VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

JUNE 20 2000

BOARD MEMBERS:

MASON BRENT, REPRESENTATIVE OF THE GAS & OIL INDUSTRY
SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL
BENNY WAMPLER, CHAIRMAN
CLYDE KING, PUBLIC MEMBER FROM ABINGDON
DENNIS GARBIS, PUBLIC MEMBER FROM FAIRFAX COUNTY
BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL

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******ATTACHED IS A COPY OF THE AGENDA

BENNY WAMPLER: Okay. Are we ready?

(No audible response.)

BENNY WAMPLER: Okay, good morning. My name is Benny Wampler. I'm Deputy Director for the Virginia Department of Mines, Minerals and Energy, and Chairman of the Gas and Oil Board; and I'll ask the Board members to introduce themselves, starting with Mr. Brent.

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

SANDY RIGGS: I'm Sandy Riggs. I'm with the Office of the Attorney General, and I'm here to advise the Board.

CLYDE KING: My name is Clyde King. I'm from Abingdon and I'm a public representative.

DENNIS GARBIS: My name is Dennis Garbis. I'm a public member from Fairfax County.

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

BENNY WAMPLER: Thank you. The first item on today's agenda, the Board...we've asked the First Union Bank officials to come back to the Board and give us an update on the status of the Board's escrow account. We'll ask these gentlemen to go ahead and introduce themselves.

DON BALLINGHOFF: Absolutely. My name is Don Ballinghoff. I'm from First Union's Corporate Trust Group, Specialize Administration, in Philadelphia, Pennsylvania, and I have with me Patrick Dixon from the Virginia Bank, as well.

I think the last time we...I was able to sit with you gentlemen and ladies, there were a few outstanding discrepancies which we did promise to go back and resolve on behalf of the Board. In light of that, we brought in a certified public accountant, as well as an external consultant at our cost, to kind of go through all the records, all the payments, wires, statements, et cetera, to make sure that we were in agreement as to funds versus the records of who holds such deposits. Through the end of the May...the month of May, we have successfully reconciled each deposit, each wire to each individual statement and taken it down to the tract level, where such tract level was provided.

As of the end of the May reporting period, the balance in the account is four million nine one eighty-seven and fifty-three cents (4,009,187.53). And that's sort of just a general overview of the account as it stands today.

BENNY WAMPLER: And you have reconciled through...through May?

DON BALLINGHOFF: We...we have reconciled through

the end of May, which would be the last monthly deposits that we have received. We have also received one or two checks for the month of June, which are not included in that total.

BENNY WAMPLER: Okay.

DON BALLINGHOFF: For...for reporting purposes only.

BENNY WAMPLER: Mr. Wilson, do you have any... anything you want to provide us at this time before I ask the Board if they have any questions?

BOB WILSON: Yes, please. We got a report from Ballinghoff last Friday afternoon, which reflects the balance, I believe, that he just quoted there. Each of you have a copy of this report. It's basically a spreadsheet report in which they have presented a year-to-date report showing all interest that has been posted to each VGOB account, all deposits including the original transfer that has been posted to the VGOB accounts, all payments that have come out and an ending balance. When we got this report, we went back and did some spot checking on it to see where we are relative to what we had asked to be done here.

The first thing that we did, we went back and checked with Pocahontas Gas, who had at the April meeting in which First Union originally appeared here, and asked about six accounts that did not match their records. These were

six units that they had inquired about and at that time, those units showed only interest postings. Whereas, Pocahontas Gas and Conoco had actually submitted checks to go into those accounts and they were not shown. So, we requested information from Pocahontas on those accounts and compared it with the current printout and we found that of the six accounts, one of them is in perfect balance, showing all the deposits that have been made and the operator's records balances with the bank record. One account was short one deposit that the operator has on record that was not added into the total, and the other four accounts still have no deposits attributed to them at all. Again, these are the original six accounts that we had started working on back in April. There is a discrepancy somewhere. The operator shows deposits each month to each of those accounts. The balance does not reflect anything but interest in those four individual accounts.

We have other problems with the pay-outs which occur at the top of the list that I gave you there. For instance, the second item is a payout on docket number 97-1021-1610. The original transferred amount as of January the 1st was fifteen-oh-seven forty-one (1507.41). When the order to pay out came down, the...First...First Union sent a check

for fifteen seventy-five seventy (1575.70) to the designated individual, which represented the balance as of the end of March. The Board Order actually directed that account be closed out and to be paid out as of the day the check was written. However, it left what would have been a balance of five oh five (505) in the account. The way this presented on the information that we have here, there is a negative balance of minus twenty-four-oh-six (2406) in that account. They are deposits shown of three thousand and a hundred eight dollars and five cents ($3,108.05), which far exceeds anything that has been in that account. We have problems...we're not able to read this to figure out exactly how this...how this works and what it means.

Now, I have spot checked some of the other totals in the accounts that are still active that do not have pay-outs and the math seems to be correct through those, just the ones that I've spot checked. There don't seem to be any problems with matching the balance with the deposits plus the interest. I have not checked, of course, because I don't have the records, on exactly what deposits should be in each of these individual accounts.

We have gotten to date no documentation of the pay-outs. We have no...no documentation of that whatsoever. So,

we...we actually have no way of recording these things or responding to people who may inquire about them.

Also, in the realm of communications, we sent a letter dated May the 25th, which each of the Board Members, I believe, received a copy, in which we pointed out the requirements of the contract and the communication requirements that we were expecting. We do not yet have any official reports of any sort from First Union. This...the spreadsheets that we have gotten, which are basically Excel spreadsheets that detail the account are, as I pointed out in here, a reasonable communication tool, but there are no dates on them. They do not include the accounts that have no balances in them. They...they have nothing to indicate that they are First Virginia documents. We've not yet received anything from First Virginia...I'm sorry. Please excuse me. First Union. These are all First Union documents. We have not yet received anything from First Union on official stationary, nothing in the way of an official report.

We asked for, after the accounting that Mr. Ballinghoff referred to earlier, and this may be a time thing, I don't know, we asked for a detailed report certifying that all accounts were correct from January the 5th forward. We've not gotten any kind of certification on

these accounts yet. We have not gotten the monthly accounting that we have requested, which is essential for us to provide the proper documentation to our clients and people who are inquiring about these accounts in which they have interests.

I will say that our communication, our verbal communication, has improved. We have swapped E-mail communications. We've swapped phone calls. We have certainly kept in touch a little better than we have in the past, but we still do not have any kind of a official reporting.

We are struggling to provide information to people who inquire of us of these accounts because we do know they are problems in the accounting that we have and we're still in a position that we don't feel comfortable giving out the information because we realize that there are problems with some of the accounts. We don't know if there are problems with all of the accounts. That's basically where we stand at this particular moment so far as the entire escrow project is concerned.

DON BALLINGHOFF: Okay, and I guess I'll address those points one to one. We did go back after that April meeting just to the accounts Mr. Wilson referenced. No funds

were received for those particular VGOBs. I have this and I'll present this to Mr. Wilson. These are actual statements of the VGOB account. All the moneys deposited into the actual checking account, which represents all the checks, all wires...any...any check that was cashed, or wire that was deposited, is reflected on these statements. They are on First Union letterhead. They're official First Union statements. We've also noted on the side all wire transaction records. The corresponding ticket, if you will, that posted to our records. Our record keeping system matches with the accounting balance. I feel extremely certain to say that those particular deposits were never put into the escrow account. If they were delivered, they were not delivered to us. So, that will be my...in response to the first point. I also did receive your correspondence saying that you wanted an official statement saying that everything reconciled. What I was hoping to get today was as to who that should be addressed to and the actual content that you would like to see in that statement. I will be providing that to you this week. Hopefully, we'll...like I said, I just want to make sure I have the proper content, format and who this should be addressed to, whether it be to the Board directly or to Mr. Wilson's office. As I said, all

the paperwork has been done. Everything is completed. We have all the backup documentation and we'll be submitting that, you know, once...so, should that be directed to your office or should that be directed to the Board itself?

BENNY WAMPLER: It should be directed to Mr. Wilson.

DON BALLINGHOFF: Okay. So, I'll be sending that via UPS to your office in Big Stone Gap. So, you'll have that by the end of this week.

PATRICK DIXON: Is there something in terms of content that you're specifically looking for that isn't currently provided by the...by the spreadsheet or by the monthly statement that you received, or is it---?

BOB WILSON: Well---.

PATRICK DIXON: I'll let you address that.

BOB WILSON: First of all, the spreadsheet is the only documentation we have received. That...that is the only report we have had and we've actually made some assumptions about that because, like I say, they haven't been dated and this sort of thing. We need actually a complete breakdown on these transactions each month. In other words, we would need a monthly statement providing a beginning balance in that particular VGOB account, any checks that have been deposited to that account, any interest that has been attributed to

that account, any charges that has been placed on that account and pay-outs and such, and an ending balance of that account for that month.

DON BALLINGHOFF: I'm sorry to interrupt you. Would that be a one sheet for VGOB? In other words, we have VGOB 1, here's its statement. VGOB 2, here's its statement. Is that...a four hundred (400) page report, is that the, you know, format?

BOB WILSON: We have...that is the format that we have gotten in the past. We can...I think we can negotiate a format that will satisfy your operation and our needs under the contract and our needs as far as the information is concerned.

DON BALLINGHOFF: Uh-huh. Yeah, the for...format is, you know...if you need individual...if you need individual sheets that...that's not a problem. That's more a technical issue of where the break on the reporting, if there is any. If it satisfies your office more thoroughly to have it that way, that can certainly be provided that way.

BOB WILSON: If the information is complete, then we can...we can come up with the format, like I say, will fit into your system and satisfy the---.

DON BALLINGHOFF: Right.

BENNY WAMPLER: You're not looking for individual pages, you're just looking for the information?

BOB WILSON: Exactly.

BENNY WAMPLER: If it was on a spreadsheet and certified that that was an accurate statement for that month's transactions---.

BOB WILSON: In...yes. In the past, we have gotten a spreadsheet type device that was printed on, again, official bank paper. It was like a watermark behind the spreadsheet. And we have also gotten individual pages for each of these accounts.

PATRICK DIXON: Okay.

DON BALLINGHOFF: Because I...perhaps what I would like to, you know, propose is something along those lines. We'll actually...we'll print it out. We'll put on our letterhead with...since we don't have individual fund accounts for these. You know, we have them all on one...in one escrow. Perhaps I'll propose a format whereby we put the information, the basic content to provide you on the spreadsheet, as opposed to sending it to you electronically, I will actually print that out. I will certify it with a signature and accompany that with the official bank statements showing all the deposits made to your account so

you'll be able to judge it that way as well. So, you'll see the actual wires, checks, deposits, along with the record keeping backup, if that would suffice. That's certainly doable.

BOB WILSON: And, again, we need these in a manner as described in the contract.

DON BALLINGHOFF: Yes.

BOB WILSON: I would suggest that we all get our heads together on that contract and make sure that we are sticking with the absolute requirements of that insofar as reporting is concerned.

PATRICK DIXON: What would be your suggestion as to resolving our difference of opinion concerning, and we'll just pick the Pocahontas Gas---.

CLYDE KING: Could you speak up a little?

PATRICK DIXON: What would be your suggestion on resolving the disputed amounts for Pocahontas Gas, for example, where we show that account as being reconciled, whereas your information disputes that? How should we---?

BOB WILSON: That will have to be done between the bank and the operator. This...again, I'm aware of this situation. I don't know if there are others. Any time you have one mistake, there are probably others since they were

kind of randomly picked out of the group. But that would have to be worked out between the bank and the operator, whoever they may be. I checked after I had gotten the information from them. I called back and they have records showing that these accounts received deposits. I think, and I stand to be corrected on this, but I believe the early one...one of the earlier ones went in by check and the others went in by wire transfer. But they have records showing that these deposits have been made, they have been accepted, but they have not been attributed to these accounts. Now, if this is in anyway incorrect, I hope somebody will come up and correct me on that.

DON BALLINGHOFF: And to that point, there is only one wire transfer that we've received documentation for? That is in the account that we have...we have not received funds for and there's only one of that. So, like I said, we've...I have here for your...you know, your review, the actual copy of the statements. You'll see on there all the automated credits and the corresponding deposit into the record keeping system. So, if it was...if it was a wire credit, it has been accounted for. As---.

BENNY WAMPLER: Mr. Swartz, did you have something?

MARK SWARTZ: On this spreadsheet that we're talking

about on the Pocahontas Gas list, the one that Les prepared for you or Anita, from March forward, including March to date, all of those deposits were wire transfers and they have the funds back. Before that, we were writing checks. So, I mean, you should have the wire transfers that disappeared into the (inaudible), you know, or you have them.

DON BALLINGHOFF: Right. And, yeah, the wire transfers actually go right into the account. They don't come through my office. So, it's not a case---.

MARK SWARTZ: I understand. Right.

DON BALLINGHOFF: Right. I'm just...it's not a case of misposting, if you will. So, I think that might be...I know Anita and I have started communication as far as, you know, digging deeper into these particular VGOBs. So, we are very well aware of them. Our primary concern was...the first assumption was error was on our part. You know, that's kind of how we always approach things, you know, to make sure the error, you know, was not on our part. We feel pretty certain at this point that we have accounted for all deposits. So, I know Anita and I have started communications about, you know, these particular items and we're moving forward on those as we go. So, perhaps we can speak also...since they're wire transfers, if I can go back and maybe speak with Bill James,

I think, who coordinates the wire transfers for you and work with him directly as well on these particular items.

BOB WILSON: These things need to be addressed as they come up and if there are problems that you need us to get involved in, we need to know that right away.

DON BALLINGHOFF: No, and that's very well understood. But based on our last Board meeting, I did not feel 100 percent comfortable in my position to go back and...you know, I wanted to be sure that we had everything accounted for and accounted for properly prior to doing...prior to, you know, wasting, you know, their time or, you know, based on if I had that information. So, now that I have...at least I know I have a solid footing under me, I think I can report much more efficiently than I could have based on our last meeting here in April.

BOB WILSON: Let me ask a question. When you achieve balance in the account, did you...did you balance the master account against incoming and outgoing or have you actually gone through each individual VGOB account and totaled all those transactions and gotten a balance on that against the master?

DON BALLINGHOFF: We have gone through every single statement and check that has come in and we've...we've

verified that; A) the funds have been deposited; B) that they were deposited to the correct VGOB and, if identified, tract number; a month by month, check by check, wire by wire. So, we've done this on an individual basis. It was about a three...about three to four week process to actually go through all of this paperwork. We felt that was the only way to make sure that we were in the correct position. So, we...we invested time to do it that way. So, it...to answer your question, we went through individual by individual, month by month.

BOB WILSON: And you have added up the funds...total funds in the individual accounts---?

DON BALLINGHOFF: That's correct, sir.

BOB WILSON: ---and balanced that against---?

DON BALLINGHOFF: That's correct, sir. When we went through, we found there were two instances in the year 2000 where funds were posted to a wrong VGOB. The last two digits were transposed and there were only two instances of that. So, those have since been corrected and we feel very comfortable that any funds deposited to the Virginia Gas and Oil Board's account are recorded correctly. I also have for your review another statement that details down to the tract level, where tracts has been identified, the activity.

Let's see, this also...so, that might provide you a little bit more detail. You can take a look at this. This is a similar report that was written. We can provide this to you as well on a monthly basis. So, if you find this as a useful tool, I'll be glad to include that in the package as well.

BENNY WAMPLER: Mr. Garbis?

DENNIS GARBIS: Excuse me. When did your contract start?

CLYDE KING: January 1.

DON BALLINGHOFF: We transferred the middle of January.

DENNIS GARBIS: January. And today is...so, you've had roughly five and a half months to kind of get your feet on the ground. It would appear to me that the (inaudible) that you're having here should have been done behind the scenes, you know, months ago. Quite frankly, Mr. Chairman, I'm concerned, and here we are this far into it and we're...I mean, there's a lot of questions that...that are unanswered. As you know...I mean, this money is not your money, not my money, it's the people there in the audience and we have a fiduciary responsibility to insure that that money is accounted for down to the penny, and I'm...I'm concerned

that, amongst concerns that have been raised, that we have...well, Mr. King just pointed out, it looks like on the first sentence there, do we have an addition problem over there? If you have a deposit of $11,000 and you take away four, I mean, just doing some heavy math...is there...are we missing something here? I mean, if...are you following what...what we're saying?

DON BALLINGHOFF: Yeah, I'm following what you're saying.

DENNIS GARBIS: Yeah. So, apparently there might be an error there and if there's an error on the first sentence, who knows what other errors, and we fired the last people in hopes of getting a better product in a more timely and more responsive information and I don't know if we're heading in the right direction.

BENNY WAMPLER: Well, that's why we're here today, of course, is because we have had some concerns and we've... you know, we've communicated those concerns both orally and in writing and Mr. Wilson has engaged in ongoing conversations with Ballinghoff, you know, leading to and up to today.

DENNIS GARBIS: Uh-huh. Not...not a very impressive start, I might add.

PATRICK DIXON: Well, we have every...we have every interest to invest the resources, as well as the people and we very definitely have the capabilities to deliver a product that will meet your needs. I think what we have had is a little misconception of, and it will be squarely resting on our shoulders, is exactly the reporting format that it needed to be in, and quite frankly it is a...it is a new process for us. Yes, it is six months into the...to the...to the relationship, but we do feel like that we do have the capabilities to respond accurately and appropriately. I think we need to invest more time behind the scenes in understanding the day to day needs and we just haven't done that yet and we'll...we'll make every effort to that.

DENNIS GARBIS: Did you understand what was required during the process that you were submitting your proposals?

PATRICK DIXON: Well, we certainly thought we did. We would have not have spent as much time analyzing our fee. We obviously went through an interview process with the committee and felt like we had a clear understanding about how to report the information and how the information was going to come to us; how the checks and the wires and what was going to be required on the back end in terms of an accounting system that had four levels of communication in

it. So, we very definitely felt like we had the resources available to provide the information. It hasn't...it hasn't turned out to be exactly what we thought it was going to be, and so, I think we've haven't been able to provide the information in the format that you would like to see it. Obviously, the discrepancies about whether an operator has sent us particular funds and what we have received, those have to be worked out with the operator.

DENNIS GARBIS: Yeah, that's pretty fundamental. At that rate, I mean, think you would---.

PATRICK DIXON: It absolutely is. It absolute...you can't provide the other until you've got that worked out. So, we've got to do that and we realize that. And so, we'll...we'll endeavor with every resource we have to get those squared away and then report it in a format that is both useable for, not only the staff, but the Board as well.

CLYDE KING: Mr. Chairman?

BENNY WAMPLER: Mr. King?

CLYDE KING: So, why has it taken six months? If you've got the resources, and we assumed you did or we wouldn't have awarded you the contract to do it, and here we're having...Mr. Wilson is having to spend a large amount of time trying to get...and we get a report that has

got...the first line on it has got a discrepancy in it. It's very disappointing to me.

DENNIS GARBIS: I also might add, I mean, if you want to make this thing in a readable and useable format, don't forget our...we have to consider the people in the audience. They...they're going to have...I mean, this is public information, obviously, because it's their money. They need to be able to look at it and say, yes, I mean, I understand what's going on. So, I mean, keep that in mind also.

BENNY WAMPLER: Any other questions or comments?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

DON BALLINGHOFF: No, I think we have a clear understanding of, you know, Mr. Wilson's expectations and needs and we are very well prepared to meet those needs.

DENNIS GARBIS: So, when are going to get this thing fixed?

DON BALLINGHOFF: It's fixed.

DENNIS GARBIS: I'm sorry?

DON BALLINGHOFF: What...when what particularly---?

DENNIS GARBIS: When will we have---?

DON BALLINGHOFF: What specifically?

DENNIS GARBIS: ---the corrections in place, the system is in place and---?

DON BALLINGHOFF: The system is in place. There were just some concerns expressed by the Board that some of the accounting issues, or some of the record keeping, was not accurate. We took the time to go back and spend more time verifying everything that we had input up to that point which set us back, like I said, three to four weeks in our processes in that---.

BENNY WAMPLER: We're not...we're not trying to be mean, but just like Mr. King pointed out and Mr. Garbis, you know, your very first line you...you bring to us a CPA report that's---.

DON BALLINGHOFF: That---.

BENNY WAMPLER: ---and it has got errors in it and, you know, the competence level is what we're talking about now.

DON BALLINGHOFF: And I understand that and that's...which I...when that report got translated down into Excel readable format, something must of happened with...and I understand...I certainly understand your concern and your lack of confidence in that. We thoroughly understand also as well what the report requirements are. So, we'll be...the

reporting requirements will be in place when we report to you this month's activity. It will no longer be in that format. It will be in something that's suitable...okay with Mr...Mr. Wilson's office.

MASON BRENT: Mr. Chairman---?

CLYDE KING: What does, on the back page, unlocateable mean?

DON BALLINGHOFF: Those are checks when we receive them from the operator and there is no VGOB given. That is the exact registration on the check and/or statement. In conversations with Mr. Wilson, we've...we now understand that those will be returned back to the operator. Our concern was we thought that, as you said, this is the people's money, so we wanted to invested it to get it working for them as quickly as possible and as such register...registered them exactly as listed on the statement and/or check for record keeping purposes. From this point forward, there will no longer be any unlocateable type registration accepted.

BENNY WAMPLER: Mr. Brent?

MASON BRENT: I was just going to suggest that we invite these two gentlemen back next month to report on the balances, or the deposits, that still seem to be floating around in cyber space somewhere---.

DON BALLINGHOFF: Sure.

MASON BRENT: ---and on the report.

BENNY WAMPLER: You know, I think that's...that's definitely what we need to do is to have you to come back until we get this right because it has to get...you know, we have to have that right. You want us...you know, you want to feel good about what you're doing. Obviously, we're not...we're not enjoying bringing you back here every month, obviously, to beat on you either, but we have to get this right. We have a contract that...that says it will be right and that's all we're asking for is a valid contract.

DON BALLINGHOFF: Sure. And that's understandable.

PATRICK DIXON: What is the date of that meeting? The date of the next month's meeting.

BENNY WAMPLER: The third Tuesday.

PATRICK DIXON: The third Tuesday.

JIM KISER: The 18th.

MARK SWARTZ: Mr. Chairman---?

BENNY WAMPLER: Mr. Swartz.

MARK SWARTZ: ---you know, with regard to the six accounts, or the five of the six accounts on the spreadsheets, as far as we're concerned, you know, they're not fixed because we don't understand why there's a

difference and I think, you know, we need to see what the bank is using when they allocate these wire transfers because I suspect that's where we should start to determine if the funds have perhaps been misapplied. But, you know, from our standpoint, they've got one balance and we've got another.

BENNY WAMPLER: Right.

MARK SWARTZ: And there's...you know, there's a problem.

BENNY WAMPLER: Well, we can't have that. That's what we're talking about.

MARK SWARTZ: Right. And it's...and so...because we're trying to pay money out and if we can't...you know, we've been through this exercise before with the prior bank.

DON BALLINGHOFF: Yes.

MARK SWARTZ: And ultimately when we got everybody's attention and everybody worked together, I think we were able to come to a number.

BENNY WAMPLER: Right.

MARK SWARTZ: But, you know, we're not there yet and I think coming back next month is probably a good idea. You know, in the meantime, I would certainly encourage you, or whoever it is on your staff, that could go to the documents that we use to allocate them, communicate with Anita---.

DON BALLINGHOFF: Uh-huh. Yes.

MARK SWARTZ: ---you know, from...as a point person on our side and let's see if we can't square these six out by the time we come back here next month, at least as a starting point. You know, we're...we're concerned here that we can't reach reconciliation.

BENNY WAMPLER: Mr. Garbis?

DENNIS GARBIS: Also, at the same time, I mean, in fairness to these people, that unless you're sending him accurate information---.

MARK SWARTZ: I know. I need to see where...right.

DENNIS GARBIS: In other words, if you're...if he's getting a piece of paper that doesn't have a VGOB number and it's just, you know, unlocateable, well, that's bologna too, because you're not doing your part of the job making sure that he gets the accurate information where the money's supposed to go. So, unless the operator is feeding these guys the right info, I mean, I wouldn't think this is...we're not building a space station here. I mean, this ought to be pretty fundamental to be able to get that straight. So, I mean, there's...there's responsibility on both sides of the table over here.

DON BALLINGHOFF: That's understood. And---.

DENNIS GARBIS: I want to...equal opportunity to fire...we'll fire anybody up. I mean, you know, you've got to make sure that...you know, everybody has got to recognize the responsibilities.

DON BALLINGHOFF: And that's understood. And I take...certainly, I take my share of the responsibility on that as well. You know, we have all...we have all the records as far as...you know, I know you probably can't see this, what we get every month from...I'm assuming it's Bill James' office with the...it's basically a statement that looks something on the lines of this. It lists the VGOB and the dollar amount and the date of the transfer.

MARK SWARTZ: And it allocates a wire transfer to the VGOB---.

DON BALLINGHOFF: That's correct, sir.

MARK SWARTZ: ---numbers, which, you know, if we're not giving you that, you need to yell at us. But my assumption is that somehow there's a problem with that allocation process.

DON BALLINGHOFF: That's correct, sir. And additionally, on the bank statement itself, the wires come in one by one. They're...they're not lumped together. So, if that particular VGOB has $10, we get a wire transfer for $10.

So, we can actually go back to the accountant and match up that particular credit---.

MARK SWARTZ: Have you shared this detailed analysis with Anita yet?

DON BALLINGHOFF: I am going to do that. Like I said, we spent...yeah.

MARK SWARTZ: Is that...we can probably take that pretty quickly figure out---.

DON BALLINGHOFF: Yes.

MARK SWARTZ: ---if that's the problem.

DON BALLINGHOFF: Absolutely. And I...like I said, you know, it just took...it took several weeks to actually compile all of this information. We went back through about six months worth of...plus First Virginia's records.

MARK SWARTZ: If you could get that to us, we'll start with that and might be able to---.

DON BALLINGHOFF: I'll be glad...yes. Right. I was under the impression that they were checks.

BENNY WAMPLER: Now, you're aware that, you know, Mr. Wilson's office is here in Abingdon? Okay. Not in Big Stone Gap.

DON BALLINGHOFF: Oh, I'm sorry. I...I misspoke. I think I did say Stone Gap.

BENNY WAMPLER: I just wanted to make sure you were aware of that.

DON BALLINGHOFF: I...yeah, I do have his card. I misspoke. My apologies.

BENNY WAMPLER: And also, you know, when the public calls in and wants to know something, you know, they're going to call our office. They're not going to try to call the bank and go through that. They're going to call Mr. Wilson and find out and that's why it's important for him to have, you know, accurate monthly information and we'll need those reports not only for this month, but we'll need to go back and have those reports back to the beginning date of the contract.

DON BALLINGHOFF: And we...we understand. Like I said, you know, the reason for any delays in this, we took the extra time to go back and make we've recorded everything prior...we thought it most important to make sure that we were reporting to you and Mr. Wilson's office correct information and if it took us...you know, if we have to take some heat for taking a little extra time to do it and do it properly, I'm willing to take responsibility and the heat for that. I thought it was very important to make sure everything is tied in.

CLYDE KING: Mr. Chairman.

BENNY WAMPLER: Mr. King?

DON BALLINGHOFF: Yes, sir.

CLYDE KING: We're not in the business to put heat on you. We're in the business to ask that the job be done correctly.

DON BALLINGHOFF: And I...and I perfectly understand that.

CLYDE KING; I have one...on the unlocateable---?

DON BALLINGHOFF: Yes, sir.

CLYDE KING: ---$1,100, wonder when that came in?

DON BALLINGHOFF: I would...I would have to check...I will check the statements. We have all...we have all the original records. I...you know, I don't know.

CLYDE KING: I'm sure you have the phone numbers of Equitable and Consol and those people. There's someone they could call surely if they get something that's unlocateable.

PATRICK DIXON: Is that...is that the process you want us to follow because here, I think, we've already had a conversation where Mr. Wilson says that if we get an unlocateable check, we're to refuse it and send it back?

CLYDE KING: You talk to---.

PATRICK DIXON: So, what do you...what...see

that's...that's an example of a conflicting thing for us to do. We need to know exactly what you want us to do when we receive and item like that. If you want us to endeavor to contact the remitter of that check, we'll do that; or we'll refuse it and send it back to Bob's office to have him to do that. But which...which way do we want to do---?

BENNY WAMPLER: Okay. So, that you're...so, that you're clear on it and you don't get mixed messages, you work through Mr. Wilson.

PATRICK DIXON: Okay.

BENNY WAMPLER: When you work through Mr. Wilson, if he messes up and we come here, we'll get on his case just like we would you. Okay.

PATRICK DIXON: Okay. Gotcha.

CLYDE KING: But if the money comes from the operator, wouldn't they talk to them?

BENNY WAMPLER: Well, if they refuse it, it has to get...in other words, what he's saying is, don't take checks like that because, you know, get it resolved. That's going to force a resolution.

BOB WILSON: I believe this is covered in the contract.

BENNY WAMPLER: Right.

BOB WILSON: Any...any item that does not have a VGOB number---.

BENNY WAMPLER: It's not to be accepted.

BOB WILSON: ---is returned to the operator.

DENNIS GARBIS: And quite frankly, I don't care who you talk to... I mean, you know---.

PATRICK DIXON: Just get it resolved.

BENNY WAMPLER: Get it resolved.

DENNIS GARBIS: Yeah.

BENNY WAMPLER: Do you have anything further, Mr. Wilson?

BOB WILSON: I'd like to say one other thing to kind of reiterate what you said earlier. The fact that we are relying on this information. We have a lot of people who have asked questions about these accounts. We have sent out reports on these accounts and we put a disclaimer on the bottom because we don't know what we've got here. There are operations backing up and waiting on this for pay-outs because we don't have things quite up to snuff; and again, mainly from our standpoint, the reporting requirements that are given to us are pretty stringent. Everything that we do falls under the Freedom of Information Act. If we have information, it is public and the public has a right to get

it from us and expect it to be accurate and right now we don't have the confidence in this as we've talked about before, to be able to firmly tell someone what is in a VGOB account they have an interest in and stand by it. We just...we want to...just to reiterate, we need to move in that direction from our standpoint, just from a trust standpoint with the public. The operators are in the same position. You did mention about people calling in to the Division of Gas and Oil to ask these questions. I have told Mr. Ballinghoff that he doesn't have to field those calls. I think you've gotten a couple of calls from individuals. Those calls are to be directed back to us. You shouldn't have to worry with that at all, but we have to have information to be able to respond to that.

DON BALLINGHOFF: Yeah, understand...that's understood. That's why we took the measures that we did to do, to go back. So, I...I am very comfortable in the content. What I want to get to you this time is...is the format. I know we're to have a good footing. The format is really the question of---.

BOB WILSON: And I would reiterate, too, that our...as the Principal Executive to the Board, and in behalf of the Board, our intention is to make this thing work and

get it smoothed out such that it becomes so routine we don't ever have to look at it twice. We just go get the information we want and continue on. We're just not to that point yet.

DON BALLINGHOFF: And, you know, we understand that. You know, we're making every effort and I...you know, hopefully, I've communicated that to you over the past several weeks, you know, the efforts that we have put into this, you know, to get it right and to get you comfortable.

BENNY WAMPLER: Anything further?

PATRICK DIXON: I would just like to make one final comment as to the yield on the account. For April of 2000, the yield on the account was 6.16. The month ending May the yield on the account was 6.47 and the current yield through today's date is 6.49 and that is strictly invested per the Code of Virginia in terms of it being collaterized deposits of the bank. So, there's certainly no safety or soundness concerns in terms of the investment of that, those balances.

BENNY WAMPLER: I understand. The funds are protected. It's just a matter of sorting out who has what.

PATRICK DIXON: Sure.

BENNY WAMPLER: I understand that. Thank you very much.

PATRICK DIXON: Thank you.

LESLIE K. ARRINGTON: Can I ask a question? How long...since you got the accounts pretty well in hand now, what would be a...when we call on an account balance, or a listing of what's in that account, how long should we be expected to wait for that information? What should be a reasonable time to receive that information from you all?

DON BALLINGHOFF: You should be able to receive it as soon as you call me. We should be able to give you that balance during that---.

LESLIE K. ARRINGTON: A balance along with, you know, individual checks that has gone into it so we can---.

DON BALLINGHOFF: Individual...yes. If you just need to know the dollar amount, any of the deposits and the...depending on the format that you want and, if verbally, if you would like us to communicate that to you, we can do it on that phone call. If you need something in writing, you know, allow us to get that to you that...you know, we'll... we'll draft it that day and have it sent out to you.

LESLIE K. ARRINGTON: Okay. So, if---.

DON BALLINGHOFF: So, if you contact me I'll be able to give you that information.

LESLIE K. ARRINGTON: Okay. By e-mail or by...or

phone?

DON BALLINGHOFF: You can e-mail. That's correct, sir.

LESLIE K. ARRINGTON: Okay.

DON BALLINGHOFF: And I believe you have my e-mail. Anita has my e-mail address as well. So, if you have a request, I'll be able to fill it that day.

LESLIE K. ARRINGTON: Okay.

DON BALLINGHOFF: Assuming it's not 5:00 o'clock.

LESLIE K. ARRINGTON: Right.

BENNY WAMPLER: Thank you. Thank you very much.

The next item on the agenda, the Board is reconvening the following, and I'm not going to go...I'm just going to take them one at time, VGOB docket numbers for further consideration of applications filed by certain claimants for the calculation, and thereafter disbursement to them, of funds on deposit in the drilling unit escrow accounts based upon said Claimants' stipulated settlement of their conflicting claims to the ownership of coalbed methane gas production allocable to certain tracts within they own the coal and gas rights. And the first one we're going to consider (cough), excuse me, is VGOB-97-0415-0579. This is drilling unit NELW 10. And we'd ask the parties that wish to

address the Board in this matter to come forward at this time.

JILL HARRISON: Hello. I'm Jill Harrison. I'm with Penn Stuart here in Abingdon. In this matter, I represent Garden Realty Corporation and Hugh McRae Land Trust.

BENNY WAMPLER: Thank you and welcome. I guess we'll just discuss the status of this one at this time.

SANDRA RIGGS: Well, I think the four...the four items listed under...or three items under number two and the one item listed under number three have been on hold for in excess of a year due to an appeal up to Circuit Court. That has now been dismissed without prejudice in order to return jurisdiction back to the Board so that the Board can revise it's orders to incorporate the new statutory language that has gone into effect in the interim as well; and what I've attempted to do, and have passed out to everybody, is...is a draft of an order that...that attempts to go back and recapture the history of where we've been on these items and pull together the information that we had at the time it sort of went on hold.

Now, there has been in each of these, I think, a disbursement with other applicants which caused an accounting to be made in the interim; and what I've done is gone back

and pulled the most recent accounting that we've gotten in order...the spreadsheets from those orders in order to bring us as current as we can be in terms of the...of the tract balances for the escrow account and incorporate... incorporated that information into the...into the draft order. Now, these orders are going to have to be massaged a little bit and reviewed and gotten up to...up to snuff, but at least, it gives us a starting point and gets us back on track to get the disbursements made in these four cases.

BENNY WAMPLER: So, today will be a discussion. We'll carry these over until next month for final resolution you think those that need to be or---?

SANDRA RIGGS: Well, we were talking before the hearing, and I think we can go through these one at a time and maybe report out how current this is and what needs to be done in order to bring the accounting current.

BENNY WAMPLER: Okay.

SANDRA RIGGS: A couple of these tracts I understand are not in production. So, all that may need to happen is to apply the interest that has accrued since the last accounting. A couple of them, there is only one tract being escrowed. So, whatever money is on deposit belongs to the claimants to that tract. So, it may be that it's a real

simple chore to get these accountings up to where we need to be and finalize these.

BENNY WAMPLER: Good.

SANDRA RIGGS: And certainly by next month, we ought to be ready to enter the orders.

BENNY WAMPLER: Okay.

SANDRA RIGGS: On the first one, NELW 10, if you flip to the accounting, I think the tracts we're talking about are Tracts 46 and 48.

CLYDE KING: Which ones are these?

BENNY WAMPLER: 46 and 48.

DENNIS GARBIS: Which VGOB number is that?

BENNY WAMPLER: The first one should be 0579.

SANDRA RIGGS: The order has 0169-01 on it.

CLYDE KING: 79?

DENNIS GARBIS: Okay.

SANDRA RIGGS: This is the spreadsheet that had two separate accounts and you had to add the two together in order to come up with the total. But in these two particular tracts, there was no...there were no deposits in the second account. So, you're really looking at the first one and Tract 46 had a balance of $3,329.27; and Tract...what did I say 48, had a balance of $4,161.53. And I think the date of

that down on the bottom corner says, "Balance provided by First Virginia Bank as of 1/29/99."

MARK SWARTZ: The problem is that the balances... this order actually, and this is the only one, NELW 10---.

SANDRA RIGGS: Right.

MARK SWARTZ: ---when the order was entered back in November of '98, in this one, the order actually stated the balances in the special findings with regard to Tract 46 and 48. These spreadsheets, which I'm looking at today, and of course, we didn't bring our files because I didn't know what was...what was happening here, but these spreadsheets do not agree with the balances set forth in the order. So, clearly we need to determine whether or not the order was...I assume the order was correct, because I know we went through this in some detail and we had several versions of it, but we need to verify that the amount of the order was correct and find and locate the spreadsheets where those numbers came from because they clearly didn't come from these spreadsheets.

JILL HARRISON: Well, I think the spreadsheet is effective after the---.

SANDRA RIGGS: Yeah, these were---.

JILL HARRISON: ---the entry order of the---.

SANDRA RIGGS: ---Torch and Garden Realty

disbursements which is a more recent spreadsheet than...it's a year later.

JILL HARRISON: I think it was Coal Mountain instead of Garden Realty.

SANDRA RIGGS: It may have been.

JILL HARRISON: I think it was...that was---.

SANDRA RIGGS: There were a combination of different---.

JILL HARRISON: Right.

SANDRA RIGGS: I didn't bring those. I should have brought the underlying orders.

JILL HARRISON: Well, I don't...we could have brought our whole file cabinets on these matters.

(Members discuss the spreadsheets.)

JILL HARRISON: I think in this particular instance, the only thing that really needs to be done is to have the bank update the interest because there has been no more production on this unit for the operator to make any additional deposits. So, that would just be a matter of having the bank provide us with the additional interest and then a dollar amount could be inserted into the order.

BENNY WAMPLER: And put that in the Board order?

JILL HARRISON: Yes, sir.

BENNY WAMPLER: Yes, sir.

CLYDE KING: What's the line for our balance and the bank balance? Is that just...it's the same, but---.

DENNIS GARBIS: Who is our---?

CLYDE KING: See where it says our balance?

BENNY WAMPLER: Our balance.

CLYDE KING: And the bank balance?

BENNY WAMPLER: He's talking about on here, on the spreadsheet.

SANDRA RIGGS: The operator prepared these spreadsheets.

BENNY WAMPLER: The operator.

CLYDE KING: Oh, okay.

SANDRA RIGGS: And these were reconciled between the bank and the operator and the applicants.

CLYDE KING: They're the same numbers.

LESLIE K. ARRINGTON: Back when they were done.

JILL HARRISON: Back then, right.

SANDRA RIGGS: Right.

LESLIE K. ARRINGTON: You know, we'll just have to go back.

SANDRA RIGGS: All the deposits were checked out and everything was done. There's been no more principal

deposits. All that has happened is interest has accrued on the accounts since that time.

BENNY WAMPLER: And that's all that would have to be done is the interest that has accrued would have to be determined and built into...and put a final dollar amount in the order.

LESLIE K. ARRINGTON: We just need to go---.

MARK SWARTZ: They may...okay, because they're not...NELW 10 is not in production now.

SANDRA RIGGS: Right.

MARK SWARTZ: But we can't remember on the top of our head today if it ceased producing before the date of the prior order on the spreadsheets. So, we need to go back. So, it's possible, even though there's nothing accruing now, it's possible in the two years that have transpired since we were last here on this, that there has been some production.

SANDRA RIGGS: Well, Mark, the orders that were appealed from were accounting orders and not disbursement orders.

MARK SWARTZ: Right.

SANDRA RIGGS: We hadn't gotten to disbursement yet.

MARK SWARTZ: Right.

SANDRA RIGGS: We were still at the accounting

stage.

MARK SWARTZ: So, I'm saying there's...there may be some---.

BENNY WAMPLER: He's saying they may have produced some after that.

MARK SWARTZ: ---additional deposits subsequent to this accounting.

SANDRA RIGGS: Okay.

MARK SWARTZ: And we were...even though the unit is not in production now. So, we need...and if that's the case, that needs to be accounted for. If that's not the case, then we just need to bring the interest forward. But we don't know today.

SANDRA RIGGS: Okay. So, given...given the draft order, the operator can verify whether or not all deposits are accounted for and notify me and, then at that point, if it's---?

MARK SWARTZ: Well, I tell you what we need to do is just reach an agreement and reconcile with the bank and tell you what the number is, which is sort of what---.

BENNY WAMPLER: Right.

MARK SWARTZ: ---we did the last time.

JILL HARRISON: Right.

BENNY WAMPLER: Right. That's what we need.

SANDRA RIGGS: Okay.

JILL HARRISON: Right So, I guess what we would need, and I guess I should have asked those gentlemen to stay, but I guess we would need the bank to provide to you and to me---.

MARK SWARTZ: Right.

JILL HARRISON: ---what they show.

MARK SWARTZ: And then we need to reconcile with our records and meet with or interact---.

JILL HARRISON: Or just---.

MARK SWARTZ: ---with you to agree on a number and then present it to the Board, basically.

JILL HARRISON: Right.

MARK SWARTZ: Which I think is what we did the last time.

JILL HARRISON: Yes, absolutely.

LESLIE K. ARRINGTON: Yes, that's what we done.

JILL HARRISON: Uh-huh.

MARK SWARTZ: So, lets just...we'll just do that and hopefully to be able to do it by the next meeting and we can get a disbursement order.

CLYDE KING: You should be able to that at the next

meeting?

MARK SWARTZ: Right.

JILL HARRISON: It didn't take very long once we had the information from the bank. So...and it sounds like they have much more detailed reports.

BENNY WAMPLER: Since they're coming back next month, they will probably be anxious to---.

MARK SWARTZ: Be motivated to cooperate.

CLYDE KING: Yes. Let's hope.

JILL HARRISON: Well, then who...who would...whose responsibility is it to take the initiative to get the report from the bank? How...can we designate who's supposed to do that so that...I mean, should Mr...should we ask Mr. Wilson if he would obtain that information and then provide it to Mark and to me---?

BENNY WAMPLER: Yes, we'll do that.

JILL HARRISON: ---for each unit?

(Mr. Wilson enters the room.)

BENNY WAMPLER: Right.

JILL HARRISON: We've been talking about you while you were out.

BOB WILSON: That happens a lot.

BENNY WAMPLER: You've just gotten a summons.

Contact the bank on VGOB-97-0415-0579, that first docket number on reconvening---.

BOB WILSON: Okay.

BENNY WAMPLER: ---and get the bank statement balance, money on deposit, interest and et cetera, and provide that to Ms. Harrison and Mr. Swartz, ASAP.

CLYDE KING: So, the last time...this balance is as of 12/1/98, right?

SANDRA RIGGS: I thought it said '99.

BENNY WAMPLER: 1/29/99, it says. The balance---.

CLYDE KING: Balance. Well, that says 12/1/98 and it comes over here---.

BENNY WAMPLER: Right. But I guess this is when the balance was---.

CLYDE KING: Oh.

SANDRA RIGGS: Production had probably stopped and interest was accruing.

CLYDE KING: That's when First Union took over?

SANDRA RIGGS: Right.

CLYDE KING: No, that's 12/29.

BENNY WAMPLER: That's '99.

JILL HARRISON: '99. This was...this was---.

BENNY WAMPLER: This is just when they run their

statements, I'd say, a month later, you know.

MARK SWARTZ: Now, we probably...we probably need to be on the phone with Mr. Wilson when he calls the bank because, as you'll remember, you can't just take a piece of this puzzle because these accounts were not segregated by tract. So, if there were subsequent deposits or interest, we need to run this spreadsheet for every tract to allocate the costs and interest to get a net number for these two tracts. I mean, it's not like we can call the bank and get Tract 46. So, it might be helpful if Anita or Les were on the phone with you when you talked to the bank. Hopefully, this hasn't been in production and we're just talking interest. But if it has been in production, then we're going to have to go through this exercise.

SANDRA RIGGS: You're going to have to update the spreadsheet.

BENNY WAMPLER: Right.

MARK SWARTZ: Because we were allocating earnings---.

BENNY WAMPLER: Right.

MARK SWARTZ: ---because bank the was.

MARK SWARTZ: And that will be true of each one of these except for R-25, which doesn't matter because they're

entitled to whatever the balance is, if we can agree on a balance.

SANDRA RIGGS: Well, there's two like that, I think.

JILL HARRISON: But there may not be also because at that...when these orders were entered, I think one of the directions to the operator was to begin disbursing the funds directly to the applicants. So, there may not...even if it was in production at that time---.

MARK SWARTZ: The problem is you appealed it, though.

JILL HARRISON: Uh-huh. So, you all would have not...okay.

MARK SWARTZ: Because, see...yeah. So, we'll have to see. I mean, I hope that they did, but I don't think they would have. We'll...we'll find out.

JILL HARRISON: Okay. I'm just...okay.

SANDRA RIGGS: Okay. Well, that's why we put it on the docket to come back and get back everybody back on the same wave length.

MARK SWARTZ: I mean, we had an agreement on the numbers with regard to this units once before.

JILL HARRISON: Uh-huh. Right.

MARK SWARTZ: I assume we can do it again. But it's

a pre...it's a major undertaking to allocate these funds and that's what's going to be the problem. So, we'll get with you, like tomorrow, and get started on it.

BENNY WAMPLER: Yeah, we'd like to get...get it resolved so we can wrap this up at least next month anyway. Okay, we'll go ahead and call the other Board order for reconvening VGOB-97-0520-0582, drilling unit NELW 9. What's the status on that one?

SANDRA RIGGS: There's only one tract in question and that's Tract 38, even though it's being split in two different ways. The most recent accounting I had, I think, was 12/1/98 on that. It's upside down. And as of that date, there was a $121,718.46 on deposit. Now, there are...it looks like two tracts being escrowed on that one. So, they'll have to be broken out as between the two and brought current. Is this another one that may not be in production at this point?

LESLIE K. ARRINGTON: That's right. That's correct.

JILL HARRISON: That's...that's my understanding.

BENNY WAMPLER: So, that's another assignment. Put that on your list.

MARK SWARTZ: Well, the problem with this one, just to refresh your recollection, we need to give the claimant

who's not getting a disbursement on Tract 38, Janet Weatherford, notice of the disbursement hearing, so that she can appear and object to the allocation process. Remember? I mean, this is all kind of coming back to me now, but we were concerned a couple of years ago when we first started this process that because we were...the Board and the operator was required to allocate, because of the way the records were kept, that we give all potential claimants to a tract notice of the allocation process so that they could---.

BENNY WAMPLER: Specific notice.

MARK SWARTZ: ---appear and understand what was going on. So, I think in this particular unit, if you look at the special finding 6.3, I think you had anticipated that. The Board had anticipated that.

JILL HARRISON: She was given...I know that what we did previously was everyone in the unit. Because the rules weren't clear, we did certified mailings/return receipt requested and we advertised in the local newspaper.

SANDRA RIGGS: Well, the statute has changed now. So, we'll only have to be concerned with the tract that disbursements are being made on. But---?

JILL HARRISON: She has an interest in the tract.

SANDRA RIGGS: ---did PGP...PGP is an applicant in

here?

JILL HARRISON: PGP has of the---.

SANDRA RIGGS: If you'll look at the Exhibit E.

JILL HARRISON: I think that...I'd have to go back and pull that transcript. But I believe that at that hearing, there was testimony by Bob Looney concerning the intracompany conveyance which allocated---.

SANDRA RIGGS: Between CCC and PGP?

JILL HARRISON: Yes, ma'am.

SANDRA RIGGS: Okay.

JILL HARRISON: And that's the reason they are an applicant, also. PGP receives 3.53% of the money and Consol receives...well, no, that's not right, but I have percentages that break it down.

SANDRA RIGGS: So, we need to revise the Exhibit E as well as update the accounting?

JILL HARRISON: Right.

SANDRA RIGGS: Okay.

BENNY WAMPLER: Is that all on that?

SANDRA RIGGS: Yeah.

BENNY WAMPLER: The next one is VGOB 97-0415-0576 and this is drilling unit SLW 7. I think they're all going to be in that category.

SANDRA RIGGS: The tract in question is Tract 3..38 and I think this is the one that Tract 40 has already been disbursed.

JILL HARRISON: South Longwall Seven?

SANDRA RIGGS: Let me see.

BENNY WAMPLER: Yes. That's the one I called. South Longwall Seven.

SANDRA RIGGS: Oh, I'm looking at the wrong order.

JILL HARRISON: Oh. I think the tracts for that one are 32, 34 and 35.

SANDRA RIGGS: 32, 34 and 35. Yeah, there are other tracts.

BENNY WAMPLER: It's going to be the same...same situation, I think. Probably on all of these, you're going to have to go back and see if there has been any further production. It would be the same situation, won't it?

JILL HARRISON: I think this one...Mr. Arrington thought there had definitely been production on South Longwall Seven.

LESLIE K. ARRINGTON: On which one, R-2---?

JILL HARRISON: South Longwall Seven.

LESLIE K. ARRINGTON: There may be some in that one...that one. If you recall, there were some of those

units that we did keep on line. It was...a couple of them. I can't remember which ones it were.

SANDRA RIGGS: This accounting is fairly recent. It's 7/13/99.

LESLIE K. ARRINGTON: Okay.

SANDRA RIGGS: So, we're not talking about a large span of time. Tract 32 had a balance of $8,617.09, and 34 showed $944.63, and Tract 35, $16,039.53.

BENNY WAMPLER: So, we really can't do anything until they---?

SANDRA RIGGS: Unh-unh.

BENNY WAMPLER: ---resolve that the same way? And then I guess the next one is the...and the last one in this category, is the reconvening VGOB docket number 97-0415-0578; and this is for amendment of the amended supplemental order amending all prior orders affecting R-25 drilling unit entered on October the 23rd, 1998.

SANDRA RIGGS: I really don't know of any reason if the clarification order which I...if the same one I'd sent to you previously is agreeable, that we can't go on and act on this one because this is the only tract in escrow. All the money in escrow belongs to these applicants and a disbursement order was already entered. All they're seeking

here is clarification of that language to bring it consistent with the current statutory language to protect their rights under that Levisa suit; and I think that language was worked out between Mark and Jill previously. That's...that's where I got the language.

CLYDE KING: So, we can settle that one.

BENNY WAMPLER: If we can, that's what we...is that agreeable to all parties?

JILL HARRISON: Yes, sir.

MARK SWARTZ: Yeah, except is this different language than---?

MASON BRENT: Should we get Mr. Swartz to come up here?

CLYDE KING: 578.

BENNY WAMPLER: If he's going to talk, we ought to. Mr. Swartz, do you want to come up to the table? Thank you.

(Mr. Swartz sits at the table with Ms. Harrison.)

MARK SWARTZ: The only comment I have, Sandy, is that when you notice the language that you were going to include in the docket---.

SANDRA RIGGS: Uh-huh.

MARK SWARTZ: ---it's different than what you wound up with in the order and I agree to this language, but

because there's a difference in the order language, I have a problem with it. The order does not...it only includes the applicant and not the operator in terms of not waiving it. Okay, if you look at the notice was that the Board will act as statutory authority to supersede, et cetera, existing between operator and applicants. Okay. Which is omitted from your draft order. Then the operator and the applicants have acknowledged limitation. That's fine. That the findings of the Board would not bar assertion of any claims or defenses including payments and so forth. So, if you put this language, which I think is what Jill and I had originally agreed on, it's from the Notice, instead of what you have, it works.

BENNY WAMPLER: So, what's noticed is accurate?

MARK SWARTZ: Correct.

SANDRA RIGGS: Okay.

BENNY WAMPLER: We can handle that. Let's see, we need the Board action on that.

SANDRA RIGGS: To approve the clarification order---.

BENNY WAMPLER: Right.

SANDRA RIGGS: ---as amended by substitution of the notice language.

BENNY WAMPLER: Is there a motion to that effect?

CLYDE KING: So moved.

BENNY WAMPLER: We have a motion. Is there a second?

MASON BRENT: I second.

BENNY WAMPLER: Motion and second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes?

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: That's approved. Thank you very much.

JILL HARRISON: Thank you. I'd like to say thank you to the Board, too, for staying on top of the new financial institution and getting everything lined out very early in the relationship. Thank you.

BENNY WAMPLER: We're trying to do that.

JILL HARRISON: Thank you very much.

BENNY WAMPLER: You're welcome. The next item on the agenda is a petition from Equitable Production Company for pooling of a coalbed methane unit identified as VC-3968

located in the Nora Coalbed Gas Field; docket number VGOB-00-05/16-0805. This is continued from May. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JUDY McKINNEY: Mr. Chairman, may I say something before you get started in this matter?

COURT REPORTER: You need to come forward.

BENNY WAMPLER: We can't get you on record. We'll need you to come forward.

JUDY McKINNEY: Oh. Item number four and number ten---.

COURT REPORTER: Come up here, please.

BENNY WAMPLER: Sorry, but we can't...she can't pick you up.

COURT REPORTER: And what is your name?

BENNY WAMPLER: If you will, just tell us your name for the record.

JUDY McKINNEY: My name is Judy McKinney. Item number four is the VC-3968 and item number nine and ten, VC-3621 well number and VC-3212 are all Equitable Production Company's. They are all owned...the minerals in dispute, or whatever you want to call it, are all on the same tract of property and owned by the same people. So, if it would be

appropriate, I'd like to request that we discuss all three of these at one time instead of having to come back each time and deal with each item.

JIM KISER: Mr. Chairman, I was going to request the same thing on behalf of Equitable. In addition to that, I was going to ask that we...and Mr. Swartz can go ahead and do his additional...handle his additional matters, and I was also going to ask that we take numbers four, nine and ten and actually do them in the order of nine, ten and four. It would make more sense that way, I think, once we get to them.

CLYDE KING: Is that okay with you?

JOE AUSTIN: Mr. Kiser, I want...my name is Joe Austin, 809 Afton Street, Kingsport, Tennessee 37660. What I want to do is thank you for helping me to straighten out some heirs.

JIM KISER: Okay. Well, you're welcome. If that's fine with you all and fine with the Board, we could let Mr. Swartz do five through eight and then come back and then we'd like to go nine, ten and four. I think it would make more sense to both the Board and to the Ramsey heirs if we do it that way.

CLYDE KING: We're going to go five through eight first?

JIM KISER: Yeah, which are Mr. Swartz's hearings.

MARK SWARTZ: I can put three of them together. It's not going to take very long.

JUDE McKINNEY: That would be fine. So, you want us to go---.

BENNY WAMPLER: Is that what you...you were requesting? Is that what...is that what you were requesting?

JIM KISER: I think we're both...all on the same page here.

BENNY WAMPLER: Okay. All right. Well, as long as everybody is in agreement. We're not going to interfere with that. So, come on.

CLYDE KING: It's very seldom we get everybody in agreement.

MARK SWARTZ: That will be a first.

BENNY WAMPLER: Now, what are you requesting? Combine five---?

MARK SWARTZ: I would...I would ask that you combine five, six and seven on your docket. They have the same respondents. They're pretty similar units and we ought to be able to handle those together. And then we'd have to take eight as a stand alone.

BENNY WAMPLER: Okay. Okay, we're...the next item

on the agenda we're going to call, and we just put the other...we parked the other one for further discussion, is a petition from Buchanan Production Company for pooling of a coalbed methane unit identified as M-37, docket number VGOB-00-06/20-0809, and M-38, docket number VGOB-00-06/20-0810, and M-39, docket number VGOB-00-06/20-0811. We'd ask the parties that wish to address the Board in this matter to come forward at this time. For those of you that are tracking our agenda item numbers, they are five, six and seven that they've asked to combine.

MARK SWARTZ: Mark Swartz and Les Arrington are here on behalf of the applicant, Buchanan Production Company.

BENNY WAMPLER: Okay, the record will show there are no others. You may proceed.

MARK SWARTZ: Members of the Board, we've combined these three because, as you'll notice, the respondents in each of these three units are the same folks and the...each of these three applications, M-37, 38 and 39, seeks to pool an 80 acre drilling unit under Oakwood I. They all have one well. Each of the wells, as you look at the plats, is in the drilling window. So, we don't have any location problems. I'd like to swear...have Mr. Arrington sworn and take his testimony.

(Witness was duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, you need to state your name for us.

A. Leslie K. Arrington.

Q. Who do you work for?

A. Consol.

Q. What is your relationship with the applicant here, Buchanan Production Company?

A. I'm a permit specialist.

Q. Did you prepare, or cause to be prepared, the notices, application and exhibits with regard to each of these three matters?

A. Yes, I did.

Q. Okay. And did you in fact sign the notices and the applications?

A. I did.

Q. Okay. Are all three of these applications,

do they seek to pool 80 acre units under Oakwood I?

A. They did.

Q. Okay. Did you mail the notices, as required by law?

A. Yes, we did on May the 19th.

Q. Of the year 2000?

A. Yes.

Q. And what did you mail to the...to the folks?

A. The notice.

Q. And exhibits?

A. And exhibits, yes.

Q. Okay. And did you mail to everybody that you had addresses for?

A. We did.

Q. Okay. So, if we look at Exhibit B-3, it shows that you had addresses and those are the folks that you mailed to?

A. Yes, it does.

Q. Okay. And have you filed with the Board your proof of mailing as you usually do today?

A. Yes, we did.

Q. Okay. And it shows the tracts, who signed for mail, when, and so forth?

A. It does.

Q. Okay. Did you also publish with regard to these units?

A. Yes, we did. In the Bluefield Daily Telegraph on May the 25th, the year 2000.

Q. And would that be true for all three units?

A. Yes, it is.

Q. And have you filed a certificate from that newspaper with regard to the publications?

A. Yes, we have.

Q. And what did you publish?

A. The notice of hearing.

Q. In its entirety?

A. Yes, we did.

Q. Okay. The applicant here is Buchanan Production Company, correct?

A. That's correct.

Q. And Buchanan Production Company is a Virginia General Partnership whose two partners are Appalachian Operators, Inc. and Appalachian Methane, Inc., is that correct?

A. That's correct.

Q. Is Buchanan Production Company authorized to

do business in the Commonwealth?

A. Yes, it is.

Q. Who is the applicant asking to be designated as the operator of these three units?

A. Consol, Inc.

Q. Okay. Is Consol a Delaware Corporation?

A. Yes, it is.

Q. Is it authorized to do business in the Commonwealth, has it registered with the Department of Mines, Minerals and Energy and does it have a blanket bond on file?

A. Yes, it does.

Q. Has Buchanan Production Company, the partnership that's the applicant here, delegated the responsibility and duties to manage its lease hold assets to Consol?

A. Yes, it has.

Q. And has Consol accepted that delegation?

A. Yes, it has.

Q. And certain specific people at Consol have been charged with that responsibility, correct?

A. That's correct.

Q. And...and you work for Consol as well?

A. That's right.

Q. And your job is to prepare permit applications for wells and pipelines and pooling applications, correct?

A. Yes.

Q. Okay. Have you named all of the people that you seek to pool by these three applications in the notice and again on Exhibit B-3?

A. Yes, we have.

Q. Okay. Do you wish to add anybody today?

A. No.

Q. Do you wish to dismiss anybody today?

A. No.

Q. Let's turn to the status of the interest in each of the units and let's start with M-37 and go to A, page two, okay. With Regard to M-37, to summarize, you have a coal lease for a 100% of the coal?

A. That's correct.

Q. And you have coalbed methane leases from coal owners totaling apparently 99.9355%?

A. That's correct.

Q. And you also have coalbed methane leases from the oil and gas...oil and gas owners totaling 99.9355% of the unit?

A. That's correct.

Q. And what interest are you seeking to pool by the pooling application regarding M-37?

A. 0.0645% of the coal, oil and gas owners.

Q. Okay. And, in fact, Exhibit B-3, which shows oil and gas fee ownership, it actually should show oil, gas and coal, correct?

A. It should.

Q. Okay.

A. Uh-huh.

Q. If you turn to Exhibit or application M-38 and also go to Exhibit A, page two, in this unit, you have leased from the oil and gas owners and the coal owners 99.8756% of their claims to coalbed methane, correct?

A. That's correct.

Q. You've got coal leases for a 100% of the unit?

A. Correct.

Q. And what interest are you seeking to pool?

A. 0.1244% of the coal, oil and gas owners.

Q. Okay. And, again, we're talking about the P.J. Brown heirs and, again, Exhibit B-3 says oil and gas, but it should say oil, gas and---?

A. Yes.

Q. ---coal?

A. Uh-huh.

Q. Correct?

A. Yes.

Q. Turning to Exhibit A, page two with regard to M-39, again, we have a 100% of the coal leased, correct?

A. Uh-huh.

Q. And of the coal and oil and gas claims to coalbed methane, what percentage have you obtained leases for?

A. 99.93524%.

BENNY WAMPLER: That's different.

A. Is that the wrong one?

Q. This number.

A. Oh, I'm sorry. Wrong one. 99.88677%. I'm sorry.

Q. Okay. And what interests are you seeking to pool in M-39?

A. 0.1323% of the coal, oil and gas interest.

Q. Now, are each of these three units, are you seeking to pool them as 80 acre frac units under Oakwood I?

A. Yes, we are.

Q. Are you proposing one well for each unit?

A. Yes, we are.

Q. In each instance, is the well located within the drilling window?

A. Yes, it is.

Q. Okay. With regard to the well costs and estimates in M-37, what is the well cost estimate?

A. $211,234, drilled to an approximate depth of 1,929 feet.

Q. And the permit number?

A. 4523.

Q. With regard to M-38, what is the estimated cost?

A. $204,375.40, drilled to an estimated depth of 1,773 feet. Its permit number is 4525.

Q. And then the same information with regard to M-39?

A. The well cost is estimated at $200,069, drilled to a depth of 1,677 feet, permit number 4524.

Q. And are you seeking to produce from these frac wells for all coal seams below the Tiller?

A. Yes, we are.

Q. Okay. And the people in both...in all three

of these units, you've leased something on the order of 99% of the owners, correct?

A. That's correct.

Q. And what have been the typical terms that you have offered those owners for coalbed methane leases?

A. For a coalbed methane lease, it's a $1 per acre per year with a five year term and then a one-eighth royalty.

Q. And would you recommend those same terms to the Board with regard to the deemed to have been leased provision?

A. Yes, we would.

Q. Okay. Exhibit B-3 sets forth the percent of interest in the unit of each of the respondents, is that correct?

A. It does.

Q. So, in terms of estimating royalty payments, or calculating a participation cost, or a carried interest multiplier, you would use the percentage as reported in that right hand column, correct?

A. Yes. That's correct.

Q. For example, if Virginia Brown-Palmer wanted to figure out what she would have to contribute up front to

participate in the unit, she would take .0129% times the cost...the estimated cost for M-37, which is $211,234 and that would generate her participation cost, correct?

A. That's correct.

Q. And that same number relevant to royalty and participation?

A. It is.

Q. In all of these units, it appears that escrow is not necessary because we're dealing with fee owners?

A. That's correct, it is not.

Q. And we've located everybody. So there are no unlocateables we have to deal with, correct?

A. That's correct.

Q. Lastly, I would ask you whether or not the plan of development as disclosed by these three applications and the exhibits and the maps attached is to you a reasonable plan to develop the coalbed methane resources under these units?

A. Yes, it is.

Q. And the pooling would accordingly protect all owners and their correlative rights interest, correct?

A. Yes, it would.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Did you also intend to amend B...Exhibit B-3 on M-39 to say coal as well? You didn't do that on the record.

LESLIE K. ARRINGTON: We will.

BENNY WAMPLER: All right. In my copy at least, on the application for M-38, you have the drilling costs for M-39 and then the application for M-39, you have the drilling costs for M-38.

MARK SWARTZ: But the Exhibit Cs are correct. You're right in what you've said. That's a mistake. But the exhibits that accompany each of the applications has the correct number.

BENNY WAMPLER: I'm just verifying that that's the correct number.

LESLIE K. ARRINGTON: Correct.

BENNY WAMPLER: Any other question from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No.

BENNY WAMPLER: Is there a motion?

CLYDE KING: I so move.

DENNIS GARBIS: I second.

BENNY WAMPLER: A motion to approve and second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes?

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is the Board will consider a petition from Pocahontas Gas Partnership to modify previous pooling orders of coalbed methane unit identified as Buchanan Number One South SGU located in Buchanan County, docket number VGOB-98-11/17-0697-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington on behalf of Pocahontas Gas Partnership.

(Mr. Arrington distributes exhibits.)

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

MARK SWARTZ: Although you've received a lot of paperwork, there are three issues here and they're pretty simple. I thought I'd lay them out for you before we

started. The reason we're seeking a modification of the original pooling order in this sealed gob unit is three problems that arose subsequent to the entry of that order.

First, with regard to Nancy Rose, in the original application we noticed her, but reported that she was a leased party. Now, to refresh your recollection of what happens in a sealed gob unit, when you file...when we file for a sealed gob unit, we ask you to do two things. One, is create the unit; and two, is pool. We have to name our lessors when we create these units because the pooling provisions in the leases do not allow us to voluntarily, or unilaterally, create that large of a unit. So, we have to join our lessors. So, we give everybody notice, whether they're leased or not, when we create these units. We thought she was leased and gave her notice, sought the ability to create the unit via her, but didn't seek to pool it. So, we're here today to straighten that out and pool her interest. But in terms of creating the unit, the order is binding on her because she had notice of our desire to create the unit.

The same problem with Grady Horn, who's the...who's one of the other...who's the second of the three respondents here. We gave him notice of the original application, but we

noticed him with regard to creation of the unit, not with regard to pooling. We've showed him as leased and it turned out we didn't have a lease from him.

John Astor Rife, we...was completely omitted from the original application and exhibits. We have always had a lease from him and we should have shown him as a leased party when we created the unit. We don't need to pool him.

So, the three things that need to happen here are we need to pool Nancy Rose and Grady Horn in spite of the fact that they had notice of the original application and we created the unit via them. With regard to Mr. Rife, we do not need to pool him because we've always had a lease from him, but we need to notice him of the creation of the drilling unit and need to give him an opportunity to come forward today if he had a problem with that. So, that's...that's why we're here. You might have a ton of paperwork.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, I'm going to remind you that you're still under oath.

A. Yes.

Q. You need to state your name again.

A. Leslie K. Arrington.

Q. Who do you work for?

A. Consol.

Q. Okay. And what is your relationship as a Consol employee with the applicant here, Pocahontas Gas Partnership?

A. I work the permit specialist for Pocahontas Gas Partnership.

Q. Have I accurately summarized what it is we need to do on this petition for amendment?

A. Yes, you have.

Q. Okay. Is Pocahontas Gas Partnership a Virginia General Partnership?

A. Yes, it is.

Q. Are the two partners Conoco and Consolidation Coal Company?

A. Yes, it is.

Q. Is Pocahontas Gas Partnership authorized to do business in the Commonwealth?

A. Yes, it is.

Q. In terms of designated operator, originally

Pocahontas Gas Partnership was designated the operator?

A. That's correct.

Q. And you want to continue that?

A. Correct.

Q. Have you named all of the people in your notice of hearing that you need to deal with on this modification to straighten out the issues that we've discussed?

A. Yeah, we believe so.

Q. Okay. And they are John Astor Rife, Nancy Rose and Grady Horn, correct?

A. Yes.

Q. Do you wish to add anybody as a respondent today?

A. No.

Q. Do you wish to dismiss any of these of three?

A. No.

Q. Did you mail notice to these folks?

A. Yes, we did on May...May 19th of 2000.

Q. Did you have addresses for all three of them?

A. Yes, did.

Q. Have you filed proof of mailing with the Board today?

A. Yes, we have.

Q. Did you also publish?

A. Yes. In the Bluefield Daily Telegraph on May the 25th of 2000.

Q. And did you...have you filed the proof of publication from the newspaper today with the Board as well?

A. Yes, we have.

Q. If you'll turn to the exhibit and...to the exhibits attached, there's an Exhibit A, I believe.

A. There is.

Q. What is the...what are the interests that you've been able to lease?

A. We have leased 100% of the coal interest and 99.93524% of the oil and gas interest. We're seeking to pool on this modification 0.06476%. In the first application we pooled 0.69352%.

Q. Now, does this application and the prob...the three problems that we're straightening out here, does it effect any of the percentages that were previously set forth in exhibits with regard to the people that were previously pooled?

A. The only exhibit change that we had to make, my Exhibit B-3 and E and double E that was in the original application, the percentages were correct there. The tract I.D. percentages were not the same as what was in those exhibits. So, we...in these tract I.D.s, the percentage numbers are correct. The acreage...the acreage is presented in...on the tract I.D.s originally was correct. It was just the percentage was off a small amount.

Q. Okay. To restate what you've said, was the original...were the original Exhibits B, B-3, E percentages correct?

A. Yes, they were.

Q. Was the index to the tracts on the plat incorrect---?

A. They were.

Q. ---with regard to percentages?

A. Percentages only.

Q. And you fixed that?

A. We fixed that.

Q. Okay. Then to get back to where I started, did anyone who was originally pooled suffer a decrease, or enjoy an increase, in their percentage by reason of any of these changes?

A. If it was, it would have been Coal Mountain on Tract 47 with John Astor---.

Q. But they're a lease party?

A. They are leased.

Q. I'm talking in terms of people you've pooled?

A. No.

Q. Or that this Board has pooled?

A. That's correct. That's correct. None.

Q. Just so there's no confusion, there's no change of percentage of anybody that was previously pooled?

A. No.

Q. Okay. Again, this unit contains how many acres?

A. Mark, that acreage is in the original application.

Q. Okay.

A. I don't think I have that here before me unless it's right there.

Q. Here, let me lend it to you.

A. It should be on the first page. 1,590.44 acres.

Q. And you're not seeking to change, in any

respect, the creation of this drilling unit by the original order?

A. No, we're not.

Q. So, the acreage remains the same and the description remains the same?

A. That's correct.

Q. And with regard to your testimony concerning applicable costs, in the original application, it contained an Exhibit G and, in fact, contained Exhibit C for each of the wells that you were seeking to attribute costs, correct?

A. It did.

Q. And through inadvertent...was...were these exhibits not included in the current?

A. They were not.

Q. Okay. And was the allocation of costs on a per-well bases greater or less than what the Exhibit C that went out with this notice?

A. It was less than.

Q. Okay. And what is the correct per well average cost in this sealed gob unit?

A. $170,890.05.

Q. And that was the exhibit that was...Exhibit G that was originally presented?

A. It was.

Q. And what is the total cost of the wells in this panel, or in this sealed gob unit, that was reported and allocated when this unit was first created and pooled?

A. $1,538,010.45.

Q. And will you be filing or refiling the same exhibits with the Board?

A. It will be.

Q. So, they...well, I mean, they can go back and look at it, but can you send them a copy?

A. We can.

Q. Okay. The production from this sealed gob unit would be from the Tiller on down, correct?

A. It is.

Q. Okay. And the production would be allocated to the respondents as is reported in the percentages listed in Exhibit B-3, correct?

A. That’s correct.

Q. So, there’s...there’s a column, interest in unit in Exhibit B-3, correct?

A. It is.

Q. And that would be where the parties being pooled would look to find their royalty share percentage or

their percentage that they would need to use to calculate their participation cost or their carried interest cost, correct?

A. Correct.

Q. Obviously, you've leased something in the order of 99% of this sealed gob unit as well, correct?

A. We have.

Q. What are the terms, generally speaking, that you've been offering for coalbed methane leases to the people that you've succeeded in obtaining leases from?

A. It's a $1 per acre per year, with a five year term rental and a one-eighth royalty.

Q. Okay. So, with regard to any deemed to have leased provision, and election provisions concerning Nancy Rose and Grady Horn, would those be the terms you would recommend to the Board?

A. It is.

Q. And with regard to Mr. Rife, he does not need an election option because he's leased, correct?

A. That's correct.

Q. Do you have addresses for all of these people, so there's no escrow necessary for unlocateables?

A. No. That's correct.

Q. And you've submitted Exhibit E with regard to escrow for other conflicting claimants?

A. We did.

Q. Is it...lastly, is it your opinion that the plan of development for this sealed gob unit is a reasonable plan to develop the sealed gob gas within the unit for the benefit of all owners?

A. It is.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Any questions from members of the Board?

MASON BRENT: Did you say that you had spoken to these...these three people to explain the mix up?

LESLIE K. ARRINGTON: Okay, Grady Horn and Nancy Rose, we have not. Mr. Rife called in and we explained the situation to him and he had no problems with it.

MASON BRENT: But you didn't contact the others to explain?

LESLIE K. ARRINGTON: Other than...other than by certified mail, no.

MASON BRENT: I would just think this...you know, this stuff is confusing enough for the public. I would think that when you had a mix up like this, you'd take the time to

call and try to explain.

BENNY WAMPLER: Are you offering to do that?

LESLIE K. ARRINGTON: I'll...I'll see what I can do about it.

MASON BRENT: I know he's not required to do that.

LESLIE K. ARRINGTON: Yeah.

BENNY WAMPLER: I understand. I understand.

SANDRA RIGGS: Is the Exhibit B-3 that was handed out replacing the one?

MARK SWARTZ: Yes.

BENNY WAMPLER: Anything further?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MASON BRENT: I move that we grant the application, Mr. Chairman.

BENNY WAMPLER: I have a motion to grant the applications as presented.

DENNIS GARBIS: I second.

BENNY WAMPLER: Motion and second. Any further discussion?

(No audible response.)

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

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

MARK SWARTZ: Thank you all.

BENNY WAMPLER: Okay. Now, we're going to go back to nine, ten and four. I'll do that properly here in just a minute. While you all are getting set up, we're going to take five minutes.

(Break.)

BENNY WAMPLER: Okay. For those following our agenda, we're going to start with number nine, but we're going to take four, nine and ten in order...but starting with the order nine, ten and four. So, the next item on the agenda is a petition from Equitable Production Company to modify a previous pooling order for a coalbed methane unit identified as VC-3621. This is docket number VGOB-97-07/15-0591-01; and we'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KISER: Mr. Chairman and members of the Board, Jim Kiser on behalf of Equitable Production Company. Our witnesses in this matter will be Mr. Don Hall and Mr. Martin Puskar.

BENNY WAMPLER: And if you folks starting with you,

ma'am, and go this way and identify yourself.

LOUVENE AUSTIN: I'm Louvene Austin, 809 Afton Street, Kingsport, Tennessee 37660. This is my husband.

JOE AUSTIN: Joe Austin from 809 Afton Street, Kingsport, Tennessee 37660.

JUDY McKINNEY: I'm Judy McKinney and I'm from Ramsey Ridge. We own an interest in this property that the gas is being taken from, the 50 acre mineral exemption of Elbert Ramsey.

REBECCA PARIGAN: I'm Rebecca Parigan. I live in Elkin, North Carolina and I own the property that they're fixing to drill on and have never been notified.

BENNY WAMPLER: Okay. The way we're going to proceed, Mr. Kiser will go ahead and present his information and then you'll have an opportunity to ask any questions you have as they present their witnesses and---.

JUDY McKINNEY: I have a statement prepared that, whenever they get done, that I'd like to make.

BENNY WAMPLER: Sure. That's fine.

(Board members confer among themselves.)

(Mr. Kiser distributes exhibits.)

JIM KISER: Mr. Chairman and Members of the Board, what we are going to do here today, these three wells are

hearings number nine, ten and four, all involve a 50 acre tract in the Elbert Ramsey heirs. The first one that we would like to address, that being Equitable Production Company well number VC-3621, is actually a modification of a prior pooling that we did in July of 1997. I'll start with Mr. Hall and he'll give you some history as to why we're back before you to modify that prior order and then we'll go from there.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

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

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

Q. And do your responsibilities include the land involved under this unit and in the surrounding area?

A. Yes, they do.

Q. And you're familiar with the application that we filed seeking a modification of a prior order for this well?

A. Yes, I am.

MASON BRENT: We need to...Mr. Chairman, we need to swear the witness.

COURT REPORTER: Mr. Kiser, I need to swear the witnesses.

JIM KISER: Oh, I'm sorry. You need to swear both of these guys.

(All Witnesses are duly sworn.)

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. We'll start over then. If you would, again, Mr. Hall state your name for the record, who you're employed by and in what capacity?

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

Q. And do your responsibilities include the land involved in the unit for VC-3621 and in the surrounding area and you are familiar with the application we filed seeking a modification of the prior Board order for this well?

A. Yes.

Q. Okay. Now, would you explain for the Board why we're seeking this modification?

A. In, I believe it was '97, we forced pooled this...forced pooled the Rainwater Ramsey heirs for this well. Subsequent to that, we've met with Ms. McKinney and Mr. Austin and their attorney and have made the determination that concluded that Rainwater Ramsey had several kids. I think eight or ten or maybe twelve, and Elbert was...Elbert Ramsey was one of his kids. This 50 acres we're discussing here is a 50 acre exception out of a mineral tract that was, when the mineral was sold, this 50 acres was excepted and initially we thought it was excepted by Rainwater and, therefore, the tract would have been owned by his...by his heirs. But in...after having a meeting with Ms. McKinney and Mr. Austin and their attorney, we concluded that only the Elbert heirs own the 50 acre exception. So, therefore, what we did was force pool too many people and we need to...we need to reduce the number of people down to just the Elbert heirs as listed on our Exhibit B.

Q. So, what we're seeking to do then is to dismiss the Rainwater Ramsey heirs, who I think were, with the exception of the Elbert Ramsey heirs, listed in the

original pooling application as unknown, so any royalty interest attributed to them is in the VGOB escrow account and then repool the Elbert Ramsey heirs with their new increased interest within the unit, is that correct?

A. Yes.

Q. Okay. And does this proposed location fall within the Board's order for the Nora Coalbed Gas Field?

A. Yes, it does.

Q. Now, prior to filing this application, were efforts made to contact each of the unleased respondents and attempt made to acquire a voluntary oil and gas lease from them?

A. Yes.

Q. Okay. Now, at the time that Equitable filed this application seeking a modification, they had under lease in the gas estate in the unit 94.065%?

A. Yes.

Q. And the same percentage of the coal estate?

A. Yes.

Q. Okay, now, since we filed this application, were you successful in your attempts to obtain any additional voluntary leases?

A. Yes. We've picked up three leases from the

Elbert Ramsey heirs.

Q. And that's why we have...in addition to the fact that we're dismissing out the Rainwater Ramsey heirs to reflect Tract 2 as being owned holy by the Elbert Ramsey heirs, could you point out for the Board, and for the Ramsey heirs, who those additional leases are?

A. They're Margie Duncan.

Q. Which is on page one?

A. Right. And Leroy Church.

Q. Which is on page four.

A. And Velva Sutherland Coleman.

Q. On page five. So, what is the percentage of the unit that is under lease to Equitable now in both the gas and coal estates?

A. 94.62250 percent.

Q. Okay. And then all the parties that remain unleased at this point in time are set out in this revised exhibit, dated June the 16th, 2000?

A. To my knowledge.

Q. Okay. And what is the interest within both the gas and coal estate that remains unleased at this time?

A. 5.3775%.

Q. Okay. Now, are the addresses set out in

this revised exhibit to the application the last known addresses for the respondents?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest listed in this revised Exhibit B?

A. Yes.

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

A. Yes.

Q. Could you advise the Board as to what those are?

A. A $5 bonus, a five year term, a one-eighth royalty.

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

A. Yes.

Q. Okay, now, based on the respondents, the parties in Tract 2 that have not agreed to a voluntary lease, they were under the '97 order given an election option, but since we're coming back and modifying it and their interest

are being affected, in other words, their interest are increasing, do you agree that they should be allowed a second election option, so to speak, and that those options should be: 1) Participation; 2) a cash bonus of $5 per net mineral acre plus one-eighth of eight-eighths royalty; 3) in lieu of a cash bonus and one-eighth of eight-eights royalty, a share in the operation of well on a carried basis as a carried operated under the following conditions: Such carried operator shall be entitled to their share production from the tracts pooled accruing to his interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his share equal (A) - 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or (B) - 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that any Board order provide that elections by a respondent be in writing and sent to the applicant at Equitable Production Company, Clover Leaf Square, Building B, Big Stone Gap, Virginia zip code 24219

and sent to the attention of Rita McGlothlin-Barrett?

A. Yes.

Q. And should this be the address for all communications with the applicant concerning any force pooling order?

A. Yes.

Q. Should the order provide that if no elections is properly made by a respondent, then such respondent should be deemed to have elected the cash option in lieu of participation?

A. Yes.

Q. In other words, that being the $5 per acre bonus and one-eighth of eight-eights royalty?

A. Yes.

Q. And should unleased respondents be given thirty days from the date of the execution of Board order to file those written elections?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given forty-five days to pay their proportionate share of well costs?

A. Yes.

Q. Does the applicant expect any party electing

to participate to pay those costs in advance?

A. Yes.

Q. Should the applicant be allowed a hundred and twenty days following the recordation date of the Board order, and thereafter, annually on that date, until production is achieved to pay or tender any cash bonus becoming due under the order?

A. Yes.

Q. Do you recommend that if the respondent elects to participate, but fails to pay their proportionate share of well costs, then respondents election to participate should be treated as having been withdrawn and void and such respondent should be treated just as if no election had been made, in other words, deemed to have leased under the force pooling order?

A. Yes.

Q. Do you recommend if a respondent elects to participate, but defaults in regard to the payment of well costs, any cash sum becoming payable to such respondent be paid within sixty days after the last date on which such respondent could have paid, or made satisfactory arrangement for that payment?

A. Yes.

Q. Okay. In this case, we still do have some unknown/unlocateable heirs. So, are we requesting that the Board continue or, I guess you'd probably have to establish a new escrow account in this new order, establish a new escrow account under any new order to escrow the royalty interest represented by those unknown owners?

A. Yes.

Q. And who should be named the operator under any force pooling order?

A. Equitable Production Company.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Do you folks have any questions of this witness?

JUDY McKINNEY: No.

JOE AUSTIN: Are you saying that we have to pay for the well? I mean, part of it?

JIM KISER: Only if you want to elect to participate and then you'd become a working interest owner.

JOE AUSTIN: Uh-huh.

JIM KISER: Rather than a royalty interest owner.

JOE AUSTIN: Uh-huh.

JIM KISER: That's one of the elections you have. You don't have to, no.

JOE AUSTIN: Oh, I see. Judy?

JUDY McKINNEY: No, I have no questions about this particular well.

BENNY WAMPLER: Call your next---.

JUDY McKINNEY: I just wish to say what I've got to say when they get done and make a statement.

BENNY WAMPLER: Okay, that's fine. Go ahead.

MARTIN PUSKAR

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

QUESTIONS BY MR. KISER:

Q. Mr. Puskar, would 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 and I'm a Petroleum Engineer.

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

A. Yes, it does.

Q. And you're familiar with...now, this well 3621, the spud date on this well was September the 8th, 1997?

A. Yes.

Q. And the total depth of this well is 2,320 feet?

A. Yes, it is.

Q. Okay. The completion date on this well was September the 22nd, 1997?

A. Yes.

Q. Okay.

BENNY WAMPLER: Did you say 2,320 feet?

JIM KISER: Yes, sir. It's different from the application. It's a little bit new.

Q. And this well was actually turned on line on October the 8th, 1997?

A. Yes.

Q. Okay. And if---?

JOE AUSTIN: Would you give us that date?

JIM KISER: Yes, sir, I'll give you a copy of all of this.

JOE AUSTIN: Okay.

JIM KISER: It will be on both of these.

JOE AUSTIN: Thank you.

LOUVENE AUSTIN: Okay. Okay, thank you.

Q. Now, based upon the production stream that you've seen since you've been on line since October of '97, what is your new projection of the estimated reserves for the life of the unit?

A. Our current projections for the gross estimated reserves right now is 555,000,000 cubic feet of gas.

Q. Okay. And what...what were the actual well costs for this well, completed well cost?

A. The total well cost that we have got right now was $143,955.

BENNY WAMPLER: Repeat that, please.

A. $143,955.

BENNY WAMPLER: Thank you.

MASON BRENT: That's completed...excuse me, completed?

A. Yes.

JIM KISER: It's completed. For the Board, do you want a breakdown of that of tangible and intangible frac, offset and that kind of stuff?

BENNY WAMPLER: I would say just give us on file... you know---.

JIM KISER: The compliance.

BENNY WAMPLER: ---submit it to Mr. Wilson for filing.

JIM KISER: Okay.

BENNY WAMPLER: Unless there's questions about it. We'll need it on file.

Q. Okay. And those costs included a multiple completion and a reasonable charge for supervision?

A. Yes, it did.

Q. In your professional opinion, would the granting of this application to modify the prior order be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes, it would.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Do you folks have any questions of this witness?

(No audible response.)

BENNY WAMPLER: Okay. Do you have anything further?

JIM KISER: We'd ask that the application be approved as submitted.

BENNY WAMPLER: Okay, Ms. McKinney.

JUDY McKINNEY: Do want me to just...I've got my statements written out as to all three wells, as they all three pertain to all of...to the same property, the same ownership and everything. Do you want me to go ahead with that now or do you want---?

BENNY WAMPLER: That's fine. Do that now.

JUDY McKINNEY: Okay. I'm going to read what I've got and then I'll give you my copy and I might elaborate on some of this.

The following statements are...and I also want to mention that this, I'm Cecil McKinney's wife and this is what we came up with and, you know, the other heirs may, or may not, go along with us and that's left up entirely to them.

The following statements are our opinions and requests concerning the well drilling and force pooling near Elbert Ramsey's house and orchard located on Ramsey Ridge, Rt. 1, Clincho, Virginia in Dickenson County, Virginia. We agree that only the Elbert Ramsey are entitled to the royalty payments from wells VC-3621, VC-3212, VC-3698 and any other wells which may be draining gas from the Elbert Ramsey

property.

We request that any money from royalty that has been put into trust, or escrow accounts, for the Rainwater Ramsey heirs from the VC-3621 well which we're discussing, be divided appropriately between the Elbert Ramsey heirs plus interest from the said money held in escrow. We request that royalty payments from well VC-3212 from the day that it was to be...was drilled be paid appropriately to the Ramsey...Elbert Ramsey heirs, plus interest and royalty payments due.

We also want to point out that this well, we were never forced pooled on this well and we were never given any notice that this well was draining our gas. The permit was just obtained, the well was drilled and we were never notified that it was taking gas from our property.

It's no secret that the Elbert Ramsey heirs own the reserved 50 acres of minerals, gas, coal and oil or whatever, from the 1,303 acre mineral tract which was executed by Rainwater Ramsey to J. T. Walter in Deed Book 4, Page 260. From the 1,303 acre mineral tract, Pittston has only paid mineral taxes on 1,253 acres. With all the attorneys, this Equitable, their land agents, their geologist, their previous experiences with heirs, there is no legitimate reason why

Equitable would not have known that they were draining gas that they did not own from the Elbert Ramsey heirs' property.

Furthermore, we are of the opinion that wells VC-2279, VC-2278, P-227, P-317 and possibly P-245 are draining gas from the Elbert Ramsey tract, also. These wells were never forced pooled and we were never notified that they may possibly drain our gas. We have...I have contacted two geologists, one in Oklahoma and one in West Virginia. We have a geologist report to help back up our opinions that these gas wells are draining our gas from the property.

None of the above wells were forced pooled or leased when permitted and no royalty has been received from their production. Again, Equitable Production has no excuse for not knowing that these gas wells would drain gas from the Elbert Ramsey property.

We have been in meetings and discussions with attorneys and various other employees of Equitable for over two years in an attempt to resolve the matter of who the heirs to this property are. We have also stressed the fact that Elbert Ramsey's heirs are entitled to royalty from several gas wells located around this property.

Therefore, we are requesting that no permit be issued for VC-3698 at this time. We are also requesting that

wells VC-2279, VC-2278, P-227, P-317 and P-245, VC-3621 and VC-3212 be shut down or dealt with by the Virginia Oil and Gas Board until matters concerning the drainage of gas from the Elbert Ramsey heirs property be addressed and settled. We request that the Virginia Oil and Gas Board thoroughly investigate and address these matters which could include gas wells not listed above. We are also requesting transcripts of the hearings which were had to obtain permits for these wells. We would like to know what kind of testimony was given in order to obtain these wells, or these permits.

We also request that Equitable Production Company, and/or the Virginia Oil and Gas Board, devise or find a way to properly disburse or distribute royalty payments for the interest of Lula Brown, which was willed to the Ramsey Ridge Community and cemetery. This church and cemetery is a community church and cemetery which is not owned by any one denomination or person. It was built by funds or money from several church denominations and many of the heirs to this property and community residents. It was not built with the approval and consent of all the heirs who owned this property and has, therefore, been in controversy among denominations and heirs for several years. We are, therefore, requesting that Equitable place any money to be received from royalties

due the church and cemetery into a trust account and petition the Circuit Court of Dickenson County to rule on how royalty payments should be used or distributed.

We also want to point out and request that permit VC-3698 should be denied at this time based on the fact that the surface owners, Roy and Rebecca Parigan, have not been properly notified of the request that said well will be drilled upon their property; and this is signed by my husband and I and I'd like to give it to the Board for their records.

JIM KISER: Do you have a copy of that for us?

JUDY McKINNEY: Could you all make him a copy?

JIM KISER: Yeah, I think the only way we're going to be able to handle this is to get a copy and go through it matter by matter. Otherwise, it's going to be completely confusing to you all.

BENNY WAMPLER: Do you want to use this---?

DENNIS GARBIS: I am thoroughly confused at this point.

JIM KISER: Yeah.

JUDY McKINNEY: Well, I can sum it up, the gas wells that are located around this property, or a good portion of them, are draining gas from this property. We know from discussion with the gas company that this is a hot area. We

also know that it's in heirship. So, therefore, it's hard to get any matters pertaining to this settled and it's an easy way, I guess, what I want to nicely say, for the gas company to go ahead and drill their gas wells and nobody will come forward and say anything because nobody really knows what to say or what to do.

Now, what got me into this...I've been into this for several years. We have a...we organized a committee called the Dickenson County Citizens Committee in 1986 because we felt that we were being treated unfairly by the gas company. We had a lot of bad run-ins, and since that time we have come a long way with the gas company, you know. And, like I said, Benny Wampler remembers me from a long time ago when this started. What---.

BENNY WAMPLER: She means that friendly.

JUDY McKINNEY: Oh, yeah. When these got started, what got me to...I've worked on this off and on for several years and I've had a hard time...I work for an attorney and I also do title searches and I've learned a lot from it. I've been trying to search this property out and figure out exactly how it exists, who owns what and it has not been easy with...with working and going to school and raising a family, but I've still been working on it.

What got me concerned about this, they had applied for a permit for a well, I guess, it was the first one that we were ever in on the...I think it was P-2...304, or something like that and when I talked to a geologist about it he said well, if they drill that well there, and it was Bart...Mr. Bartlette, he said they will drain your gas off of this property over here, because I knew at that time we already owned the mineral rights on this property. I knew that it had been excepted. So, then that got me to checking on it. I was out in Colorado and met a geologist from Oklahoma in a Citizens Coal Counsel meeting that we have out there each year and got to discussing it with him and found out a lot of this information. So, I began to get production reports, sales reports and things like that for all of these wells that had been drilled around the property, completion reports, and I sent them to this geologist in Oklahoma and I also sent them to the one in West Virginia. And they both were of the opinion that these wells were drilling...were draining gas from our property. But when I started requesting all of this information from the gas company and stuff and then they come up and force pooled us on VC-3621. And that’s when they force pooled us with all the Rainwater heirs.

Now, I didn't come to that hearing then because I didn't have all my ducks in a row, or I didn't have all my facts straight about the property and I wasn't for sure, and I don't want to come here and tell you something that I don't know what I'm talking about, or I don't want to come here and lie to you in anyway about what I feel. Since then, I have checked on this and I've went and done title searches and I have found where the Elbert Ramsey heirs are the only heirs that own this property and I did manage to convince them and their attorneys of that in a hearing that the Elbert Ramsey heirs, and not the Rainwater heirs, were entitled to it; and at that time, I brought up the fact that these other gas wells were draining...draining our gas. When I done that, then they went back and said, yeah, VC-3212 is, but we didn't force pool you on that. They tried to tell me that P-317 was issued...that you all issued them the order and it was right within limits of the property line. So, therefore, they didn't have to notify us and because it was just that close, it was okay to go ahead and take the gas. But issuing a permit in a distance close to a property line is one thing. Taking somebodies gas is entirely a different one. You all have no authority to tell them that they can take our gas just because they're within the property, within the

distances, is what I'm trying to say.

Whenever I done the geologist reports, they indicated that these P wells, which are the natural gas wells we refer to, they can draw from a much further distance. That they draw from one usually from...like if they have them in circles, they draw from one to the other one and the square ones that are drilled at a lessor depth drain the gas from a...from a shorter distance.

Now, there's gas wells all around this property and this is a hot area and there has been a lot of money...from the production reports and the sales reports that I have, there has been a lot of money that has been made off of gas on there. The only thing that we want is our fair share of what has been drilled and we don't want nobody to take gas that they don't own or take our gas and not pay us for it.

BENNY WAMPLER: Thank you. Ma'am, did you have any---?

REBECCA PARIGAN: I've just got to say that on the V6...I mean, the VC-3968 well, out of $4,000,000 or whatever in escrow, you'd think that you could do somebody to do some title searching and get the right name for the property and send the $.33 stamp, or whatever, to get the right person named notified that whose property it is.

JIM KISER: And you're the surface owner of that?

REBECCA PARIGAN: I am.

JIM KISER: Well, do you want us to address that one first because that would probably be...that's your---?

DON HALL: That's...but that's not the hearing we're talking about.

JIM KISER: Well, that's true.

REBECCA PARIGAN: That's...that's out of the 50 acres they own the mineral rights under it and I own the surface.

JIM KISER: Right, I understand. Do you want us to address that when we get to 3968?

BENNY WAMPLER: When we get to it. Yeah.

JIM KISER: Okay.

REBECCA PARIGAN: Okay.

BENNY WAMPLER: That's on that one specifically.

JIM KISER: We have notified you. You just haven't gotten it yet.

REBECCA PARIGAN: (Inaudible.)

JIM KISER: Okay, so under---.

MASON BRENT: What is your...I'm sorry. I just want to clear up for the record a little bit. Ms. McKinney, you have referred three times to a VC-3698. Do you mean 3968?

REBECCA PARIGAN: 3968, I think.

JUDY McKINNEY: Oh, I wrote it down wrong. I'm sorry.

MASON BRENT: Okay. I just wanted to clear it up.

JUDY McKINNEY: It's 3968. Okay, I'm sorry. I apologize. It's hard to keep all of these numbers straight.

MASON BRENT: I'm sorry. I just wanted to get it straight.

JIM KISER: Well, with the Board's permission, I guess what we would like to do at this time is address Ms. McKinney's concerns, some of which will apply to, or I guess all of which, will apply to all three of these hearings we have before you. So, I don't know how you really can part them out and say this one involves 3621, this one involves 3212, but I'll do the best I can on that and then---.

BENNY WAMPLER: Let me see if Mr. and Mrs. Austin have anything on this one as well while we have it called and then you can perhaps---.

JOE AUSTIN: This 3968?

JIM KISER: No, this is 3621.

BENNY WAMPLER: No.

JOE AUSTIN: Oh. 3621.

BENNY WAMPLER: This is 3621.

JOE AUSTIN: That's the one that...Rita Barrett has told us that you all failed to give notice on this one. Is that correct?

JIM KISER: Failed to give notice?

JOE AUSTIN: That's what...that's what she says. She met at my house and failed to give notice. 3621?

JIM KISER: No, she's probably...I think you're probably...that's probably 3212, which at the time that was drilled, we didn't force pool it because not knowing where the 50 acre exception was located, we...at that time Equitable's people felt that was a voluntary unit. So, you wouldn't have been required to have gotten any notice. But you got notice of the hearing for today on 3621.

JOE AUSTIN: 3621. She said that we was failed to give notice. She wrote this herself.

JIM KISER: Well, she probably...she must have made a mistake.

JUDY McKINNEY: Maybe she done like me and miswrote the numbers down.

JIM KISER: Yeah.

JOE AUSTIN: And also, she said VC-3212 was going to be shut down and Elbert Ramsey heirs would receive 23.31% in that unit.

JIM KISER: Right. We'll get to...yeah, we'll get to that when we get to 3212.

JOE AUSTIN: Okay. Okay.

JIM KISER: We've got a printout on the royalty and that for you.

LOUVENE AUSTIN: Okay.

BENNY WAMPLER: All right. You can go ahead and address Ms. McKinney's concerns then.

JIM KISER: Okay. And I'll do this in conjunction with Mr. Hall. Her first contention is that the Ramsey heirs are entitled to the royalty and not the Rainwater...the Elbert Ramsey heirs and not the Rainwater Ramsey---.

JOE AUSTIN: Right.

JIM KISER: ---on these three wells. We agree with that entirely. In the case of 3621, the money that has been...was originally attributed to the Rainwater Ramsey heirs is in the escrow account, the state escrow account and that needs to be...you can petition the Board to get that out in the interest...in a proportionate interest that we set out within that unit for the Elbert Ramsey heirs.

The royalties that are...should be attributed to the Elbert Ramsey heirs for 3212, if you want me to, like I say, address this sort of in totality, have been internally

escrowed by Equitable and we have a printout from the time this well went on line in November of '94 and we have a...excuse me, November of '95, and we have a printout of that monthly royalty amount that should be attributable to your all's interest. So, in other words, we're in total agreement on that. 3968 has not been drilled yet and we've got that one right. We hope. We think.

JOE AUSTIN: Right.

JIM KISER: Okay. So, that addresses that issue, I hope. As far as the...why this whole thing has happened, I don't think there has ever been any question that title wise, the chain of title wise, that there was a 50 acre exception to this bigger piece, this 1,300 acre piece. It has been a survey issue and Equitable's problem all along has been where that actually, and correct me if I'm wrong, Don, jump in here, but---.

DON HALL: We knew, you know, generally where it was, but specifically, it took a while to get it tied down exactly to where the corners were and everything.

JIM KISER: And that's what his...we've never said that the Ramsey heirs didn't own the coal, oil and gas under that 50 acres. It was a question of where it was actually located on the ground, which makes all the difference in the

world as to whether or not it's included in a particular unit.

JUDY McKINNEY: Well, now, I...I would disagree on that because whenever we were over here...we were in our first hearing, like I said, with Benny Wampler in 1986 at that time, we had run gas well people off the property and we had even run an inspector Herndon...Mr. J. Herndon off the property because he was out there trying to check on a well site that you had actually on the property. My husband went out there and run him off and we had run the surveyors and stuff off of the property that were surveying for gas wells out there. So, in 1986, we were claiming title to that property. In hearings that we had before Mr. Wampler at that time concerning that one well, we brought up the fact that we owned that and that was the house and orchard and we even had the heirs there that could testify to where the house and orchard of Elbert Ramsey was.

BENNY WAMPLER: You all don't have a bigger map, do you, that shows...with you that shows not only these wells but the other...the P-317 and the others she mentioned?

DON HALL: I don't have anything---.

JIM KISER: Those are fairly easy to address if you want me to address those.

BENNY WAMPLER: Well, that's fine. I mean---.

JIM KISER: Because I'm not sure you have any jurisdiction over that issue to begin with, number one.

BENNY WAMPLER: Well, I understand. I was just---.

JIM KISER: In fact, I'm sure you don't. But number one, VC-2279 and VC-2278 are drilled under the Nora Field Rules. They're the 58.77 acre units and this 50 acre exception is not...none of the 50 acres are in either one of those units. Is that correct?

DON HALL: That's correct.

JIM KISER: The wells P-227, P-317 and P-245 were drilled at the time...are conventional wells, were drilled at the time when statewide spacing was 500 feet. Once again, none of the 50 acre exception is within those units. Therefore, they wouldn't be entitled to any notice or royalty under statewide spacing and/or the Nora Coalbed Field rules.

JOE AUSTIN: Do you got anything showing VC-3212, the year it was drilled?

JIM KISER: Yes, sir, I'm going to...well, I'll get to that when we get to that hearing.

JOE AUSTIN: Okay. Thank you.

JIM KISER: Then I guess the...you know, as far as the wells being shut down and that sort of thing once again,

I don’t think that’s your jurisdiction. That would be Mr. Wilson’s.

And as far as the church, we’ve got it listed now on all three of these units as Ramsey Ridge Church and Cemetery, care of Wilburn Ramsey, Trustee. If the church wants that changed, I mean, they just need to notify us. We’ve got them---.

JOE AUSTIN: Wil...Wilburn is the trustee.

JIM KISER: We’ve got them identified.

DON HALL: We...I think you, or someone, gave us the name of Gordon Deel as the Trustee.

JOE AUSTIN: Gordon Deel.

DON HALL: And Gordon said he wasn’t a Trustee any more, that Wilburn---.

JOE AUSTIN: Well, he’s the church Trustee. But he’s the---.

LOUVENE RAMSEY: He’s the Clerk. He’s a Clerk of the church.

JOE AUSTIN: He’s the Clerk.

DON HALL: Well, he...he gave us---.

JUDY McKINNEY: He’s the Clerk of one of the denominations that has church in there.

JOE AUSTIN: He’s in the church book as the Clerk.

JUDY McKINNEY: It shouldn't...my opinion is, I don't want the money from that for the church. But my opinion is that that money...any money that would go to the church and the cemetery should be allotted to the care of the church and the cemetery, or whatever takes place there, and this is heirship. It hasn't been settled. Probably a partition suit or something needs to be filed to settle the heirship property to decide who owns what. But at this point, we don't feel that it's fair to give that money to any one specific denomination since all the heirs owns it and since more than one denomination has church there and should have...and the heirs has access to that and we feel that the only fair way to do that is to petition the Circuit Court and let them set up someone to say how that money is to be distributed and what's to be done with that money that goes to the church.

JIM KISER: We can...we can escrow that---.

DON HALL: Until we---.

JIM KISER: Actually, it would be...since it's unleased, it would be under your jurisdiction since there's a conflict. We could escrow it under the Board's jurisdiction and then once you get that settled, you could notify them and get that money out.

JUDY McKINNEY: That's fine.

JIM KISER: We don't really have a dollar amount.

JUDY McKINNEY: Just as long as it's...it's, you know, handled appropriately.

JOE AUSTIN: That's all we're after.

SANDRA RIGGS: It seems to me that to have a conflict, you've got to have the parties in conflict to come forward and make claim to the money. Now, who do we have that has made claim to the money? Who is the conflict between?

JIM KISER: Well, I think what she's saying is we've got it listed as care of this Wilburn Ramsey, Trustee for the church and the cemetery. But I think she's saying the intent of the Will or what...this property was devised through a Will, that maybe the intent of the parties was such that the money shouldn't go to anyone individual or entity. The record title---.

BENNY WAMPLER: Well, he's Trustee of one denomination and---.

JIM KISER: Or whatever...yeah.

JUDY McKINNEY: That's right.

BENNY WAMPLER: ---not Trustee of all the denominations that are utilizing the church.

JUDY McKINNEY: Yeah, see Wilburn---.

JOE AUSTIN: Yeah. All we're asking for is to go to the right place---.

JUDY McKINNEY: To the---.

JOE AUSTIN: ---to let each distribute it to take care of the church and the cemetery is what we're asking.

JIM KISER: Right. And all we're showing is record title. I mean, if you all want to do something differently---.

JUDY McKINNEY: We understand that that is a mix up and we understand that it is hard to settle and we've discussed this and none of the heir...none of us that have...I mean, the Austin or I...me and my husband have discussed this, we don't want any of the money that is to go to the church, but we would like to see the money go to the upkeep of the cemetery and the church as long as the church is there and because of the conflict between the different denominations and even the heirs...I mean, there has been doors locked on each other. There has been (inaudible) has been locked. There has been sheds tore down and rebuilt and there has been a conflict of where it's...it's a dispute. It's a...it's a heirship dispute of land. So, in order to fairly get this right, we feel like possibly the only thing

we know of, or that I know of, to think of is to have the Circuit Court say, okay, this person is going to be appointed as Trustee over this church, or this cemetery, and this...you know, to be responsible to the Court how the money is spent and to make sure that it goes for the benefit of the church and the cemetery.

SANDRA RIGGS: Well, I think the Circuit Court could do that. I'm not so sure that this Board can. It has got to fall in one of two categories. Either an unknown and unlocateable or a conflicting claimant and the question would be if it's a conflicting claimants, you have to identify the parties to the conflict and name them in the...in the application or name them here as to who the claimants are.

JIM KISER: We weren't aware that there was any conflict. This is obviously an internal thing.

SANDRA RIGGS: What we're really saying is we don't know who to pay the money to. Is that what we're saying?

JIM KISER: No. By record, this is who we should pay the...by record title.

SANDRA RIGGS: Ramsey Ridge Church and Cemetery---.

JIM KISER: Yeah.

SANDRA RIGGS: ---as vested with title.

JIM KISER: Right, vested with title. But the

problem is, there's some dispute, I guess, internally as to if they get that money, will it be properly distributed or properly used.

JUDY McKINNEY: Well, they're invested with the interest. The Ramsey Ridge Church and Cemetery is invested with the interest of Lula Branham.

JIM KISER: Right.

JUDY McKINNEY: At this point, no one actually knows where Lula Branham's part would fall if there were a partition suit made on the property.

JIM KISER: It's an undivided interest.

JOE AUSTIN: It's undivided.

JUDY McKINNEY: It's an undivided interest.

DON HALL: Would...is Wilburn Branham actually a Trustee, or is he just involved in one---?

JUDY McKINNEY: He's her son.

JOE AUSTIN: He's Lula's son.

DON HALL: Is he just involved with one of the different denominations?

JUDY McKINNEY: He's just involved with one denomination.

JIM KISER: (Inaudible).

DON HALL: Pardon?

JUDY McKINNEY: He's just involved with one denomination.

DON HALL: Okay. Well, this person's name that we had been given before gave us his name as the Trustee.

JUDY McKINNEY: Well, like I said in my petition, I petition that you put it in escrow until it can be determined who should be the proper person to handle it.

JOE AUSTIN: The reason I gave you the name I did, it's in the church book as over it.

DON HALL: Yeah.

J0E AUSTIN: I didn't know that Wilburn had anything to do with it.

LOUVENE AUSTIN: We just had the Will where Lula give all of her undivided interest to the church.

JOE AUSTIN: To the church.

DON HALL: And since it's an undivided interest, I mean, you'd have to...to determine where that is, you'd have to have a petition suit.

JOE AUSTIN: Right.

LOUVENE AUSTIN: See, it's on heirship land.

JIM KISER: And write it out.

DON HALL: And...of course, I mean, I think the intent's to be around the cemetery and church, no doubt.

JUDY McKINNEY: Well, with as many heirs, it's hard to tell on how the Court would rule in a partition suit of that nature, too.

DON HALL: Yeah.

JIM KISER: Not to mention the expense.

JUDY McKINNEY: It would most likely would---.

JOE AUSTIN: Yeah, expensive.

LOUVENE AUSTIN: That's right.

SANDRA RIGGS: How is title vested?

JIM KISER: Just like we show it.

DON HALL: Lula Branham Willed it to the Ramsey Ridge Church and Cemetery by Will.

SANDRA RIGGS: And the Will has been probated and of record and the church owns the property?

JUDY McKINNEY: They own her interest. Wherever... undivided interest.

JIM KISER: Her undivided interest.

DON HALL: Her undivided interest.

JOE AUSTIN: It's undivided interest. Everywhere it would be.

JIM KISER: An undivided interest in that tract.

DON HALL: Yeah.

SANDRA RIGGS: Well, the money you're talking about

putting into escrow is attributable to that undivided interest, is it not?

JIM KISER: Correct.

SANDRA RIGGS: It seems to me that the money has to be payable to Ramsey Ridge Church and Cemetery because the royalties follow the real property interest and what you're disputing is the use of the money itself, which is a personal property interest, which can only be adjudicated within the Circuit Court and not by this Board, because this Board doesn't have jurisdiction over how a royalty owner spends the money. They would only have jurisdiction over whether they were the proper party to receive the money and I don't... unless there's a conflict or a challenge to the fact that Ramsey Ridge Church and Cemetery owns an undivided interest, and I don't hear you all saying that.

JIM KISER: Which is right.

SANDRA RIGGS: Then there is no conflicting ownership claim. What you're saying is you dispute the way the church is using the money.

JUDY McKINNEY: No, we dispute...I guess you could say we...there is two denominations that have church there. There is...the church was designed to have...let's see. I've got some papers. When it was fixed up it says, "That no set

denomination of the church, let any denomination use the church and if anyone wants a yearly reunion to set the time and place." So, this is sort of like being used by the heirs and being used by different denominations of people there. So, there's not really...what I'm trying to say is, it's unfair to give it to the Freewill Baptist, you know, and not the Old Regulars. It's unfair to appoint like one person, like an heir, to give it to because it's...it's sort of like when she Willed it, she didn't Will it to the Ramsey Ridge Old Regular Baptist Church. She didn't Will it...Will it to the Ramsey Ridge Freewill Baptist Church. She Willed it to a community church and cemetery to be used for that. That in itself, it should have been more distinguished. It should have set up a certain one. I agree. And that is confusing, but until we...I don't know if the heirs could set up a way to do it, someone to like to handle it or what. I don't know that they could or that the different denominations. Since the church was built, there has been, as in everything else, a conflict within it. So, there's not no one...no one... there is no one particular Trustee, or there is no one particular person, that's over it, I guess, is what I'm trying to say.

SANDRA RIGGS: Well, how do the royalty checks get

cut? Who is the payee on the checks?

JUDY McKINNEY: There has not never been none paid.

JOE AUSTIN: Not been none paid yet. I don't guess.

DON HALL: We haven't paid any yet.

SANDRA RIGGS: So, it's in...it's going into escrow because it's conflicting.

JUDY McKINNEY: Yes.

JIM KISER: No.

DON HALL: Well, I think the...I think when...how long has Lula been deceased, Judy, do you remember?

JOE AUSTIN: Do you know how long Lula has been deceased?

JIM KISER: On both 3621, and correct me again, Don, if I'm wrong, on both 3621 and 3212, which are the two wells involving this 50 acre exception that have already been drilled, that money...the money for 3621 that would have been attributed to Lula rather than the church would be in escrow with the Estate under her name. Under 3212, it's internally escrowed with Equitable under her name. We did not know that she had Willed this to the church until the recent past when some of Equitables' people talked with---.

JOE AUSTIN: Right.

JIM KISER: ---Mr. Austin, and maybe Ms. McKinney,

and whoever all was involved in those discussions as to determining the correct heirs of Lula Ramsey.

SANDRA RIGGS: Okay. So, through these modifications, you would drop Lula and you would add the church as to that interest?

JIM KISER: Correct.

DON HALL: Right.

JIM KISER: Correct.

SANDRA RIGGS: And at that point, the checks would get cut to the Ramsey Ridge Church and Cemetery?

JIM KISER: Right.

SANDRA RIGGS: And then it's up to them to figure out how to negotiate that check?

JIM KISER: Right. I mean, they can hopefully either come to some sort of voluntary agreement between themselves or they can petition the Circuit Court for a partition. But you all can't do that for them, I don't think.

SANDRA RIGGS: Right. Well, this Board wouldn't have jurisdiction---.

JIM KISER: Right.

SANDRA RIGGS: ---to make a determination with respect to how that money gets...as long as the money is

getting paid to---.

JUDY McKINNEY: Would it be sent---?

SANDRA RIGGS: ---the party named in the Will. Now, whether or not---.

JUDY McKINNEY: Would it---?

SANDRA RIGGS: ---the person that receives that check has a right to cash it and negotiate it and spend it, now that's a separate issue.

JUDY McKINNEY: Would it be simpler to just pay it to Lula Branham's heirs? I mean---.

SANDRA RIGGS: Well, if there's a Will in existence, that's not appropriate at this point.

JIM KISER: Right.

SANDRA RIGGS: It has got to be paid to the---.

JUDY McKINNEY: It's sort of...you know, it would have been easier to just---.

SANDRA RIGGS: ---devisee under the Will.

JUDY McKINNEY: ---you know, to just give it to them, you know, then it would...but the Will didn't exactly---.

(Mr. Kiser and Mr. Hall confer.)

JIM KISER: Yeah. I mean, the only way that...the Board, I don't think, can help you in this matter at all.

The only way Equitable as the operator could help you would be if we got some sort of letter signed by and authorized people on...you know, properly executed asking us to internally suspend that money. Well, no, we can't do that---.

JUDY McKINNEY: Is...is there any reason---?

JIM KISER: ---because it's (inaudible). We can't help you either.

JUDY McKINNEY: Is there any reason why you couldn't petition the Circuit Court and ask them how to distribute that money for---?

JIM KISER: That burden wouldn't be on us. That would be on you all. I mean, we just...we need...we have got to pay somebody. We don't really...it doesn't really matter to us who it is, you know, as long as it's the proper record title person, which is what we have here. I mean, that would be...you all...if you all don't want it to go straight to the church, then you would have to do that.

DON HALL: Who maintains the property, Judy, just everybody or is it anybody in particular?

JUDY McKINNEY: Just different people comes in and then...different ones comes there and has...they have a shed. Different ones come there and has reunions. They have some

weddings. It's just different...different people.

JIM KISER: And this money will be coming out pretty quick, you know, if we go forward today. So, my advice to you would just be to try to get together with the parties that are involved and get it worked out as quick as you can if you're worried about, you know, the money not being used for the proper intended purposes or whatever.

BENNY WAMPLER: Okay. Is there further discussion on VC-3621?

CLYDE KING: Is this the one that we're talking about right now?

BENNY WAMPLER: This is one...yes. Item number nine on the agenda.

JIM KISER: Is everybody clear on what it is...how we're trying to modify this one?

CLYDE KING: No.

MASON BRENT: Can we recap that?

JIM KISER: Yeah, we can recap that.

BENNY WAMPLER: Go ahead.

CLYDE KING: Yeah.

JIM KISER: The well was originally drilled without...it listed the Elbert Ramsey heirs, but it also listed the Rainwater Ramsey heirs for Tract 2 and they should

have not been in there. It should have been the entire...the entire interest attributable to Tract 2 should have been divided among the Elbert Ramsey heirs. So, what we've done...in...all the other heirs that were in that original petition, luckily were unknowns. So, that...all that money that should have gone to them is in the Board's escrow account. So, what we're trying to...attempting to do here is dismiss the unknown Rainwater Ramsey heirs and then modify the interest within Tract 2, which are...which will increase...are all wholly owned by the Elbert Ramsey heirs. So, it increases their interest...their percentage of interest within the unit and then in...so, on an ongoing basis, the royalty checks will be cut in accordance with this revised Exhibit B and then, Ms. Riggs, correct me if I'm wrong, but I guess the Ramsey heirs would need to come back before the Board along with...yeah, and petition you all to get the Rainwater Ramsey money out in accordance with this percentage of interest and have it attributed in accordance with this percentage of interest. Correct?

SANDRA RIGGS: Right.

JIM KISER: Okay.

SANDRA RIGGS: We would put that down like the first four items you heard this morning---.

JOE AUSTIN: Because this---.

SANDRA RIGGS: ---for disbursement of funds out of escrow. It would come on for the Board...on the Board's docket for hearing---.

JOE AUSTIN: This...you sent me...does this separate...now, this separates the Rainwater Ramsey heirs?

JIM KISER: Right. That's the correct one.

JOE AUSTIN: Thank you.

SANDRA RIGGS: ---on an application to withdraw funds from escrow in accordance with the most recent Board exhibit outlining who the claimants are which would be this one that just got handed out.

JIM KISER: Right.

SANDRA RIGGS: If...if the order is modified.

JUDY McKINNEY: Would we need to come back before the Board and request that it be withdrawn or will that just automatically be done?

SANDRA RIGGS: You probably need to write a letter, because maybe not everybody is withdrawing their money, as to those who are seeking to withdraw. Well, all knowns would be...if you know...the only ones that would stay in escrow would be if you couldn't find them---.

JIM KISER: There are a still a few unknowns.

SANDRA RIGGS: ---or they were unlocateable. But as to those folks who have identified and we know where they are located, there's no reason for them not to pull their money out of escrow.

JUDY McKINNEY: Would there be a problem for us getting a copy of how much that's in escrow for this Rainwater Ramsey account? Of course, after I heard what went on this morning---.

BENNY WAMPLER: Only to the extent if of what you heard this morning.

JUDY McKINNEY: ---I don't if it's safe to---.

BENNY WAMPLER: It should be after this...during this next month hope...you know, you heard them, as well as we did, the pledge that they can resolve the remaining issues. We'll see. We certainly can't certify to that. But our intent is to have a record keeping system where...yes, the answer to that would be absolutely yes. You could get that information and know exactly how much you were talking about by tract.

JUDY McKINNEY: Okay, if I wanted to find out and get that information, could I call---?

BENNY WAMPLER: Bob Wilson.

JUDY McKINNEY: ---Mr. Wilson?

CLYDE KING: What is the motion that should come from the Board, Mr. Chairman?

JIM KISER: Well, we just resubmit our request that this application to modify the prior order for 3621 and make these changes be approved as submitted.

CLYDE KING: I so move.

DENNIS GARBIS: I second.

BENNY WAMPLER: Motion and second. Any further discussion?

CLYDE KING: And then we'll do this other one when it comes back to---?

JIM KISER: Well, we've got two more.

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

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: That is approved. Now, you want to go to number ten, I believe?

JIM KISER: Yes, sir, that would be---.

BENNY WAMPLER: So, we're considering a petition from Equitable Production Company for pooling of a coalbed methane unit identified as VC-3212, docket number VGOB-00-06/20-0812; and we'd ask the parties that wish to address the

Board in this matter to come forward at this time. If there are no additional parties, the parties will remain the same as previous. All witnesses are reminded that you've been sworn. You may proceed, Mr. Kiser.

JIM KISER: Okay. Mr. Chairman and members of the Board, on this particular well, this was drilled as a voluntary unit because of our not...because of Equitable not knowing where the...we've got a new exhibit on this, too. I'll give this out.

(Mr. Kiser distributes exhibits.)

JIM KISER: Okay. Before we get into the testimony, I'll give you a little background on this particular well if I can find my paper.

(Mr. Kiser looks through his file.)

JIM KISER: Okay, this particular well was sputted on October the 15th, 1994. At that time, Equitable permitted and drilled the well under the belief that it was a voluntary unit and that no part of this 50 acre exception was included within the unit. Its completion date was 10/27/94. It was turned on line 11/25 of '95---.

MARTIN PUSKAR: '94.

JIM KISER: '94? '94. So, what we're seeking to do today is to go back based on this new information that we

have and include a small portion of the 50 acre exception in this unit and we do have this...the royalties that would be attributed to that portion that has been escrowed internally and we have a copy of its month by month since November of '94, what those amount would be, and, you know, we'll provide the heirs with copies of those and, you know, depending the elections, they make, should they be afforded the force pool and we'll...we'll proceed from...from that standpoint. At this point, I'll just begin with our testimony. Again, from Mr. Hall and Mr. Puskar. We'll begin with Mr. Hall.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. If you'd state your name for the Board, who you're employed by and in what capacity?

A. Don Hall. I'm with Equitable Production Company, District Landman.

Q. And you're familiar with our application seeking a pooling order for well number VC-3212 which is dated May the 19th of 2000?

A. Yes, we are.

Q. And is Equitable seeking to force pool the

drilling rights underlying the drilling unit as depicted at Exhibit A, that being the plat to the application?

A. Yes.

Q. Is the location proposed for this well fall within the Board's order for the Nora Coalbed Gas Field?

A. It does.

Q. Now, Equitable owns drilling rights in the unit involved here. In fact, as we stated back in '94, we thought it was a 100% voluntary unit and then we discovered the physical, on the ground location, of the 50 acre exception, and then that carved out a small percentage of the unit that would have...would be unleased and at the time that we filed this application that percentage would have been... under lease would have been 98.2%, leaving 1.8% unleased; and then since the time of the filing of the application, you have again picked up those same three leases from those undivided interest owners within Tract 2, that being Margie Duncan, Leroy Church and Velvet Sutherland?

A. Yes, sir.

Q. Okay. Which now runs us to a total in both the gas and coal estate leased of 98.37% and unleased of 1.63%?

A. Yes.

Q. Okay. Does everybody got that? In your professional opinion---?

BENNY WAMPLER: I'm assuming that's...you rounded when you---?

JIM KISER: Yes, I rounded.

BENNY WAMPLER: Okay.

Q. In your professional opinion, did you exercise due diligence to locate each of the respondents named in the Exhibit B to the application?

A. Yes.

Q. Now, are the addresses set out in that exhibit, the last known addresses for the respondents?

A. Yes.

Q. Are you requesting the Board to force pool all the unleased interest that are listed in this Exhibit B dated 6/16 of 2000?

A. Yes.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes, I am.

Q. Could you advise the Board as to what those are?

A. A five year bonus...a $5 bonus, a five year term, a one-eighth royalty.

Q. And in your opinion, do those terms you have testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

MR. KISER: Mr. Chairman, as to the three different election options afforded any unleased parties and as to their different time frames and obligation in making those elections, we'd like to incorporate the testimony from our previous hearing involving VC-3421 into the record.

BENNY WAMPLER: That will be incorporated.

Q. And, Mr. Hall, in this particular case, we're dealing with the heirs. So, we still have some unknown parties. So, we do have to have the Board establish a new escrow account for this well into which those interest can be paid until such time as those parties can be located?

A. That's correct.

Q. Okay. And who should be named the operator under any force pooling order?

A. Equitable Production Company.

JIM KISER: Nothing further of this witness at this

time, Mr. Chairman.

BENNY WAMPLER: Do you folks have any questions?

JUDY McKINNEY: Yeah. I'd like to ask, Mr. Hall, this question might sound silly, but I'm going to ask it anyway. You all have geologists and people employed by you all that help design these wells of where you're going to put them and where they're going to be located and everything, is that correct?

DON HALL: Yes.

JUDY McKINNEY: Okay. You've known me for quite a while, haven't you?

DON HALL: Yes, ma'am.

JUDY McKINNEY: Okay. Hasn't it been a fact that in previous conversations with me and my husband and the other people, that we have stressed the fact that we owned a mineral tract up there on the ridge and that it was the Elbert Ramsey property?

DON HALL: Yes.

JUDY McKINNEY: Okay. Well, I'd like to know why that it never...you all knew that you were drilling wells around that property and in that area, I'd like to know why that no one bothered to check out to see where that mineral tract was located at...I mean, you have Lee McKendrick is the

surveyor that does all of your all's work. He's even the one that done this. You have geologists. You have maps. You have access to virtually anything that you want to design the wells and decide where you're going to put them. I would like to know why no one bothered to check out how close that you were to our mineral tract up there?

DON HALL: Well, the tract itself is an exception out of a conveyance and there wasn't any...there wasn't any description of it and the only way we have to locate it was to locate tracts adjoining to it and find out what was left, what the residue was, and we defined it fairly closely, but in this particular well, we just...there's a small sliver that fell within this unit that we...we didn't realize at the time we permitted the well. It's just something that didn't show up at the time.

JUDY McKINNEY: Well, at the...is it true that previously you had a well located on Oscar Silcox's property which is directly behind this, and at one time there was a well that was designated to be placed on this property and that has been several years ago? Why would you have not known---?

DON HALL: I don't---.

JUDY McKINNEY: ---that we owned it at that time?

DON HALL: I don't recall...I don't recall...I recall the well on Oscar Silcox and then there was one around the ridge that was on...was it Jimmy Mullins? I think maybe you bought the property later.

JUDY McKINNEY: Yes. That was---.

DON HALL: But neither...neither one of those wells was on the 50 acres.

JUDY McKINNEY: Mr. Bartlette instructed me that the one that Jimmy Mullins would have pulled gas from the well.

DON HALL: Well---.

JUDY McKINNEY: When we got the notification on that and I took it to him.

DON HALL: Well, at the time that well was...was staked when the statewide law was a 500 foot radius and that's what we were going by.

JUDY McKINNEY: Yeah, but the law says that you cannot drill, or that you have to notify people, within a 500 foot radius. Is that correct? That's what the law stated.

DON HALL: I think we did at that time.

JUDY McKINNEY: Okay. Does the law also state that you cannot pull gas from other property even though it's over 500 foot? In other words, isn't it true that even though the law says you have to notify the owners if the well is within

500 foot of their property, don't your geologist and everything also design these wells so that they try to pull gas from one well to the other?

DON HALL: I can't speak to that. I'm not a geologist.

JUDY McKINNEY: Okay. I think the Board knows that.

BENNY WAMPLER: The money that you have internally escrowed, if the Board approves this application, will you immediately move that money into the escrow account?

DON HALL: It won't need to be with the exception of ---.

JIM KISER: The unknowns.

DON HALL: ---just the unknowns that can be---.

JIM KISER: We'll distribute it.

DON HALL: We can distribute it directly.

BENNY WAMPLER: I understand. That's what I'm talking about, the unknowns of what you're pooling?

JIM KISER: Right.

DON HALL: Yeah.

BENNY WAMPLER: Okay.

JIM KISER: We'll take that money and move it into your escrow.

DON HALL: And that's...yeah, the unknowns we will.

JIM KISER: The unknowns.

DON HALL: And...and this...this money goes back to the time the well was put on line.

BENNY WAMPLER: I understand.

SANDRA RIGGS: But as to the number...you're going to disburse prior to that so that they won't have to come to us and apply. They'll get the check direct.

JIM KISER: Right.

SANDRA RIGGS: Okay.

DON HALL: Well---.

JIM KISER: Yeah. There's no sense in putting it in the escrow account and then making them get it out.

DON HALL: Right. Yeah.

JIM KISER: There's no reason we can't pay it directly to them except for the few interests that are still unknown, right?

DON HALL: I don't see any reason. No.

BENNY WAMPLER: Okay. Call your next witness.

MARTIN PUSKAR

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Puskar, again, state your name for the

Board, who you're employed by and in what capacity?

A. Martin Puskar. I'm employed by Equitable Production Company. I'm an engineer.

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

A. Yes.

Q. And as I stated earlier, but I'll go ahead and get you to get into the record, this spud date on this well was 10/15/1994?

A. Yes.

Q. It's the total depth was 2,030 feet?

A. Yes.

Q. Completion date was October the 27th, 1994?

A. Yes, it is.

Q. And it was turned on line on 11/25/1994?

A. Correct.

Q. Now, based on the production that you've had since that time, what is your best estimate of the life of the reserves under that unit?

A. Our current estimate right now is 448,000,000 cubic feet of gas.

Q. Okay. And your total actual costs for drilling that well?

A. Our total actual to date has been $181,614.

Q. Okay. And those costs included multiple completions and reasonable charges for supervision?

A. Yes, it did.

Q. And in your professional opinion, will the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes, it does.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

JUDY McKINNEY: Mr. Puskar, do you have anything to do with where the wells are designed and where they're placed at on property on the length?

MARTIN PUSKAR: Indirectly. The geologist typically will pick the locations as to where the wells are drilled and my biggest concern is probably the costs along with, you know, access to and from, you know, the pipelines and those kind of things. But the actual loc...like I say, the actual locations are typically picked by the geologists.

JIM KISER: Ms. McKinney, if I might interject, too,

and I don't...you might already know all of this, but if not, it may help. These two particular wells, VC-3621 and VC-3212, were both drilled under something called the Nora Coalbed Gas Field Rule, which was established by the Board after hearing testimony from...I wasn't involved in those. It was before my time, but after hearing testimony from various operators, reservoir engineers, geologists, et cetera, as to what would be the optimum size for these units as to what the drainage patterns were, et cetera and that essentially...those Field Rules, which is a 58.77 acre square with interior square inside with an offset in which you have to drill the well unless you get a location exception from Mr. Wilson. That Field Rules order essentially dictates where the spacing of those wells.

JUDY McKINNEY: My main objection...my main problem with all of this is, it's hard for me to believe that a company as big as Equitable Resources can drill wells all around a 50 acre piece of property without anyone knowing, or wanting to admit, that they're draining the gas from that property. That's...that's my problem. I...I think this is...with the number of the wells that have been drilled there, and the length of time this has been going on, I think this has just been...I'm sorry, but I feel like this just has

been a willful act on Equitable's part as to take gas that did not belong to them. That's all.

BENNY WAMPLER: Well, I guess, you know...I'm not afraid to tell you that the answer to that is the State law allows that to occur to the extent that you're within those...legally within those...those windows. You can drain...drill all the way around the property. Now, the presumption is that you're draining within...as he said, under...under the Board's Field Rules, that draining only in those windows and your contention is the drainage is beyond those windows.

JUDY McKINNEY: Well, now these were within the windows. This 3212 was within the window. 3621 is within the windows.

JIM KISER: Well, that's why we're back here today.

JUDY McKINNEY: And---.

BENNY WAMPLER: Right. And I'm saying that...what I"m trying to say is you're suggesting, I think, for just for discussion here so everybody understands it, that there's... there's...this 50 acre piece of property that you have and they've gone around you and I'm saying that if they've done that, the presumption is those Field Rules still protected you. That your property will still have gas. That should be

confident if...if the Field Rules are adequate. It should be comparable to the other units if it's ever drilled on that piece of property.

JIM KISER: Because it's a square grid pattern. So, you don't have any---.

BENNY WAMPLER: Right. It's on a squared grid pattern. You're not leaving out anything.

JUDY McKINNEY: Yeah, I understand what you're saying on those wells.

BENNY WAMPLER: Okay.

JUDY McKINNEY: But the earlier wells that were the...the natural gas wells those---.

BENNY WAMPLER: Under the prior laws?

JUDY McKINNEY: Right.

BENNY WAMPLER: Yeah. I understand. Okay. Any questions of this witness? Any other?

JIM KISER: No, Mr. Chairman. We'd ask that the application be approved as submitted.

BENNY WAMPLER: And once again, if that application is approved, you're going to...you're going to take your internal escrow and you're going to pay out to everyone except the unknowns/unlocateables, which will go in to Board escrow, is that correct?

JIM KISER: Right.

BENNY WAMPLER: Is there a motion to approve?

DENNIS GARBIS: I so move.

CLYDE KING: I second.

BENNY WAMPLER: The motion and second. Any further discussions?

(No audible response.)

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

(All members signify yes.)

BENNY WAMPLER: Any opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. We'll go now to number four, which is on the agenda number item. It's a petition from Equitable Production Company for pooling of a coalbed methane unit identified as VC-3968. I believe that's the one that...that you have the surface. Okay.

JIM KISER: Yeah, this one is not...this is the one that has not been drilled.

BENNY WAMPLER: Right. Docket number VGOB-00-05/16-0805 continued from May; and we'd ask the parties that wish to address the Board in this matter to come forward. There are no additional parties coming forward. It will be the same parties. I'll remind all of you again that you're under

oath for this. Mr. Kiser, you may proceed.

JIM KISER: Once again we've got a new revised Exhibit B, which reflects those three additional leases.

(Mr. Kiser distributes the exhibit.)

JIM KISER: Mr. Chairman, our witnesses in this matter will once again be Mr. Hall and Mr. Puskar. We'll start again with Mr. Hall.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. If you could, again state your name for the Board, who you're employed by and in what capacity?

A. Don Hall with Equitable Production Company as District Landman.

Q. And so...let me...I'll deviate a little bit from our standard questioning in that...so, we can deal with Ms. Parigan's concern. You are also involved along with lease acquisition and locating wells and working with landowners? You're also involved in the permitting process for these wells?

A. Yes.

Q. And you have filed a permit application for

VC-3968?

A. Yes.

Q. And, as required by State regulation, you have a list of all the surface owners that need to be notified, their names and addresses?

A. Yes, we do.

Q. And is Ms. Parigan...both Roy and Rebecca Parigan at Rt. 3, Box 147, Elkins, North Carolina 28621, are listed and did they receive a copy of this permit package sent on June the 16th to that address?

A. Well, it was sent to them. I don't know if they've received it yet or not.

REBECCA PARIGAN: No, we haven't.

JIM KISER: Okay. So, we do have you listed as a surface owner and we have sent you a package.

BENNY WAMPLER: Do you want to just---?

REBECCA PARIGAN: We've not received it.

BENNY WAMPLER: Do you want to distinguish that from the pooling from the application you have before the Board here today for us so she---.

JIM KISER: Yes. I was just trying to clear that up for her.

BENNY WAMPLER: That's fine.

DON HALL: That's true.

BENNY WAMPLER: I want...but to help her understand further, if you'll go ahead and explain.

JIM KISER: Right.

DON HALL: That's...that's the application for the permit to drill the well and this is an application for force pooling. It's two different items. That application---.

JIM KISER: And---.

REBECCA PARIGAN: I understand that.

JIM KISER: ---as a surface owner, you're entitled to notice of the permit, but as a surface owner, you wouldn't be entitled to the notice of the application for the force pooling.

REBECCA PARIGAN: Yeah, I understand that.

JIM KISER: Okay.

Q. Mr. Hall, you're familiar with our application seeking a pooling order for Equitable well number VC-3968, which was dated April the 13th of 2000?

A. Yes, sir.

Q. And are you seeking to force pool the drilling rights underlying the unit as depicted at Exhibit A, the plat to the application?

A. We are.

Q. Once again, is this location for this well number, that being VC-3968 fall within the Board's order for the Nora Coalbed Gas Field?

A. Yes, it does.

Q. Now, prior to filing this application, were efforts made to contact each of the respondents with an interest within the unit and an attempt to work out a voluntary lease agreement made?

A. Yes, sir.

Q. Does own Equitable own drilling rights within the unit here?

A. Yes, we do.

Q. What was the interest of Equitable within the gas estate at the time the application was filed?

A. 76.69%.

Q. And in the coal estate?

A. The same.

Q. Okay. Now, subsequent to the filing of that application, did you once again in exercising due diligence attempt to obtain voluntary agreements from the unleased parties and was successful in the three cases that we've previously mentioned?

A. Yes, sir.

Q. And what does that bring the leased and unleased percentages to, at this point, in both the gas and coal estate?

A. The unleased percentage is 21.102614%.

Q. And the leased percentage? You don't know?

A. I didn't subtract. But it's---.

Q. Let me see if I can find that for you.

A. Minus a 100%.

Q. 78...would that be 78.897386%?

A. Yes. I believe that's right.

Q. And in your professional opinion, was due diligence exercised to locate each of the respondents named herein?

A. Yes.

Q. And are the addresses set out in our revised Exhibit B, that being the one dated 6/16 of 2000, the last known addresses for the respondents?

A. Yes.

Q. And are you requesting the Board to force pool all unleased interest listed in that revised Exhibit B?

A. Yes.

Q. Now, again, are you familiar with the fair market value of drilling rights in the unit here and in the

surrounding area?

A. Yes, I am.

Q. Again, advise the Board as to what those are?

A. It's a $5 bonus, a five year term and one-eighth royalty.

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

A. Yeah, they do.

JIM KISER: Once again, Mr. Chairman, with your permission and the permission of the Ramsey heirs, I'd like to incorporate the prior testimony taken regarding the election options afforded the unleased parties and their different time lines and obligations regarding those elections.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, once again, the Board will need to establish an escrow account for several unknown and undivided interest within Tract 2, is that correct?

A. That's correct.

Q. And who should be named the operator under

any force pooling order?

A. Equitable Production Company.

JIM KISER: That's all we have of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Help me just a little bit. Now, you've may have already said this, but you revised your Exhibit B that you gave us today. What changes to Exhibit B---?

DON HALL: We...on page one, Margie Duncan was changed from unleased to leased.

JIM KISER: Let me interject. Actually, I think from the time we originally filed this application in April, we changed...we changed it to properly reflect...first of all, we changed it to properly reflect the right Elbert Ramsey heirs. I think that is where Mr. Austin helped us out when we filed the one in April.

BENNY WAMPLER: Okay.

JIM KISER: That was the first change and then the additional change would be these additional leases.

DON HALL: And, I think, in addition to that, if I'm not mistaken, I believe the one we filed before, we had the Lula Branham heirs as the owner of the Lula Branham property.

JOE AUSTIN: Right.

DON HALL: But Mr. Austin informed us that the Ramsey Ridge Church---.

JOE AUSTIN: Right.

DON HALL: ---and we made that change.

JIM KISER: So, we've got Margie Duncan and we've got---.

DON HALL: Leroy Church.

JIM KISER: ---Leroy Church and Velva Sutherland.

DON HALL: Velva Sutherland Coleman.

JOE AUSTIN: That's the three that signed the lease?

DON HALL: Right. That's correct. And, of course, the percentage were changed to reflect the---.

JOE AUSTIN: Would I have a right to ask if they will receive any more royalty after we get the $100? Will they be receiving any more royalty off of the wells?

JIM KISER: Yeah, they'll receive their proportionate share of the one-eighth just like you will, whether you're leased or pooled.

JOE AUSTIN: Yeah. Okay.

JIM KISER: And your compensation that they received by a voluntary lease would be the same under the Board order.

JOE AUSTIN: I see.

JIM KISER: The $5 per acre for bonus and a $1 an

acre delay rental and a one-eighth of eight-eighths.

JOE AUSTIN: I see.

JIM KISER: They probably just already gotten their money and you haven't.

JOE AUSTIN: Yeah. Yeah. That's the bad luck.

BENNY WAMPLER: Any questions of this witness from members of the Board?

MASON BRENT: Just one here. When did you file for the permit?

DON HALL: I believe the 16th...June the 16th.

MASON BRENT: June the 16th?

DON HALL: Yeah.

MASON BRENT: Just a few days ago?

DON HALL: Yeah. Yeah. She probably just hasn't had time to receive it yet. It was sent by certified mail. Sometimes it---.

MASON BRENT: She may have it when she gets home.

DON HALL: Yeah.

BENNY WAMPLER: Any other questions of this witness?

JUDY McKINNEY: Is there a set time that you have to notify them, I mean, give them time to get it and read it and figure out what to do with it? Is there a set time?

DON HALL: You've got...you've got, from the date

that you receive it, you've got fifteen days to look at it and if you want to file an objection.

JUDY McKINNEY: The hearing today to issue the permit? Within---?

JIM KISER: No. This is not about the permit.

DON HALL: This ain't...this is not about the permit.

JUDY McKINNEY: Oh, okay.

BENNY WAMPLER: This is just for pooling.

JUDY McKINNEY: Okay.

DON HALL: It's two separate---.

BENNY WAMPLER: The interest owners, the mineral interest owners. Okay?

JUDY McKINNEY: Okay, but that's not...she would still have the fifteen days from the time she received it to---.

BENNY WAMPLER: That's a separate process. It will be dealing with Mr. Wilson.

JIM KISER: Right.

BENNY WAMPLER: That's the reason I was saying early on I wanted to make sure you understood that part of it.

REBECCA PARIGAN: I understand.

BENNY WAMPLER: That you'll have the full fifteen

days.

REBECCA PARIGAN: So, I have...I have fifteen days to decline?

BENNY WAMPLER: From when you received it. Well, you'll need to...you'll need to read what it says, because it will set out what the areas that the state law allows objections in.

JIM KISER: There's three statutory objections that a surface owner can make.

DON HALL: Four.

JIM KISER: Four?

BENNY WAMPLER: There's four now.

JIM KISER: Well, there's four now.

BENNY WAMPLER: It's changed. But anyway, it will set that out. Okay, call your next witness.

MARTIN PUSKAR

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Puskar, if you'll again state your name for the Board, who you're employed by and in what capacity?

A. Martin Puskar. I'm employed by Equitable Production Company as an Engineer.

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

A. Yes.

Q. And you're familiar with the proposed plan of exploration and the development for this unit?

A. Yes, I am.

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

A. The total depth is 2,010 feet.

Q. And what are the estimated reserves for this unit?

A. We're estimating 400,000,000 cubic feet.

Q. Now, are you familiar with the well costs for the proposed well under the plan of development?

A. Yes, I am.

Q. And has an AFE been reviewed, signed and submitted to the Board along with this application as Exhibit C?

A. Yes, it has.

Q. Was this AFE prepared by an engineering department knowledgeable in the preparation of AFEs and knowledgeable in regard to well costs in this area?

A. Yes.

Q. In your opinion, does this AFE represent a reasonable estimate of the well cost?

A. Yes, it does.

Q. Could you state for the Board at this time both the dryhole costs and completed well costs for this well?

A. The dryhole costs are $85,250 and the completed well costs is $174,220.

Q. Do these costs anticipate a multiple completion?

A. Yes, they do.

Q. And does your AFE include a reasonable charge for supervision?

A. Yes, it does.

Q. And in your professional opinion, will the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes, it does.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

JUDY McKINNEY: Did you say...I might not have caught it, but did you say how long that you expected this well to last? You did...or the cubic...how much was in there, the cubic---?

JIM KISER: The estimated reserves for the life of the well would be 400,000,000 cubic feet.

JUDY McKINNEY: Okay. Okay.

BENNY WAMPLER: Do you have anything further?

JIM KISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MASON BRENT: I move that we grant the application as submitted, Mr. Chairman.

DENNIS GARBIS: I second.

BENNY WAMPLER: It's second. Any further discussion?

(No audible response.)

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

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you. Now, I'll ask the Board, do you want to take lunch or do you want

to continue on.

DENNIS GARBIS: Let's finish it up.

CLYDE KING: Yeah.

BENNY WAMPLER: Finish?

DENNIS GARBIS: Go for it.

BENNY WAMPLER: All right. The next item on the agenda...Judy, I would invite you to meet with Mr. Wilson on some of those earlier questions you had about the well location, the 500 foot spacing and things---?

JUDY McKINNEY: Okay. Can I just...okay, I want to ask if I...can I discuss with him and work on this with him and if I have any more problems, or feel like I need to come back before the Board, can I request to come back before the Board on these others?

BENNY WAMPLER: There's a provision that you can do that; that you can petition and to come back before the Board. He'll go over that with you.

JUDY McKINNEY: I'll get with him and figure out a time when I can meet him to talk to him. Is that okay?

BENNY WAMPLER: Thank you. The next item on the agenda is a petition from Equitable Production Company for pooling of a coalbed methane unit identified as VC-4511. This is docket number VGOB-00-06/20-0813; and we'd ask the

parties that wish to address the Board in this matter to come forward at this time.

JIM KISER: Mr. Chairman and members of the Board, Jim Kiser again on behalf of Equitable Production Company. Our witnesses in this matter will again be Mr. Hall and Mr. Puskar. We'll remind them that they're under oath.

(People leave the room.)

(Mr. Kiser confers with Mr. Hall.)

BENNY WAMPLER: And the record will show there are no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Hall, again state your name for the Nora, who you're employed and in what capacity?

A. Don Hall. I'm employed by Equitable Production Company as District Landman.

Q. And are you familiar with Equitable's application seeking a pooling order for EPC well number VC-4511, which was dated May the 19th, 2000?

A. Yes.

Q. Is Equitable seeking to force pool the

drilling rights underlying the drilling unit as depicted at Exhibit A that being the plat to the application?

A. Yes.

Q. And does the location proposed for well number VC-4511 fall within the Board's order for the Nora Coalbed Gas Field?

A. It does.

Q. Now, prior to filing the application, were efforts made to contact each of the respondents and an attempt made to work out an agreement made regarding the development of the unit?

A. Yes, it was.

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

A. We do.

Q. What is the interest within Equitable...what is the interest of Equitable within the gas estate in the unit?

A. We own 99.91%, have leased.

Q. And what is the interest within the coal estate?

A. The same, or 100%. I'm sorry.

Q. So, what we have is one tract being Tract 2,

which is unleased as to the gas estate and being owned by Lora Jean Cole and Leroy Cole in Susan City, California that represents .09% of the unit?

A. That's correct.

Q. And we have attempted to lease them on many occasions and we've forced pooled them on several occasions?

A. Yes.

Q. And you feel like we exercised due diligence to locate each of the respondents named in Exhibit B?

A. Yes.

Q. And are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. Yes.

Q. And are you requesting the Board to force pool all the unleased interest listed at Exhibit B to the application?

A. We are.

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

A. Yes, I am.

Q. Could you advise the Board as the what those

are?

A. A $5 bonus, a five year term and a one-eighth royalty.

Q. And in your professional opinion, do the terms you have testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KISER: Now, Mr. Chairman, we'd once again ask that the testimony regarding the election options afforded the parties and their time frames in which to make those options taken in a previous hearing today be incorporated into this hearing.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Hall, we do have a conflicting claimant situation here on Tract 2 between the Coles and Pittston?

A. Yes.

Q. So, the Board does need to establish an escrow account into which that...any royalties attributed to that conflicting claim can be paid?

A. They do.

Q. And who should be named the operator under any force pooling order?

A. Equitable Production Company.

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

BENNY WAMPLER: We have a letter in our file.

SANDRA RIGGS: That goes back here, though, Benny.

BENNY WAMPLER: What I saw...was it just in the wrong place?

SANDRA RIGGS: It's out of place. Yeah.

BENNY WAMPLER: Okay. Strike that.

SANDRA RIGGS: It was from the church.

BENNY WAMPLER: Yeah.

JIM KISER: The Ramsey Ridge Church, uh?

BENNY WAMPLER: I didn't look at the number. I thought we had it again in this...in this one. So, it's not...he was...he was...I'll go ahead say that it was from Mr. Gordon Deel and it was specific, though, as to unit 3621. That has...that has been addressed already. I thought it was...since it was over in here, that it was also for this one.

You call your next witness?

MARTIN PUSKAR

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

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

A. Martin Puskar, employed Equitable Production Company and I'm a Engineer.

Q. Are you familiar with the proposed plan of exploration and development of this unit?

A. Yes.

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

A. The total depth is 2,600 feet.

Q. And the estimated reserves for the life of the unit?

A. About 400,000,000 cubic feet.

Q. And are you familiar with the costs for the proposed well under the plan of development?

A. Yes, I am.

Q. And has an AFE reviewed, signed and submitted to the Board along with the application as Exhibit C?

A. Yes.

Q. Was this AFE prepared by an engineering department knowledgeable in the preparation of AFEs and

knowledgeable in regard to well costs in this particular area?

A. Yes.

Q. In your professional opinion, does this AFE represent a reasonable estimate of the well costs for this proposed well under the plan of development?

A. Yes, it does.

Q. Could you state both the dryhole costs and completed well costs for 4511?

A. The dryhole costs are $77,550 and the total completed well cost is $168,440.

Q. And these costs do anticipate a multiple completion?

A. Yes, they do.

Q. And your AFE includes a reasonable charge for supervision?

A. Yes, it does.

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

A. Yes, it does.

JIM KISER: Nothing further of witness at this

time, Mr. Chairman.

BENNY WAMPLER: What was your estimated production over the life of the well?

MARTIN PUSKAR: 400,000,000 cubic feet.

BENNY WAMPLER: 400. Yeah. Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KISER: Mr. Chairman, we'd ask that the Board approve the application as submitted.

CLYDE KING: I so move.

DENNIS GARBIS: I second.

BENNY WAMPLER: The motion and second. Any further discussion?

(No audible response.)

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

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is a petition from Equitable Production Company for pooling of a coalbed methane unit identified as VC-4522, docket number VGOB-00-06/20-0814. We'd ask the parties that

wish to address the Board in this matter to come forward at this time.

JIM KISER: Mr. Chairman and members of the Board, Jim Kiser again on behalf of Equitable Production Company. Our witnesses again will be Mr. Hall and Mr. Puskar. Once again, we have a very similar situation that we have a one interest within the gas estate to which there's a conflicting claim with Pittston and the Cole that remains unleased.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Hall, if you'd state your name for the record again, who you're employed and in what capacity?

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

Q. And you're familiar with Equitable's application we filed seeking a pooling order for EPC well number VC-4522, which was dated May the 19th, 2000?

A. Yes, I am.

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

A. Yes.

Q. And again, does this location fall within the Board's order for the Nora Coalbed Gas Field?

A. It does.

Q. Now, prior to filing the application, did you make efforts to contact each of the respondents within the unit to obtain a voluntary lease agreement?

A. Yes.

Q. Does Equitable own drilling rights within the unit involved here?

A. Yes, we do.

Q. And the interest of Equitable within the gas estate in the unit?

A. Is 98.39%.

Q. And the interest of Equitable within the coal estate in the unit?

A. A 100%.

Q. As I've stated earlier, the only unleased interest within the unit is the Musick interest in Tract 3 within the gas estate?

A. Yes.

Q. And what interest does that represent?

A. 1.61%.

Q. Okay. And...so, there's 1.61% of the gas estate that remains unleased and a 100% of the coal estate is leased?

A. That's correct.

Q. Okay. And are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. They are.

Q. And are you requesting the Board to force pool all the unleased interest as listed in Exhibit B to the application?

A. We are.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes, I am.

Q. Could you advise the Board as the what those are?

A. A $5 bonus, a five year term and a one-eighth royalty.

Q. In your professional opinion, do the terms you have just testified to represent the fair market value of and the fair and reasonable compensation to be paid for

drilling rights within this unit?

A. They do.

JIM KISER: Once again, Mr. Chairman, we'd ask that the testimony regarding the election options be incorporated from the prior hearing.

BENNY WAMPLER: They will be incorporated.

Q. Okay. And again, Mr. Hall, we have a conflicting claimant situation on that Tract 3. Therefore, do we want the...would we request that the Board establish a escrow account into which that...that royalty interest can be paid until that conflicting interest is solved?

A. Yes.

Q. And who should be named the operator under any force pooling order?

A. Equitable Production Company.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

MARTIN PUSKAR

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Puskar, are you familiar with the proposed plan of development for this well?

A. Yes.

Q. And what's the total depth of the proposed well?

A. The total depth is 1,445 feet.

Q. And the estimated reserves of the unit?

A. 400,000,000 cubic feet.

Q. Just to kind of change things up, can you kind of give the Board an idea of why we use that 400,000,000 cubic foot number?

A. Well, the 400 is pretty much a...I call it a field wide sort of average and as we saw earlier this morning, you saw the higher range of things where the one was 555 and the other one was 450. But there's also others out there that are in the 300,000,000 range and the 325s and stuff and this is pretty much a generic...I'm going to say average, because you can have some pretty big discrepancies, or differences, from offsetting wells and rather than over inflate reserves and those kind of things, we tend to stick in that 400,000,000 reserve range unless it's real obvious

that it's going to be higher or lower or something like that. That's...that's kind of the reason why you see the 400 a lot.

Q. So, based on the production history of the existing wells, you feel like the 400,000,000 cubic feet is a reasonable estimate?

A. In...in average, yeah.

Q. All right.

A. Yes.

Q. Okay. And are you familiar with the costs for the proposed well under the plan of development?

A. Yes, I am.

Q. And has an AFE been reviewed, signed and submitted to the Board as Exhibit C to the application?

A. Yes, it has.

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

A. Yes.

Q. In your professional opinion, does this AFE represent a reasonable estimate of the well costs for this proposed well?

A. Yes, it does.

Q. Could you state for the Board both the dryhole costs and completed well costs for VC-4522?

A. The dryhole costs are $73,970 and the completed well cost is $159,380.

Q. And these costs do anticipate a multiple completion?

A. Yes, they do.

Q. And your AFE includes a reasonable charge for supervision?

A. Yes, it does.

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

A. Yes.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KISER: We'd ask that the Board approve the

application as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

DENNIS GARBIS: I so move.

CLYDE KING: I second.

BENNY WAMPLER: The motion and second. Any further discussion?

(No audible response.)

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

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The last item on the agenda is a petition from Equitable Production Company for pooling of a coalbed methane unit identified as VC-1853. This is docket number VGOB-00-06/20-0815. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

(Mr. Kiser distributes exhibits.)

JIM KISER: Mr. Chairman and members of the Board, again, Jim Kiser on behalf of Equitable Production. Again, it will be Mr. Hall and Mr. Puskar.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. If you would, Mr. Hall, state your name, what your responsibilities are and who you work for?

A. Don Hall. I work for Equitable Production Company as a District Landman.

Q. And you're familiar with Equitable's application seeking a pooling order for EPC well number VC-1853, which was dated May the 19th, 2000?

A. Yes, I am.

Q. Is Equitable seeking to force pool the drilling rights underlying the unit as depicted at Exhibit A, that being the plat to the application?

A. Yes.

Q. Does this location...the proposed well number VC-1853 fall within the Board's order for the Nora Coalbed Gas Field?

A. It does.

Q. Now, prior to filing the application, were efforts made to contact each of the respondents within the unit and an attempt made to work out a voluntary lease agreement with each of them?

A. Yes.

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

A. Yes, we do.

Q. Okay. What is the interest of Equitable within the gas estate in the unit?

A. We own 99.032787%.

Q. And that's properly reflected on this revised Exhibit B that I've just handed out to the Board. The Exhibit B that was filed with the application had some improper math in it. The interests were not calculated properly. The only...the only thing this revised Exhibit B reflects is the proper percentage of the gas estate that is leased and unleased and one address change which you might point out for them.

A. That's...if I can find it here. That's on page four at the top of the page, Sharon Jones. That's a new address, unleased interest.

Q. So, at this point in time, the percentage of the gas estate under lease is 99.032787?

A. That's correct.

Q. And the percentage of the gas estate that remains unleased is 0.967213?

A. That's correct.

Q. The coal estate is a 100% leased?

A. That's correct.

Q. Now, are the addresses set out in Exhibit B to the application, the last known addresses for any respondents?

A. It is.

Q. Are you requesting this Board to force pool all unleased interest as listed in this revised Exhibit B dated June the 15th of 2000?

A. Yes.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you again advise the Board as to what those are?

A. A $5...$5 bonus, a five year term and a one-eighth royalty.

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

A. It does.

JIM KISER: Mr. Chairman, we'd again ask that the testimony regarding the election options be incorporated.

BENNY WAMPLER: They will be incorporated.

Q. Now, Mr. Hall, I believe we have some conflicting claimants in this unit?

A. Yes.

Q. And some unknown interest owners?

A. Yes.

Q. Therefore we would ask that the Board establish a escrow account for this well under which both the conflicting claimant interest and the unknown interest could be paid?

A. That's correct.

Q. And who should be named the operator under any force pooling order?

A. Equitable Production Company.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

MARTIN PUSKAR

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Puskar, are you familiar with the plan of development for this well?

A. Yes, I am.

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

A. The total depth is 2,156 feet.

Q. And the estimated reserves for the unit?

A. It's also 400,000,000 cubic feet.

Q. And you're familiar with the well costs for the proposed well under the plan of development?

A. Yes, I am.

Q. And an AFE been reviewed, signed and submitted to the Board as Exhibit C to the application?

A. Yes, it has.

Q. Was this AFE prepared by an engineering department knowledgeable in the preparation of such AFEs and knowledgeable in particular with the well costs in this area?

A. Yes.

Q. In your professional opinion, does it provide a reasonable estimate of the well costs for VC-1853?

A. Yes, it does.

Q. And could you state for the Board at this time both the dryhole costs and completed well costs for this well?

A. The dryhole costs are $75,820 and the completed well cost is $171,460.

Q. And do these costs anticipate a multiple completion?

A. Yes, they do.

Q. And does your AFE include a reasonable charge for supervision?

A. Yes, it does.

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

A. Yes.

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

BENNY WAMPLER: Any questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KISER: We'd ask that the application be approved by the Board as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

CLYDE KING: I so move.

BENNY WAMPLER: A motion to approve.

MASON BRENT: I second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

CLYDE KING: You don't spell your Kiser the same way as a lot of these did.

DENNIS GARBIS: Yeah, we thought there might be some relationship there.

JIM KISER: No. No. But I get that spelling a lot, believe me.

CLYDE KING: Yeah.

BENNY WAMPLER: That concludes business today. Thank you.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, SONYA MICHELLE BROWN, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed by me personally.

Given under my hand and seal on this the 11th day of July, 2000.

NOTARY PUBLIC

My commission expires: August 31, 2001.