ: It's 900 to 1000 feet.  
9           BENNY WAMPLER: 900 feet?  
10          MARK SWARTZ: 900 to 1000 because an inch equals 400  
11 and it's...it's over two (2) inches...about two (2)  
12 and...it's almost two (2) and a half inches.  
13          BENNY WAMPLER: About 900 feet.  
14          CLYDE KING: Well, he has already...you've already  
15 signed a lease for your---?  
16          MARK SWARTZ: No. No.  
17          SANDRA RIGGS: No, he's unleased.  
18          BENNY WAMPLER: No. No. He's being pooled.  
19          SANDRA RIGGS: He's being pooled.  
20          DENNIS JOYCE: They...they give a choice on that.  
21          BENNY WAMPLER: Right.  
22          DENNIS JOYCE: I decided to just let it go to the  
23 pool because I didn't know for sure. That's the reason I'm  
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1 here to ask these questions on that lease.

2           SANDRA RIGGS: Well, what will happen if the Board  
3 grants this application, you'll receive a copy of the Board's  
4 order and in there you'll be given certain rights of election  
5 to either participate, be carried or lease; and if you do  
6 nothing, then you'll be deemed to have leased under the terms  
7 of the Board order; and you've got---

8           DENNIS JOYCE: Well---

9           SANDRA RIGGS: ---thirty (30) days from the time  
10 you get that to notify them what your elections rights are or  
11 what you choose to do, or you can continue to negotiate with  
12 them and enter into a voluntary agreement. So, you have  
13 really four (4) opportunities.

14           DENNIS JOYCE: Four (4) options.

15           SANDRA RIGGS: Yeah.

16           BENNY WAMPLER: Yes.

17           MARK SWARTZ: And our landman has been out visiting  
18 with you, I think, twice already, probably, Scott Hodges.

19           DENNIS JOYCE: Huh?

20           MARK SWARTZ: Has Scott Hodges been out to see you  
21 at least twice, I would suspect?

22           DENNIS JOYCE: Yes, sir.

23           MARK SWARTZ: Yeah. And he'll...you know, if you  
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1 want to track him down he's...you know, he'll come back.

2 DENNIS JOYCE: Well, I just...on this...you know  
3 finding out more about. So, I don't understand much of it.  
4 It's for my children.

5 MARK SWARTZ: Right.

6 DENNIS JOYCE: Because I give it to them and they're  
7 all out of state and I'm just here to---

8 MARK SWARTZ: Well, I mean, if...you know, Les, will  
9 certainly give you his number or you can get a hold of Scott  
10 as you have questions and, you know---

11 DENNIS JOYCE: I think I understand what you're  
12 explaining to me on this.

13 MARK SWARTZ: Okay.

14 LESLIE K. ARRINGTON: Okay.

15 BENNY WAMPLER: Okay. Very good. Thank you.

16 SANDRA RIGGS: Each of your children then, because  
17 they're listed here, will get a copy of the order once it's  
18 entered.

19 DENNIS JOYCE: Yes, ma'am. I've got...I've got  
20 three (3) of these notices here---

21 SANDRA RIGGS: Right.

22 DENNIS JOYCE: ---for the children.

23 SANDRA RIGGS: Exactly.

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1           BENNY WAMPLER: All right.

2           DENNIS JOYCE: Because they're all out of state and  
3 I'm here.

4           SANDRA RIGGS: Okay.

5           BENNY WAMPLER: Any further questions from members  
6 of the Board?

7           MAX LEWIS: I'd like to state that it looks to me  
8 like that you could maybe put a little more time in this and  
9 get some more of these people that's unknown and try to  
10 locate them. I've never seen so many on one well that you  
11 listed as unknown address.

12           LESLIE K. ARRINGTON: We'll certainly continue to do  
13 our due diligence, Max, and try to locate as many as we can.

14           BENNY WAMPLER: Anything further?

15           (No audible response.)

16           BENNY WAMPLER: Do you have anything further, Mr.  
17 Joyce?

18           DENNIS JOYCE: No, sir, that will be all.

19           BENNY WAMPLER: Okay.

20           DENNIS JOYCE: Thank you.

21           BENNY WAMPLER: Is there a motion?

22           CLYDE KING: I so move.

23           BENNY WAMPLER: Move to approve?

24

1           CLYDE KING: To approve. Excuse me.  
2           BENNY WAMPLER: Okay.  
3           CLYDE KING: I've got to back up.  
4           BENNY WAMPLER: That's all right. I have a motion  
5 to approve the application as presented.  
6           MASON BRENT: Second.  
7           BENNY WAMPLER: Second. Any further discussion?  
8           (No audible response.)  
9           BENNY WAMPLER: All in favor, signify by saying yes.  
10           (All members signify affirmatively except for Max  
11 Lewis.)  
12           BENNY WAMPLER: Opposed say no.  
13           MAX LEWIS: No.  
14           BENNY WAMPLER: The application is approved. One  
15 no.  
16           CLYDE KING: I wish you would let us know sometime  
17 in the future how you do on this...finding those people.  
18           BENNY WAMPLER: Thank you. Merry Christmas.  
19           MARK SWARTZ: Thank you. Merry Christmas to all of  
20 you. See you next year.  
21           BENNY WAMPLER: Thank you, Mr. Joyce.  
22           BENNY WAMPLER: The next item on the agenda is a  
23 petition from Equitable Production Company for a well  
24

1 location exception for V-2729. This is docket number VGOB-  
2 99/12/14-0767; and we'd ask the parties that wish to address  
3 the Board in this matter to come forward at this time,  
4 please.

5 JIM KISER: Mr. Chairman and members of the Board,  
6 Jim Kiser on behalf of Equitable Production Company. Our  
7 witnesses in this matter will be Mr. Don Hall and Mr. Mark  
8 Puskar. We'd ask that they be sworn at this time.

9 (Witnesses are duly sworn.)

10 JIM KISER: This is a location exception that we're  
11 seeking from two reciprocal wells, V-2687 and V-2688. It is  
12 on a 6,600 acre tract. We're in....the Jefferson National  
13 Forest owns the surface and Penn Virginia Oil and Gas  
14 Corporation owns the oil and gas. There has been an  
15 environmental assessment done by the U.S. Forest Service on  
16 this tract. Our first witness in this matter will be Mr. Don  
17 Hall.

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DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Hall, if you could, state your name for the record, who you are employed by and in what capacity?

A. My name is Don Hall. I'm with Equitable Production Company as District Landman.

Q. And you've testified before the Board on many occasions as an expert witness in land matters?

A. Yes, I have.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Now, are you familiar with the application that we filed for...seeking a location exception for well V-2729?

A. Yes, I am.

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

A. They have.

1 Q. And I know I've talked about the Penn  
2 Virginia oil and gas owned 100 percent of the oil and gas  
3 under this unit and, in fact, owned the 6,600 acre tract, but  
4 could you verify that for the Board?

5 A. That's true. Penn Virginia has the oil  
6 ...the mineral estate under...under 6,600 acres in this  
7 general vicinity.

8 Q. Okay. And then Equitable has the right to  
9 operate both the reciprocal wells?

10 A. Yes, we do.

11 Q. And based upon your testimony that Penn  
12 Virginia owns...Penn Virginia Oil and Gas owns the oil and  
13 gas, Penn Virginia Coal owns the coal under this 6,600 acre  
14 tract. Is it safe to assume that there are no correlative  
15 rights issues?

16 A. No, there isn't.

17 Q. And, Mr. Hall, now you've prepared an  
18 exhibit and handed it out to the chairman and the Board  
19 members, could you, in conjunction with that exhibit, explain  
20 what it depicts and explain why we have filed an application  
21 seeking a variance for this well?

22 A. As you can see from the exhibit that I  
23 handed out, V-2729 is highlighted in blue. The two

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1 reciprocal wells to that well are highlighted in red or pink.  
2 The area that's...that's shown in yellow, it would be the  
3 legal location area. An area where...where the location  
4 would be legal, not only from those two reciprocal wells, but  
5 from the well to the northwest and the south of that well,  
6 which I used to determine the legal location area. That  
7 area, for the most part, lies on a steep slope on the  
8 southeastern side of Burns Creek and during the environmental  
9 assessment conducted by the U.S. Forest Service of the Clinch  
10 Ranger District, it was determined that where 2729 is  
11 currently located would be the best spot for that location in  
12 order to minimize any potential erosion or sediment control  
13 problems that might...that we might encounter, if we got over  
14 on that steep slope and basically the Forest Service chose  
15 this location where it is and this is...and through the  
16 environment, that's...that's where they require us to put the  
17 location.

18 Q. So, based upon the environmental assessment  
19 and topographic concerns and constraints, this was the spot  
20 picked by the U.S. Forest Service?

21 A. Yes.

22 JIM KISER: Nothing further of this witness, Mr.  
23 Chairman.

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1           BENNY WAMPLER: Have you been on site, Mr. Hall?  
2           DON HALL: No, I haven't.  
3           BENNY WAMPLER: I'm just---.  
4           JIM KISER: Trying to get that one last thing in  
5 there.  
6           DON HALL: I didn't really see any need to.  
7           BENNY WAMPLER: We understand that. I think the  
8 Forest Service picked it.  
9           DON HALL: Yeah, one last time.  
10          JIM KISER: Anything further of this witness, Mr.  
11 Chairman?  
12          MAX LEWIS: I don't think you could change it.  
13          CLYDE KING: Is this a road?  
14          SANDRA RIGGS: Yes.  
15          CLYDE KING: Is this the road over here?  
16          DON HALL: Yes, that's...that is a road.  
17          CLYDE KING: It's a forestry road or a---?  
18          DON HALL: No, that's a State road.  
19          CLYDE KING: Is it? It's not identified.  
20          DON HALL: Yeah, it's 706.  
21          CLYDE KING: 706?  
22          (No audible response.)  
23          BENNY WAMPLER: Any questions further of this  
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1 witness?

2 (No audible response.)

3 BENNY WAMPLER: Call your next witness.

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MARTIN PUSKAR

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

QUESTIONS BY MR. KISER:

Q. Mr. Puskar, could you please state your name for the Board, who you are employed by and in what capacity?

A. My name is Martin Puskar. I'm employed by Equitable Production Company. I'm a Petroleum Engineer.

Q. And your qualifications as an expert in production and operation matters have been previously accepted by the Board?

A. Yes, they have.

Q. And you are familiar with the application that we filed seeking location exception for EPC well V-2729?

A. Yes, I am.

Q. In the event the Board were to decide not to grant this variance, could you project the estimated loss of reserves?

A. Approximately 450,000,000 cubic feet.

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

A. 4,250 feet.

Q. Will this be sufficient to penetrate and

1 test the common sources of supply in the subject formations?

2 A. Yes, it is.

3 Q. And is the applicant requesting that this  
4 location exception cover conventional gas reserves to include  
5 the designated formations from the surface to the total depth  
6 drilled?

7 A. Yes.

8 Q. Mr. Puskar, in your professional opinion,  
9 will the granting of this location exception be in the best  
10 interest of preventing waste, protecting correlative rights,  
11 and maximizing the recovery of the gas reserves underlying  
12 V-2729?

13 A. Yes.

14 JIM KISER: Nothing further of this witness at this  
15 time, Mr. Chairman.

16 BENNY WAMPLER: Any questions from members of the  
17 Board?

18 (No audible response.)

19 BENNY WAMPLER: Do you have anything further?

20 JIM KISER: A couple of things. We'd first like to  
21 request that the application be approved as submitted. Then  
22 I'd like to personally thank Mr. Hall for his years of  
23 serving as a witness with me. Who knows, maybe it will

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1 continue. He has done a good job and I think the Board  
2 probably realizes that and we'll miss him.

3 DON HALL: I haven't seen them all, but most of them  
4 I have.

5 BENNY WAMPLER: We'll miss seeing you. Mr. Hall,  
6 we...that's the reason I picked on you a little bit out of  
7 jest before that for your appearance before the Board.

8 DON HALL: I figured that. I appreciate that. I  
9 appreciate it.

10 BENNY WAMPLER: Is there a motion?

11 MAX LEWIS: I make a motion we approve---

12 MASON BRENT: Second.

13 MAX LEWIS: ---as presented.

14 BENNY WAMPLER: Motion and second. Any further  
15 discussion?

16 (No audible response.)

17 BENNY WAMPLER: All in favor, signify by saying yes.

18 (All members signify yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval. Thank you.

22 DON HALL: It's been...I've enjoyed working with you  
23 guys too.

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1           BENNY WAMPLER: We've enjoyed working with you.

2           DON HALL: I'll probably be back one of these days.

3           BENNY WAMPLER: Best wishes. I hope you and your  
4 family have a good Christmas.

5           MAX LEWIS: Where you...where you going?

6           DON HALL: I'm not sure yet.

7           BENNY WAMPLER: He'll be back. The next item on the  
8 agenda is a petition filed by Equitable Production Company to  
9 amend a previous order issued for unit V-2768 for calculation  
10 and disbursement of funds on deposit and drilling unit escrow  
11 account attributable to Titus Woodruff and Lorna Woodruff  
12 interest. This is docket number VGOB-95-03/21-0496-01. Do  
13 you want to do them one at a time or is better to combine  
14 them?

15           SANDRA RIGGS: For the record, that Lorna should  
16 Loma, L-O-M-A.

17           BENNY WAMPLER: L-O-M-A.

18           SANDRA RIGGS: It's a typo.

19           BENNY WAMPLER: Okay.

20           JIM KISER: I think we've got Loma in the orders,  
21 don't we.

22           SANDRA RIGGS: Yes.

23           BENNY WAMPLER: Yes.

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1           JIM KISER: Yeah.

2           CLYDE KING: What is this now?

3           BENNY WAMPLER: We'll just have it on what I called.  
4    It's L-O-M-A. The orders are correct.

5           SANDRA RIGGS: The...the interest that are affected  
6    by all three (3) of these are the same. It was an unknown  
7    and unlocateable who has now been---

8           BENNY WAMPLER: Right.

9           SANDRA RIGGS: ---located and we're seeking  
10   disbursement. So, you've got the same parties in all three.

11          JIM KISER: Just three different units. Different  
12   interest in each unit, obviously.

13          BENNY WAMPLER: I'll go ahead and call the others.  
14   The next one is unit V-2665, docket number VGOB-95-03/21-  
15   0495-01; and also for unit V-2540, docket number VGOB-97-  
16   08/19-0599-01. We'd ask the parties that wish to address the  
17   Board in this matter to come forward at this time.

18          JIM KISER: Mr. Chairman and Board members, Jim  
19   Kiser on behalf of Equitable Production Company. We do have  
20   draft Board orders prepared in conjunction with Ms. Riggs and  
21   she has sent out the three part letter. Mr. Woodruff, I know  
22   has been in touch with, I think, Ginger Gwen over at  
23   Equitable Production and her...her conversation with...with

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1 me yesterday was that his interest as it...he get it  
2 disbursed as quickly as possible. That he agrees with the  
3 interest that has been attributed to him and I think he lives  
4 in...what is it, Lakeland, Florida? Somewhere in Florida.  
5 Wildwood, Florida. Now, those...those monies, I think, with  
6 the spreadsheet that you were provided and I was provided,  
7 those are the monies that were deposited as of May 31st,  
8 1999.

9 BENNY WAMPLER: I don't think I've handed those out  
10 yet.

11 SANDRA RIGGS: I've...I've...I already have.  
12 Everybody should have before them the proposed order that's  
13 under consideration that I've already drafted in these three  
14 matters and it basically directs the escrow agent to  
15 disburse to this previously unknown/unlocateable, the monies  
16 attributable to his interest in each of these drilling units;  
17 and the operator has provided through their affidavit a  
18 statement of how much of the money on deposit is attributable  
19 to these interests and that number gets picked up in the  
20 proposed order and orders the escrow agent to disburse. I  
21 think we're going to...you know, if this is approved today,  
22 we'll try to get this disbursement done before the  
23 transaction between the two escrow agents so that we don't

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1 have to...have to get this caught up in the...in the middle,  
2 which is why I went on and drafted the orders so that we  
3 could...I think January 1 is the cutoff date.

4 CLYDE KING: We said January 1?

5 BENNY WAMPLER: Uh-huh.

6 SANDRA RIGGS: All new orders that are being drafted  
7 name First Union as the escrow agent, but the funds haven't  
8 been transferred. That will happen on January 1. So, you  
9 know, we would anticipate getting this process before  
10 that---

11 JIM KISER: Get this one cleaned up.

12 SANDRA RIGGS: ---so that we don't get a delay  
13 in...while they're setting up the new accounts at the new  
14 escrow agent.

15 JIM KISER: It involves roughly \$587 on three  
16 units, I think.

17 SANDRA RIGGS: Right.

18 MASON BRENT: How much?

19 JIM KISER: Like \$587 and change between the three  
20 units. It's a small interest.

21 MASON BRENT: And Mr. Woodruff agrees with that  
22 number?

23 JIM KISER: Right.

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1           SANDRA RIGGS: We sent him notice that that's what  
2 we propose to disburse---

3           CLYDE KING: Is that the whole amount?

4           SANDRA RIGGS: ---and we haven't heard any objection  
5 to that.

6           BENNY WAMPLER: She's a notary. Bob and I can sign  
7 this here today and have her notarize it and be done with it.

8           SANDRA RIGGS: Okay. All the parties necessary to  
9 execute the order are here today and the Court Reporter is a  
10 notary. So, we could theoretically finalize this so we could  
11 get it on to the escrow agent immediately and get these  
12 disbursed before the change over.

13           BENNY WAMPLER: If that's acceptable to the Board,  
14 Bob and I'll execute those and she'll notarize it.

15           CLYDE KING: We'll do each one of these separately?

16           BENNY WAMPLER: We've got them combined as a group.  
17 I think we could...we could certainly take them as a group  
18 as long as, you know, the record is clear that your motion is  
19 covering all three docket numbers. Is there any other  
20 questions from members...is there a motion to approve the---?

21           MAX LEWIS: I make a motion we approve.

22           CLYDE KING: I second.

23           BENNY WAMPLER: Motion to approve and second. Any  
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1 further discussion?

2 (No audible response.)

3 BENNY WAMPLER: All in favor, signify by saying yes.

4 (All members signify affirmatively.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have unanimous approval. Thank  
8 you.

9 That concludes the business before the Board today.

10 I want to do a couple of things. One is Bob and I walked  
11 down a few minutes ago trying to look at...the facilities  
12 here are very nice, but they're very cramped in trying to  
13 have a Board hearing here. I think everyone would agree to  
14 that, especially when we...to folks that need to come in and  
15 hear what's going on. We looked at a place downstairs that  
16 may work at the back of the big auditorium. They can  
17 sect...they can section off an area. Now, the next thing  
18 we'll have to do is try to see if we can get that. If you  
19 want to try to do here for all year, we'll try to do that. A  
20 lot of times they book this thing and we're not sure exactly  
21 how they can do it. So, we've had a little bit of struggle  
22 trying to go back and forth the way we've done. Now, I think  
23 also, Mr. King, we've worked out your conflicts so we can go

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1 to the third Tuesday, is the best way to do it now.

2 CLYDE KING: The third Tuesday is good.

3 BENNY WAMPLER: So, if everybody will remember that.

4 CLYDE KING: I got that took...taken care of.

5 BENNY WAMPLER: Is it the Board's wish that we try  
6 to see if we can resolve that for the year to book here or do  
7 you want to continue to go back and forth and have us book  
8 that way or do you have a preference?

9 MASON BRENT: That's one of the few things in the  
10 world I have no opinion on.

11 BENNY WAMPLER: Okay. Well, what we'll do is, we'll  
12 try to....we'll try to see what we can do in the way of  
13 booking it for the year and booking it for every other month  
14 and then see what...see if we can...how we can accommodate  
15 that. That will give us some flexibility. We may want  
16 to...the only thing about moving back and forth it gets a  
17 little confusing---

18 MAX LEWIS: Yeah.

19 BENNY WAMPLER: ---to everyone. Notice to public  
20 and the operators deciding whether---

21 JIM KISER: Well, it happened to this guy today. He  
22 went to the 4-H.

23 BENNY WAMPLER: He went to 4-H center.

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1           JIM KISER: His Notice was at 4-H.

2           BENNY WAMPLER: So, we need...we really---.

3           MAX LEWIS: I like the 4-H center better.

4           JIM KISER: As a participate, if I might chime in  
5 here, I would prefer that it be at one place all the time if  
6 at all possible.

7           MAX LEWIS: I would, too.

8           BENNY WAMPLER: I think we do need to do that.

9           CLYDE KING: Yeah.

10          MAX LEWIS: I think it's best.

11          JIM KISER: I don't...you know, I don't prefer one  
12 place over the other between here and the 4-H center. I just  
13 would prefer that it be at one place.

14          BENNY WAMPLER: Right. I understand. Same here.

15          JIM KISER: You know, other than the monthly trip to  
16 the...the yearly trip to the Breaks.

17          BENNY WAMPLER: Okay. All right. And with that  
18 said, I certainly wish all the Board members and the folks  
19 here a very Merry Christmas and Happy New Year and thank you  
20 very much.

21          BOB WILSON: I might point out that January is  
22 already booked at the 4-H center.

23          BENNY WAMPLER: Okay. Very good.

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1           BOB WILSON: So, January is set there. We'll try to  
2 deal beyond that for the regular---

3           CLYDE KING: Mr. Chairman, I..excuse me. I'd like  
4 to thank the Board members for dealing with my little problem  
5 for the year '99. It has gotten take care of.

6           BENNY WAMPLER: We appreciate you doing that.

7           CLYDE KING: Still, I appreciate your giving me that  
8 opportunity to be here.

9

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11 STATE OF VIRGINIA,

12 COUNTY OF BUCHANAN, to-wit:

13           I, Sonya Michelle Brown, Court Reporter and Notary  
14 Public for the State of Virginia, do hereby certify that the  
15 foregoing proceeding was recorded by me on a tape recording  
16 machine and later reduced to typewritten form under my  
17 supervision; that I was duly sworn by the Court to accurately  
18 and correctly take down and transcribe the said proceedings;  
19 that the foregoing is a true and correct transcript of the  
20 said proceedings; that I am neither Counsel for nor related  
21 to any of the parties hereto and have no interest in the  
22 matter whatsoever.

23           Given under my hand and sealed on this the 5th day

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1 of January, 2000.

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NOTARY PUBLIC

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4 My commission expires: August 31, 2001.

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