

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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8  
9 NOVEMBER 20, 2001

10  
11  
12 APPEARANCES:

13 MASON BRENT, GAS & OIL INDUSTRY REPRESENTATIVE

14 CLYDE KING, PUBLIC MEMBER

15 BENNY WAMPLER, DEPUTY DIRECTOR FOR THE VIRGINIA DMME AND  
16 CHAIRMAN OF THE GAS AND OIL BOARD

17 MAX LEWIS, PUBLIC MEMBER

18 SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL

19 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND ACTING  
20 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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12           BENNY WAMPLER: Okay, we'll go ahead and get

13 started. Good morning. My name's Benny Wampler. I'm Deputy

14 Director for the Virginia Department of Mines, Minerals and

15 Energy and Chairman of the Gas and Oil Board. I'll ask the

16 members to introduce themselves, starting with Mr. Brent.

17           MASON BRENT: My name is Mason Brent. I'm from

18 Richmond and I represent the Gas and Oil Industry.

19           CLYDE KING: My name is Clyde King. I'm from

20 Abingdon. I'm a public member.

21           SANDRA RIGGS: My name is Sandra Riggs. I'm with

22 the Office of the Attorney General, here to advise the Board.

23           MAX LEWIS: My name is Max Lewis. I'm from

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1 Buchanan County. I'm a public member.

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

5 BENNY WAMPLER: Thank you. The first item on  
6 today's agenda is a petition from Consol, Incorporated for  
7 dismissal of certain respondents heretofore pooled,  
8 disbursements from escrow regarding tracts 1 and 2 and  
9 authorization for direct payment of royalties for a coalbed  
10 methane unit identified as S-13/B. This was previously  
11 pooled under docket VGOB-92-03/17-0195 and continued from  
12 October. We'd ask the parties that wish to address the Board  
13 in this matter to come forward at this time.

14 MARK SWARTZ: Mark Swartz, Anita Tester and Les  
15 Arrington.

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

18 MARK SWARTZ: I'm just going to let Anita walk  
19 through this with you, and obviously you might...you're  
20 probably going to have some questions. But let her...let her  
21 get you started. Anita, do you want to state your name for  
22 us, please?

23 ANITA TESTER: Anita Tester.

24

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1                    MARK SWARTZ: And you need to raise your hand and  
2 be sworn.

3                    (Anita Tester and Leslie K. Arrington are duly  
4 sworn.)

5

6

7

ANITA TESTER

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

10

DIRECT EXAMINATION

11 QUESTIONS BY MR. SWARTZ:

12                    Q.            Okay, what was the problem here?

13                    A.            Okay, originally when we came before the  
14 Board, the tract numbers didn't match the previous  
15 supplemental order. So, after looking back at the  
16 supplemental order from before, we realized that they had  
17 combined a few tracts. So, instead of it just being tracts 1  
18 and 2, it's going to be 1, 2, 3 and 4. And they've  
19 consolidated 2, 3 and 4 into one. So, when you look at the  
20 spreadsheet, you're going to see 2, 3 and 4 on there is the  
21 one for disbursement. So, that way it matches the previous  
22 supplemental order. Now, all the ownership is the same is  
23 the reason they were able to combine those three tracts.

24

--

1 Q. Okay, then you've tendered an Exhibit E and  
2 Exhibit W, right?

3 A. Uh-huh.

4 Q. And E addresses all of the people that would  
5 require escrow, correct?

6 A. Yes.

7 Q. And is that...that has been updated as of  
8 yesterday?

9 A. Yes.

10 Q. And so your recommendation going forward  
11 from today is that these folks listed on Exhibit B would need  
12 to continue to have their funds escrowed, correct?

13 A. Yes.

14 Q. Is that correct?

15 A. Yes.

16 Q. Okay. And then on Exhibit EE, is that the  
17 list of folks that we're dealing with today in terms of a  
18 disbursement?

19 A. Yes.

20 Q. Okay. And they have with regard to tracts  
21 1, 2, 3 and 4...basically, it's Harrison-Wyatt, L.L.C.,  
22 Buchanan Production Company and then Garden Realty, correct?

23 A. Right.

24

--

1 Q. And are there written royalty split  
2 agreements between those folks?

3 A. Yes.

4 Q. And do they basically provide for a 50/50  
5 split?

6 A. Yes.

7 Q. Okay. And would you tell the Board then  
8 with reference to your spreadsheet exhibit, what  
9 tracts...it's listed on EE, I know that, but what tracts  
10 we're talking about making disbursements from and the amounts  
11 of the disbursements?

12 A. Okay, tracts 1 will be Landon Wyatt and  
13 Buchanan Production. There's \$79,473.15 to be split 50/50.

14 Q. And you've put the 50/50 amount down at the  
15 bottom?

16 A. Yes.

17 Q. Okay. And what's the other tract or tracts?

18 A. Okay, then there will be tracts 2, 3 and 4  
19 with a total of \$15,076.24.

20 Q. And that would be split between Harrison-  
21 Wyatt and Garden Realty, correct?

22 A. Yes.

23 Q. And you've also set forth the 50% amount?  
24

1 A. Yes.

2 Q. And are you requesting then that going  
3 forward with regard to tract 1 and tracts 2,3 and 4, that the  
4 operator be allowed to pay these folks in accordance with  
5 their royalty split agreement rather than paying into the  
6 escrow account?

7 A. Yes.

8 MARK SWARTZ: That's all I would have.

9 BENNY WAMPLER: Landon Wyatt is the same as  
10 Harrison-Wyatt, L.L.C.?

11 ANITA TESTER: Yeah. He sent us...I don't know  
12 what they call it, not an agreement but a...an assignment.

13 BENNY WAMPLER: Where he's the one to receive the  
14 pay?

15 ANITA TESTER: I can't remember exactly. Yeah.  
16 And I think I sent that to Sandra.

17 MASON BRENT: Anita, I missed the first part of  
18 that where you were talking about all the tracts getting  
19 jumbled and confused. Could you go over that again?

20 ANITA TESTER: When we brought this before the  
21 Board the first time we sent a supplemental order, I just had  
22 tracts 1, 2 and 3 listed.

23 MASON BRENT: Okay.

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1           ANITA TESTER: Okay, and once we looked back at the  
2 previous supplemental order, there were actually five tracts  
3 on it. Okay, and then we discovered that tracts 2, 3 and 4  
4 were actually the same owners. So, they kind of combined it  
5 together and that's how they have the ownership set up for  
6 payment, as just three tracts. We finally realized that  
7 tracts 2, 3 and 4 had been combined.

8           MASON BRENT: Okay.

9           BENNY WAMPLER: Other questions from members of the  
10 Board?

11           MARK SWARTZ: To stay with that question, is your  
12 suspicion as to why you thought there were only three tracts  
13 when you filed the supplemental order was because in paying,  
14 three of the tracts had been combined. So, you were only  
15 looking at three payees, right?

16           ANITA TESTER: Right. Yeah.

17           MARK SWARTZ: Okay. That was the source of the  
18 confusion. I'm not sure that not got communicated.

19           MASON BRENT: So, you were looking at tract 1 and  
20 then you were looking at 2, 3 and 4---?

21           MARK SWARTZ: Together.

22           MASON BRENT: ---as one---?

23           MARK SWARTZ: Right.

24

--

1           MASON BRENT: ---and then 5 as another one?  
2           ANITA TESTER: Right. Originally when I submitted  
3 it, I had it as tracts 1, 2 and 3---.  
4           MASON BRENT: Yeah.  
5           ANITA TESTER: ---and then that's what brought the  
6 question about what happened to the five tracts.  
7           MASON BRENT: Okay.  
8           CLYDE KING: So, basically we're dealing with the  
9 same people in all of them?  
10          ANITA TESTER: Yeah. Tracts 2, 3 and 4 have the  
11 same ownership. So, they can be combined as far as payment.  
12          BENNY WAMPLER: Other questions?  
13          (No audible response.)  
14          BENNY WAMPLER: Do you have anything further?  
15          MARK SWARTZ: You know, other than to make sure  
16 that the order reflects that tract 5's balance is going to  
17 remain on deposit.  
18          SANDRA RIGGS: So, what was labeled previously  
19 tract 2 in the supplemental order is now 2, 3 and 4?  
20          ANITA TESTER: Yes.  
21          SANDRA RIGGS: One stayed the same?  
22          ANITA TESTER: Yes.  
23          SANDRA RIGGS: Okay.

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1           MASON BRENT: And basically, Exhibit E just  
2 shows...includes tract 5?

3           ANITA TESTER: Yes.

4           BENNY WAMPLER: Anything further from members of  
5 the Board?

6           (No audible response.)

7           BENNY WAMPLER: Is there a motion for approval?

8           MAX LEWIS: I make a motion we approve.

9           MASON BRENT: I second.

10          BENNY WAMPLER: Motion is second. Any further  
11 discussions?

12          (No audible response.)

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

15          (All members signify by saying yes.)

16          BENNY WAMPLER: Opposed, say no.

17          (No audible response.)

18          BENNY WAMPLER: You have approval. Thank you.

19 Okay, I'm going to take you to the proposed combining. I  
20 guess we've got two and three...I don't know that it matters  
21 how you've got your notebook set up. Let me see. I'll try  
22 to keep this---

23          MARK SWARTZ: The notebook is set up like the sheet

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1 I gave you.

2 LESLIE K. ARRINGTON: Just like the sheet.

3 BENNY WAMPLER: Like the sheet?

4 LESLIE K. ARRINGTON: Uh-huh.

5 BENNY WAMPLER: So, I would call B-24 and YYY-23?

6 MARK SWARTZ: Correct. YYY-23.

7 BENNY WAMPLER: We'll just follow that.

8 (Mr. Arrington hands out the notebooks.)

9 BENNY WAMPLER: Okay, we're going to...any  
10 objection first from members of the Board of doing as  
11 suggested, combining of the groupings for the filing hearing?

12 MASON BRENT: I don't object, but it sure taxes my  
13 intellect.

14 BENNY WAMPLER: Okay, the next...the next two items  
15 on the agenda, first is a petition...and we're doing a  
16 combining of two units here, a petition from Buchanan  
17 Production Company for pooling of a coalbed methane unit  
18 identified as B-24, docket number VGOB-01-11/20-0973. That's  
19 under item four in the Board's information. And then under  
20 item eleven, the Board will consider a petition from Buchanan  
21 Production Company for pooling of a coalbed methane unit  
22 identified as YYY-23, docket number VGOB-01-11/20-0981. We'd  
23 ask the parties that wish to address the Board in these

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1 matters to come forward at this time.

2           MARK SWARTZ: Mark Swartz and Les Arrington.

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

5           MARK SWARTZ: Just in terms of cutting down on some  
6 paper flipping, there is a...there are tabs in this white  
7 book that you all have received today and they're dividing  
8 into three sections and basically we're dealing with the two  
9 units that are behind tab one. You have, I'd imagine, the  
10 original pooling applications and notices that had exhibits.  
11 To the extent that any of those exhibits have been taken out  
12 of play and have been revised, there is a list of revisions  
13 kind to alert you to what has been revised. And to the  
14 extent that there have been revisions, they are then listed  
15 there and then reproduced behind the B-24 tab and YYY-23 tab.  
16 So, in terms of directing you toward, you know, what you  
17 need...I mean, one of the exhibits that we normally refer to  
18 with regard to B-24, for example, is Exhibit A, page two,  
19 which talks about what...you know, what we've leased and what  
20 we're pooling and that turns out to be revised here. So,  
21 just to sort of focus you on how you tell what you look at in  
22 terms of what the revisions have been, that would give you  
23 some help.

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1           In addition, we have...all three of us carefully  
2 compared...and I'm going to be talking to Les about this, but  
3 carefully compared the original exhibit information, the  
4 revised exhibit information to the chart of group one and it  
5 will be the testimony eventually that that accurately  
6 summarizes the data that has been submitted or the exhibits  
7 that have been submitted.

8

9

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LESLIE K. ARRINGTON

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

13

DIRECT EXAMINATION

14 QUESTIONS BY MR. SWARTZ:

15           Q.       All right, Les, let's get some of the basic  
16 information that we need to get out here. These are...both  
17 of these units are Oakwood I units, correct?

18           A.       Yes.

19           Q.       And they're frac units?

20           A.       Yes, they are.

21           Q.       And are both of them 80 acres?

22           A.       Yes, they are.

23           Q.       And it's my recollection, and is it yours,

24

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1 that each has one well in it?

2 A. Yes, they do.

3 Q. And in both of these units, is the situation  
4 that the well is actually located inside the drilling window?

5 A. Yes, it is.

6 Q. So, we're not going to be concerned with any  
7 kind of need for an adjustment or modification of the Oakwood  
8 rules?

9 A. No.

10 Q. Okay. The applicant in both of these  
11 instances is Buchanan Production, is that correct?

12 A. Correct.

13 Q. And Buchanan Production Company is a  
14 Virginia General Partnership, right?

15 A. Yes.

16 Q. And it has two partners?

17 A. Yes.

18 Q. Who are they?

19 A. Consol Energy and Consolidation Coal  
20 Company.

21 Q. Is Buchanan Production Company authorized to  
22 do business in the Commonwealth?

23 A. Yes, it is.

24

--

1 Q. And is there a request here that someone  
2 besides the applicant be designated the Board's operator if  
3 these applications are approved?

4 A. Yes, it is.

5 Q. And who are they?

6 A. Consol Energy.

7 Q. Consol Energy, Inc., correct?

8 A. Yes.

9 Q. Okay. And is that a Delaware Corporation?

10 A. Yes, it is.

11 Q. Is it authorized to do business in the  
12 Commonwealth?

13 A. Yes, it is.

14 Q. Has it registered with the DMME and has it  
15 filed a blanket bond?

16 A. Yes.

17 Q. Now, some considerable time ago in the early  
18 '90s, did Buchanan Production Company delegate to Consol,  
19 Inc., who has now been succeeded by Consol Energy, Inc., the  
20 authority to explore, develop and maintain its assets?

21 A. Yes, it does.

22 Q. And Consol, Inc. accepted that delegation  
23 and is it also true that Consol Energy, a successor, has  
24

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1 accepted that delegation?

2 A. That's correct.

3 Q. So, that's why you are here as an employee  
4 of Consol Energy?

5 A. Yes.

6 Q. And that is why the applicant is requesting  
7 that Consol Energy, Inc. be designated the operator, correct?

8 A. Correct.

9 Q. Okay. Have you listed the names of the  
10 respondents?

11 A. Yes, we have.

12 Q. In both the notice of hearing and the  
13 exhibits B-3?

14 A. Yes, we have.

15 Q. And with regard to both of these units, we  
16 have revised exhibits B-3 that are in the white book,  
17 correct?

18 A. That's correct.

19 Q. Okay. What did you do in terms of notifying  
20 the respondents?

21 A. It was first mailed by certified mail/return  
22 receipt requested on October the 19th of 2001 and then it was  
23 published in the Bluefield Daily Telegraph, B-24 on October

24

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1 the 25th of 2001, and YYY-23 on October the 29th of 2001.

2 Q. And have you filed in the booklet that we've  
3 presented this morning, behind the tabs for B-24 and YYY-23,  
4 the proof of publication and the certificate with regard to  
5 mailing?

6 A. Yes, we have.

7 Q. Okay. And is it true that for everyone you  
8 had a mailing address, you did in fact mail?

9 A. We did.

10 Q. And for folks that you did not have  
11 addresses, you published?

12 A. That's correct.

13 Q. Do you wish to add any respondents beyond on  
14 the folks shown on the revised exhibits B-3 today?

15 A. Yes, we did.

16 Q. No, today?

17 A. Today, I'm sorry. No.

18 Q. Okay. So, the revised exhibits B-3 that are  
19 in the books are current and represent the state of your  
20 knowledge as of today?

21 A. That's correct.

22 Q. Okay. Do you wish to dismiss any  
23 respondents that were originally listed when you filed?

24

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1           A.       We did.

2           Q.       Okay.

3           A.       And they're listed on the attached exhibit  
4 B-2.

5           Q.       Okay, is there a B-2 for each of these  
6 units?

7           A.       Yes.

8           Q.       Okay. Let's start with unit B-24, and look  
9 at Exhibit B-2. Okay, and you have some folks in tract 2  
10 that you want to dismiss. Do you see that?

11          A.       That's correct...yes. Tract 2 was Rachel  
12 Louise Royall and as you notice it says that she was  
13 deceased. And then Reese Bowen Royall and we had him  
14 listed---

15          Q.       Twice?

16          A.       ---twice.

17          Q.       Okay. So, in terms of unit B-24, the two  
18 dismissals are shown on exhibit B-2 that has been submitted  
19 today?

20          A.       That's correct.

21          Q.       And then I assume that you have on the  
22 revised exhibit B-3 located some or all of the Rachel Louise  
23 Royall heirs?

24  
~

1 A. I think that's correct. Yes. Yeah.

2 Q. Is that true, Anita?

3 (Anita indicates affirmatively.)

4 A. We checked it, yeah.

5 Q. So, the revision to B-3 then would include  
6 those folks?

7 A. That's correct. Uh-huh.

8 Q. Let's turn to YYY-23 and also look at  
9 exhibit B-2. It looks like we have precisely the same  
10 situation in this unit.

11 A. That's correct. We do.

12 Q. Let's turn now to...turn back to B-24 and  
13 look at exhibit A, page two, and...or you can look at the  
14 summary chart.

15 A. Yes.

16 Q. What is the interest that the applicant...or  
17 interest that the applicant has acquired in unit B-24 with  
18 regard to coalbed methane?

19 A. We have leased 53.60% of the coal, oil and  
20 gas, coalbed methane interest in B-24; and seeking to pooling  
21 46.40% of the coal, oil and gas, coalbed methane interest.

22 Q. And what's the situation with regard to coal  
23 leased?

24

--

1 A. We have a 100% of the coal leased.

2 Q. Then in YYY-23, what coalbed methane  
3 interest have you leased, what outstanding that need to be  
4 pooled?

5 A. Yes. We've leased 94.6125% of the coal, oil  
6 and gas, coalbed methane interest, seeking to pool 5.3875% of  
7 the coal, oil and gas, coalbed methane interest. We have  
8 99.125% of the coal leased within that unit.

9 Q. I take it neither one of these wells have  
10 been drilled yet, is that correct?

11 A. No, they have not.

12 Q. Okay. Would you tell the Board the  
13 estimated depth of the two wells?

14 A. Yes. B-24, the estimated depth is 2,490  
15 feet. YYY-23 is 2,560 feet.

16 Q. And have you supplied the Board in the  
17 original application with well cost estimates?

18 A. Yes, we did. B-24 being \$203,010 and YYY-23  
19 is \$206,887.76.

20 Q. Now, obviously, in one unit you've leased  
21 more than half and in the other you've leased more than 90%  
22 of the interest. What are the typical lease terms that you  
23 have offered to folks to lease their CBM interest and could  
24

1 you summarize those for the Board?

2 A. Yes. Our standard lease terms for a coalbed  
3 methane lease are \$1 per acre per year, a five year paid up  
4 term with a 1/8 royalty.

5 Q. Okay, and that rental would be payable until  
6 production commences, correct?

7 A. That's correct.

8 Q. Would you recommend those terms to the Board  
9 to be included in any order it might enter with regard to  
10 folks who could be deemed to have been leased?

11 A. Yes, we would.

12 Q. Okay. The...you're proposing only one well  
13 here?

14 A. Uh-huh.

15 Q. And you're proposing to produce coalbed  
16 methane from the Tiller on down?

17 A. All coal seams below the Tiller. That's  
18 correct.

19 Q. Now, with regard to...we're just take for an  
20 example here revised exhibit B-3 and B-24. Have you set  
21 forth opposite the name of each person that you're seeking to  
22 pool a percentage?

23 A. Yes, we have.

24

--

1 Q. And that percentage repre...since this is a  
2 frac unit, represents their interest in whatever acreage  
3 might be within the unit divided by the 80 acre unit,  
4 correct?

5 A. That's correct.

6 Q. And that is a percentage of interest in the  
7 total 80 acre unit?

8 A. It is.

9 Q. And that would be relevant to their royalty  
10 interest?

11 A. Yes, it would.

12 Q. So, literally you would take...if the  
13 royalty rate was 12 1/2%, you would take that percent of unit  
14 times the royalty rate and that would be their decimal or  
15 royalty interest?

16 A. Yes.

17 Q. It would also...they would use the same  
18 percentage to multiply times the estimated cost to come up  
19 with their participation?

20 A. Yes, it would.

21 Q. And ultimately, if they chose to be carried,  
22 they would take that percentage times the actual drilling  
23 cost and that would be their carried interest multiplier

24

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1 factor?

2 A. Yes, it would.

3 Q. Is it your opinion that the plans of  
4 development that are disclosed by both of these applications,  
5 and in particular the plat which shows, you know, the well  
6 location and the exhibit C which shows how the well would be  
7 drilled and equipped, is it your opinion that this plan is a  
8 reasonable plan to develop coalbed methane within and under  
9 these two units?

10 A. Yes, it is.

11 Q. And is it your expectation that if  
12 implemented, these plans would protect the correlative rights  
13 of all of the owners of the coal...owners and claimants of  
14 the coalbed methane within both of these units?

15 A. Yes, it would.

16 Q. And lastly, with regard to the matter of the  
17 need for escrow, okay, let's look at...it's my recollection  
18 that neither of these units require escrow for conflicting  
19 claims, is that---?

20 A. That's correct.

21 Q. ---correct?

22 A. Uh-huh.

23 Q. But that in both of the units, we have folks  
24

--

1 for whom we do not have addresses?

2 A. We do.

3 Q. And so that there would be a requirement of  
4 escrow to deal with either unknowns or unlocateables?

5 A. That's correct.

6 Q. And that's true in both?

7 A. Yes, it is.

8 Q. Have you carefully compared the information  
9 that is set forth in the spreadsheet group one to the  
10 background documents?

11 A. We have.

12 Q. And is it your testimony that this summary  
13 sheet accurately collects the information that's reported  
14 from the original applications and the revised exhibits?

15 A. Yes.

16 MARK SWARTZ: That's all I have.

17 BENNY WAMPLER: Questions from members of the  
18 Board?

19 MASON BRENT: I've got one simple question. On  
20 your plat of these two, what is that 760 foot radius circle?

21 LESLIE K. ARRINGTON: Yes. We're required to give  
22 notice to everyone within 750 feet and then when we drill the  
23 well, we have to be within 10 feet of the location. So, we

24

--

1 always put a 760 radius on it and make sure we always notice  
2 when we permit the well everyone within that circle. And I  
3 try just to leave...always leave that on there so we don't  
4 miss it.

5 MASON BRENT: I just hadn't noticed that before.

6 LESLIE K. ARRINGTON: Yes. Sometimes it's not on  
7 there.

8 MARK SWARTZ: Well, the well plat form that they're  
9 using has changed a little bit, too, which may or may not  
10 have been something you noticed as well. It's a little  
11 different the way the information on some of these today is  
12 reported.

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

15 (No audible response.)

16 BENNY WAMPLER: Do you have anything further?

17 MARK SWARTZ: No, I don't.

18 CLYDE KING: I move that we approve.

19 BENNY WAMPLER: I have a motion to approve. Is  
20 there a second?

21 MASON BRENT: Second.

22 MAX LEWIS: Second.

23 BENNY WAMPLER: The motion is seconded. Any  
24

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1 further discussion?

2 (No audible response.)

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

5 (All members signify by saying yes.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval. The next  
9 grouping proposed is number five, six and eight in our  
10 notebooks. It would be under the second tab in the notebook  
11 that was handed out today. So, we'll call...consider a  
12 petition from Buchanan Production Company for pooling of a  
13 coalbed methane unit identified as C-19, docket number VGOB-  
14 01-11/20-0975; and a petition from Buchanan Production  
15 Company for pooling of a coalbed methane unit identified as  
16 C-20, docket number VGOB-01-11/20-0976; and a petition from  
17 Buchanan Production Company for pooling of a coalbed methane  
18 unit identified as D-19, docket number VGOB-01-11/20-0978.  
19 We'd ask the parties that wish to address the Board in these  
20 matters to come forward at this time.

21 MARK SWARTZ: Mark Swartz and Les Arrington.

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

24

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1                   MARK SWARTZ: With the Board's permission, I would  
2 like to incorporate the testimony with regard to Buchanan  
3 Production as a partnership and with regard to Consol Energy,  
4 Inc. as the designated...potential designated operator. I  
5 will deal with the rest of the issues, but rather than just  
6 repeating that if I can---

7                   BENNY WAMPLER: That's fine.

8                   MARK SWARTZ: ---incorporate that from the prior  
9 hearing.

10                  BENNY WAMPLER: That's okay. That will be  
11 incorporated.

12

13

14                                   LESLIE K. ARRINGTON

15                                   DIRECT EXAMINATION

16 QUESTIONS BY MR. SWARTZ:

17                   Q.       Mr. Arrington, you need to state your name  
18 again.

19                   A.       Leslie K. Arrington.

20                   Q.       I'll remind you're still under oath, okay?

21                   A.       Yes.

22                   Q.       Now, these three units that we're talking  
23 about now, C-19, C-20 and D-19, are those also Oakwood I Frac

24

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1 units?

2 A. Yes, they are.

3 Q. And in each case, are you talking about one  
4 well being drilled in each unit?

5 A. Yes, we are.

6 Q. And is the situation with regard to the  
7 location of these three wells that all three of them fall  
8 within the drilling windows?

9 A. Yes, they do.

10 Q. Okay, so we don't need any location  
11 exceptions, correct?

12 A. That's correct.

13 Q. What did you do to notify the respondents?

14 A. It was mailed certified mail/return receipt  
15 requested on October...each one of them on October the 19th,  
16 2001. And C-19 was published in the Bluefield Daily  
17 Telegraph on October the 25th of 2001. C-20 was published in  
18 the Bluefield Daily Telegraph on October the 25th of 2001;  
19 and D-19, October the 26th of 2001.

20 Q. And do you want to add any people as  
21 respondents today?

22 A. No.

23 Q. Do you want to dismiss anyone?

24

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1 A. No.

2 Q. And you have not filed any revisions with  
3 regard to exhibit B-3 with regard to any of these units,  
4 correct?

5 A. No, we have not.

6 Q. And, in fact, the only revisions pertain to  
7 a conflict in hearing date and the notice?

8 A. It was.

9 Q. Okay. But the first page notice of hearing  
10 date and place was correct and then the last paragraph  
11 narrative had the wrong date, right?

12 A. It did.

13 Q. Okay. Or second to last page. And how did  
14 that come to your attention?

15 A. I was notified by GEO Met.

16 Q. Okay. So, one of the respondents called you  
17 and said which date is right?

18 A. That's correct.

19 Q. Okay. I assume you told them the right  
20 date?

21 A. I did.

22 Q. These Oakwood I units then would contemplate  
23 production from all seams from the Tiller seams on down,  
24

--

1 correct?

2 A. That's correct.

3 Q. I take it that none of the wells have been  
4 drilled or permitted?

5 A. That's correct.

6 Q. With regard to each of the units, would you  
7 state the depth of the well...the estimated depth of the well  
8 that you propose and the estimated costs associated with  
9 that?

10 A. Yes. C-19, estimated is 2,610 feet,  
11 estimated cost is \$205,390.10. C-20, estimated depth is  
12 2,455 feet, estimated cost \$201,838.63. D-19, estimated  
13 depth is 2,590 feet for an estimated cost of \$204,859.70.

14 Q. Now, are those estimates your best opinions  
15 at this point as to what it would cost to drill and...drill,  
16 stimulate and complete those three wells?

17 A. Yes, it is.

18 Q. Okay. Have you filed with the Board behind  
19 the tabs for these three units today your proofs of  
20 publication from the newspaper?

21 A. Yes.

22 Q. And also your certificates with regard to  
23 mailing copies of---?

24

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1 A. Yes.

2 Q. ---items relevant to mailing?

3 A. Yes, we did.

4 Q. Okay. If we could just take the three units  
5 in order and if you could explain to the Board what interest  
6 in coalbed methane gas you have acquired in each unit and  
7 which...what interest you're seeking to pool by these  
8 applications?

9 A. Yes. Unit C-19, we've leased 89.62917% of  
10 the coal, oil and gas, coalbed methane interest. We're  
11 seeking to pool 10.37083% of the coal, oil and gas, coalbed  
12 methane interest. We have a 100% of the coal leased beneath  
13 this unit. Unit C-20, we've leased 53.76670% of the coal,  
14 oil and gas, coalbed methane interest. We're seeking to pool  
15 46.23333% of the coal, oil and gas, coalbed methane interest.  
16 We have a 100% of the coal leased beneath this unit. D-19,  
17 we have 63.5625% of the coal, oil and gas, coalbed methane  
18 interest leased. We're seeking to pool 36.4375% of the coal,  
19 oil and gas, coalbed methane interest. We have a 100% of the  
20 coal leased beneath this unit.

21 Q. Now, you've listed North American Timber,  
22 GEO Met and Highland Resources. Are those companies related  
23 in some way?

24

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1           A.       Our understanding by a verbal discussion  
2 with the people that there is a coalbed methane lease on the  
3 tracts that we're pooling between North American Timber and  
4 GEO Met and Highland Resources. To date, we have found  
5 nothing in the Courthouse making those statements. It was  
6 just verbal that they told us that it was leased.

7           Q.       Okay. So, someone on behalf of North  
8 American Timber Corp., who you're identified as having record  
9 title---?

10          A.       That's correct.

11          Q.       ---told you that there was a lease possibly  
12 involving these two people---?

13          A.       That's correct.

14          Q.       ---but you have absolutely nothing in  
15 writing?

16          A.       We have no documents.

17          Q.       Okay. So, in the event that there is a  
18 participation election, we would expect if it was...if the  
19 election was made by an alleged lessee, that we get something  
20 in writing from them---?

21          A.       That's correct.

22          Q.       ---demonstrating, you know, the right to  
23 participate, correct?

24

--

1           A.       Yes.  And that will be true for all the  
2 units that we're pooling today that GEO Met and Highland  
3 Resources are involved.

4           Q.       These three folks are actually in all three  
5 of the units?

6           A.       Yes.

7           Q.       And a further fact that I'm not sure needs  
8 to go in the order, but to just bring this to the attention  
9 of the Board, North American Timber is a 1/3 owner in each of  
10 these tracts, correct?

11          A.       That's correct.  They only...if you would  
12 look at their acreage, in the majority of their tracts they  
13 do own some tracts a 100%.

14          Q.       Okay.

15          A.       But not very many of them.  They do own just  
16 a 1/3.  We have 2/3 of it leased.

17          Q.       And generally speaking, when you see  
18 Unicon/Pocahontas as a owner, North American Timber would be  
19 a 1/3 owner in that proposition, correct?

20          A.       I believe what you said is correct, yes.

21          Q.       Okay.  And we have the other 2/3 of the  
22 owners leased?

23          A.       You will notice that there is tracts that  
24

1 they do have a 100% in.

2 Q. Okay.

3 A. And it does...our exhibits reflect those.

4 Q. Okay. With regard to the percent of unit,  
5 again, you have reported here, have you not, a percentage  
6 associated with each person that you...that you are listing  
7 as a respondent and pooling, correct?

8 A. We did.

9 Q. And those percentages could be used by them  
10 to calculate their royalty interest, their participation cost  
11 and their carried interest multiplier, correct?

12 A. That's correct.

13 Q. With regard to the question of escrow here,  
14 it looks like there is no need for escrow in C-19, correct?

15 A. That's correct.

16 Q. And it looks like there is no need for  
17 escrow in B-3, correct?

18 A. Right.

19 Q. I mean, C-20?

20 A. C-20, yes.

21 Q. And then I don't think there's a need for  
22 escrow in D-19 either?

23 A. That's correct.

24

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1 Q. So, there's no requirement of escrow in any  
2 of these units?

3 A. That's correct.

4 Q. Okay. Lastly, I would ask you whether or  
5 not the plan for development of coalbed methane under these  
6 three units that's disclosed by the plat and the well  
7 information that's shown on the plat and that's also shown on  
8 exhibit C, is a reasonable plan in your judgment to develop  
9 coalbed methane under these three units?

10 A. That's correct. It is.

11 Q. Is it also true that this plan would protect  
12 the correlative rights of all owners of coalbed methane  
13 and/or claimants of coalbed methane whether or not you have  
14 been able to obtain a lease from them?

15 A. That's correct.

16 MARK SWARTZ: That's all I have.

17 BENNY WAMPLER: Questions from members of the  
18 Board?

19 (No audible response.)

20 BENNY WAMPLER: Would North American have any  
21 different election options if they came in?

22 MARK SWARTZ: No. I mean, as far as we know, North  
23 American is the party that needs to be elected because that's

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1 all we have of record.

2           SANDRA RIGGS: If they have entered into a CBM  
3 lease with GEO Met and Highland, what elections would be  
4 available to their lessees?

5           MARK SWARTZ: The typical...the same...I mean, if  
6 you've...if you have leased...norm...I mean, it's a  
7 contractual situation with them. You know, I can't...but I  
8 would assume that a lease would give the lessee the right to  
9 elect. Okay, I mean, you've...but, you know, that's a  
10 contractual issue for them. I mean, as far as we're  
11 concerned, you know, North American has record title. You  
12 know, we would expect to see an election from them, absent  
13 somebody coming forward with some document signed by North  
14 American Timber saying, you know, we've got a lease. If  
15 somebody comes forward with some document that's a lease or  
16 they've got a lease, then we would accept a participation  
17 from them. It's no different than anything else.

18           BENNY WAMPLER: So, when you send this out, you  
19 will be sending it out actually to North American?

20           MARK SWARTZ: We're going to mail to everybody we  
21 noticed. We talked about that yesterday. We didn't quite  
22 know, and I figured we probably needed...if we noticed people  
23 as a courtesy, we probably need to send them a copy of the  
24

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1 order as a courtesy. So, our plan is to send copies of the  
2 pooling order to everybody that we listed as a respondent  
3 whether or not, you know, we know for a fact that they have  
4 an interest.

5 BENNY WAMPLER: Okay.

6 MARK SWARTZ: And they can sort that out when they  
7 got back to us is our theory.

8 LESLIE K. ARRINGTON: Yes.

9 BENNY WAMPLER: All right. Any other questions  
10 from members of the Board?

11 (No audible response.)

12 BENNY WAMPLER: I think that's a good plan. I  
13 mean, particularly when---

14 BOB WILSON: Mr. Chairman, I'd like to point out  
15 that there was discussions about this before all this came  
16 in.

17 BENNY WAMPLER: Okay.

18 BOB WILSON: The decision was made as I understand  
19 it to notify the potential lessee just because they had some  
20 indication that he was there.

21 BENNY WAMPLER: Okay.

22 MARK SWARTZ: We've had a lot...North American  
23 Timber is an affiliate of GP, and we've had---

24

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1           BENNY WAMPLER: GP, meaning Georgia Pacific?

2           MARK SWARTZ: Right. And we've had a couple of  
3 years of discussions with them, okay.

4           BENNY WAMPLER: Okay. Other questions?

5           (No audible response.)

6           BENNY WAMPLER: Do you have anything further, Mr.  
7 Swartz?

8           MARK SWARTZ: No.

9           BENNY WAMPLER: Is there a motion?

10          CLYDE KING: I move we approve.

11          BENNY WAMPLER: I've got a motion to approve. Is  
12 there a second?

13          MASON BRENT: Second.

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

16          (No audible response.)

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

19          (All members signify by saying yes.)

20          BENNY WAMPLER: Opposed, say no.

21          (No audible response.)

22          BENNY WAMPLER: You have approval.

23          SANDRA RIGGS: I think this is the case I got a  
24

1 call from Tim Scott on. Does he represent North American  
2 Timber?

3 MARK SWARTZ: Not that I'm aware of.

4 SANDRA RIGGS: It was in the abstract. Not related  
5 to any VGOB number. Were they involved in last month's  
6 hearing?

7 LESLIE K. ARRINGTON: They were. Yeah.

8 MARK SWARTZ: He was here last month for somebody  
9 else, though.

10 SANDRA RIGGS: He didn't realize that they were  
11 being pooled, I think. I think he...while he didn't tell me  
12 that it was North American Timber, putting two and two  
13 together, I think he's probably representing them.

14 MARK SWARTZ: Well, he was here last month  
15 representing somebody, though.

16 SANDRA RIGGS: On a disbursement. It was on a  
17 disbursement, I think.

18 LESLIE K. ARRINGTON: I can't remember. He was  
19 representing somebody. I don't remember who is was---

20 SANDRA RIGGS: No, it was Dart. It was Dart---

21 BOB WILSON: Yeah.

22 MARK SWARTZ: Right.

23 SANDRA RIGGS: ---Oil and Gas on a pooling.

24

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1           MARK SWARTZ: On a pooling. So, I mean...I mean,  
2 it's possible. I don't know.

3           SANDRA RIGGS: I just tell you that in passing  
4 only---.

5           LESLIE K. ARRINGTON: Okay.

6           SANDRA RIGGS: ---because I think, while it wasn't  
7 real clear given the question, I think that it was North  
8 American Timber he was referring to especially if they were  
9 involved last month.

10          MARK SWARTZ: We pooled a ton of their stuff last  
11 month.

12          LESLIE K. ARRINGTON: Last month.

13          SANDRA RIGGS: I figure sure that's who it was.

14          BENNY WAMPLER: Okay. The next grouping is under  
15 tab three in your exhibit for today. They're numbers two,  
16 three, seven, nine, ten, twelve and thirteen in the notebook.  
17 Mr. Hall, have you called your folks to get them over here?

18

19           (Mr. Hall indicates in the affirmative.)

20          BENNY WAMPLER: Okay.

21          DON HALL: He's here.

22          BENNY WAMPLER: Okay, good. The next items on the  
23 agenda is a petition from Buchanan Production Company, which

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1 all these following petitions will be, for pooling of a  
2 coalbed methane unit identified as D-30, docket number VGOB-  
3 01-11/20-0969; and coalbed methane unit identified as B-19,  
4 docket number VGOB-01-11/20-0972; coalbed methane unit D-18,  
5 docket number VGOB-01-11/20-0977; coalbed methane unit  
6 identified as E-18, docket number VGOB-01-11/20-0979; coalbed  
7 methane unit identified as K-18, docket number VGOB-01-11/20-  
8 0983; and coalbed methane unit identified as L-23, docket  
9 number VGOB-01-11/20-0984. We'd ask the parties that wish to  
10 address the Board in these matters to come forward at this  
11 time.

12 MARK SWARTZ: Mark Swartz and Les Arrington.

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

15 MARK SWARTZ: Mr. Chairman, I don't know if I short  
16 circuited temporarily or not, but did you call docket item  
17 number ten as well?

18 BENNY WAMPLER: E-19, I did. Yes.

19 MARK SWARTZ: You did. Okay, fine.

20

21 LESLIE K. ARRINGTON

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. SWARTZ:

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1 Q. Mr. Arrington, I'm going to remind you that  
2 you're still under oath, okay?

3 A. Yes.

4 MARK SWARTZ: I would like to incorporate from the  
5 first group of cases, the basic information with regard to  
6 Buchanan Production, with regard to the request that Consol  
7 Energy, Inc. be the designated operator and with regard to  
8 the standard lease terms.

9 BENNY WAMPLER: That will be incorporated.

10 MARK SWARTZ: Thank you.

11 Q. Mr. Arrington, in each of these poolings  
12 that have been called and that we've combined here, is  
13 Buchanan Production Company the applicant?

14 A. Yes, it is.

15 Q. And is everyone of these units an Oakwood I  
16 unit?

17 A. Yes, it is.

18 Q. And does everyone of these units propose one  
19 well in the drilling window?

20 A. Yes, it does.

21 Q. So, if we want to turn around and look at  
22 the plats, that's what we would see?

23 A. Yes.

24

--

1 Q. We don't need any exceptions here?

2 A. That's correct.

3 Q. Okay. What did you do to notify the  
4 respondents?

5 A. We mailed it certified mail/return receipt  
6 on October the 19th of 2001 in each one of the units, and  
7 then it was published. In B-19, was published in The  
8 Virginia Mountaineer on October the 25th of 2001. D-18 was  
9 published October the 25th of 2001 in The Virginia  
10 Mountaineer. D-30 and E-18 also were published in The  
11 Virginia Mountaineer on October the 25th. E-19 was published  
12 in the Bluefield Daily Telegraph on October the 26th, 2001.  
13 K-18 was published in the Bluefield Daily Telegraph on  
14 October the 27th, 2001. And L-23 was published in the  
15 Bluefield Daily Telegraph on October the 29th of 2001.

16 Q. And we have the same three pooled parties in  
17 each of these?

18 A. Yes, we do.

19 Q. And you've identified North American Timber  
20 Corporation as the record owner, correct?

21 A. Yes, we have.

22 Q. And we've listed GEO Met, Inc. and Highland  
23 Resources as a courtesy because we've been told that they may

24

--

1 have a lease with North American Timber, correct?

2 A. That's correct.

3 Q. Is it true that none of these wells have  
4 been permitted and/or drilled?

5 A. That's correct.

6 Q. Okay. Are the only revised exhibits that  
7 we're talking about a change that was made to the second page  
8 of the notice and the first page of exhibit F with regard to  
9 each of these units?

10 A. Yes, it is.

11 Q. So, with regard to all other exhibits, the  
12 Board can rely on the exhibits that were submitted when the  
13 applications were filed?

14 A. Yes.

15 Q. Have you carefully gone through the  
16 applications and the related exhibits?

17 A. Yes, we have.

18 Q. And have you compared those...the  
19 information in those exhibits to the information that you've  
20 summarized in the group three spreadsheet notice that you've  
21 given to the Board today?

22 A. Yes, we have.

23 Q. And is the information and the notes that  
24

--

1 you've given to the Board true, accurate and correct to the  
2 best of your knowledge?

3 A. Yes, they are.

4 Q. The point being, is the information that you  
5 have listed with regard to the leased interest or other  
6 interest that you've acquired for each of these units in CBM  
7 from coal owners and oil and gas owners accurate?

8 A. Yes, it is.

9 Q. Okay. And it's reported as it is in exhibit  
10 A, page two, in the various underlying applications, correct?

11 A. Yes, it is.

12 Q. Is the...are the percentages that you've set  
13 forth under the heading "CBM Adverse" on the summary sheet  
14 for both coal and oil and gas, the interest...the total  
15 percentage interest in each unit related to both types of  
16 owners that you are seeking to pool today?

17 A. Yes, it is.

18 Q. And if you looked at the...looked behind  
19 each application at exhibit A, page two, these are the  
20 percentages that would be reported there, correct?

21 A. That's right, correct.

22 Q. And then in each of these, I guess it's  
23 seven units, you have a 100% of the coal leased under the

24

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1 unit, correct?

2 A. That's correct.

3 Q. Okay. Now, again, with regard to the  
4 estimated depth, have you submitted an exhibit C with regard  
5 to each of these units?

6 A. Yes, we have.

7 Q. Okay. And does that report an estimated  
8 depth?

9 A. Yes, it does.

10 Q. Are the depths listed in this estimated  
11 depth column taken from those underlying exhibits and are  
12 they reported accurately?

13 A. Yes, they are.

14 Q. Have you undertaken to provide the Board  
15 with your opinion as to the reasonable estimated cost that  
16 would be required to drill the well, frac it and complete it?

17 A. Yes, it has.

18 Q. And you've filed an exhibit with regard to  
19 each unit?

20 A. Yes, we have.

21 Q. And then have you collected the estimates  
22 and listed them accurately on the spreadsheet?

23 A. Yes, it is.

24

--

1           Q.       I notice that the last well is 20,000 or so  
2 more expensive than the other wells and yet the depth is  
3 roughly the same.

4           A.       Yes.

5           Q.       Could you take...if you don't recall, could  
6 you take a moment to look at that exhibit and share with the  
7 Board why that might be more?

8           A.       Additional casing strings.

9           Q.       Okay. Because of?

10          A.       Mine voids.

11          Q.       Mine voids, okay. Do you want, with regard  
12 to any of these units, to add anybody today or dismiss  
13 anybody today?

14          A.       No.

15          Q.       And since these are Oakwood I units, is it  
16 your intention to develop coalbed methane from all seams from  
17 the Tiller on down?

18          A.       That's correct.

19          Q.       Is it your opinion that the plan of  
20 development that is shown in the exhibits, which in  
21 specifically in the well location exhibit and in the exhibit  
22 C which discloses the well depth and how it's to be fraced  
23 and equipped, is it your opinion that the plan that's

24

--

1 disclosed here for each of these units is a reasonable plan  
2 to develop coalbed methane from under and within these units?

3 A. Yes, it is.

4 Q. And if implemented, would this plan protect  
5 all owners/claimants of correlative rights in these units  
6 whether or not you have previously obtained a lease from them  
7 or previously purchased their interest?

8 A. Yes, it would.

9 MARK SWARTZ: That's all I have.

10 BENNY WAMPLER: Questions from members of the  
11 Board?

12 (No audible response.)

13 BENNY WAMPLER: Hearing none, is there a motion?

14 MASON BRENT: Mr. Chairman, I move that we grant  
15 the applications as submitted.

16 BENNY WAMPLER: Is there a second?

17 CLYDE KING: Second.

18 BENNY WAMPLER: Motion and second. Any further  
19 discussions?

20 (No audible response.)

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

23 (All members signify by saying yes.)

24

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1           BENNY WAMPLER:  Opposed, say no.  
2           (No audible response.)  
3           BENNY WAMPLER:  You have approval.  Happy  
4 Thanksgiving.  
5           MARK SWARTZ:  Thank you all.  You guys have a great  
6 Thanksgiving.  
7           MASON BRENT:  Before these guys leave, I'd just  
8 like to say that I've recently noticed a marked improvement,  
9 no pun intended, in the quality of the information in your  
10 applications.  I appreciate that.  
11          LESLIE K. ARRINGTON:  Thank you.  
12          CLYDE KING:  Wow.  
13          MARK SWARTZ:  Thank you.  
14          BENNY WAMPLER:  Good job, Anita.  
15          CLYDE KING:  She gets a raise.  
16          MARK SWARTZ:  Well, I don't know about that.  But  
17 she certainly gets our thanks on a regular basis.  We  
18 appreciate it.  
19          BENNY WAMPLER:  Thank you.  Happy Thanksgiving to  
20 you.  
21          MARK SWARTZ:  You guys have a great holiday.  
22          BENNY WAMPLER:  We'll take five.  
23          (Break.)  
24

1           BENNY WAMPLER: Okay, the next item on the agenda  
2 is a petition from Equitable Production Company for a well  
3 location exception for proposed well V-502795. This is  
4 docket number VGOB-01-11/20-0985 and it's under tab fourteen  
5 in your notebook. We'd ask the parties that wish to address  
6 the Board in this matter to come forward at this time.

7           JIM KISER: Mr. Chairman and members of the Board,  
8 Jim Kiser on behalf of Equitable Production Company. Our  
9 witness in this matter will be Mr. Don Hall. We'd ask that  
10 he be sworn at this time.

11           (Don Hall is duly sworn.)

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

14

15

DON HALL

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

18

DIRECT EXAMINATION

19 QUESTIONS BY MR. KISER:

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

22           A.       My name is Don Hall. I'm employed by  
23 Equitable Production Company as district landman.

24

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1 Q. And you've testified many times before the  
2 Virginia Gas and Oil Board and your qualifications as an  
3 expert witness in these matters have been previously accepted  
4 by the Board, correct?

5 A. Correct.

6 Q. And do your responsibilities include the  
7 land involved here in the unit for V-502795 and in the  
8 surrounding area?

9 A. They do.

10 Q. And you're familiar with the application  
11 that we filed seeking a location exception for this well?

12 A. Yes.

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

16 A. They have.

17 Q. Okay. And would you indicate for the Board  
18 the ownership of the oil and gas underlying the unit for well  
19 number V-502795?

20 A. Red River Coal owns 61.82% of the oil and  
21 gas and Penn VA Oil and Gas Company owns 38.18%.

22 Q. Okay. And does Equitable have the right to  
23 operate the two reciprocal wells, that being V-3833 and V-

24

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1 3831, the wells from which we're seeking the exception?

2 A. We do.

3 Q. And are there any correlative rights issues  
4 in the surrounding area?

5 A. No.

6 Q. Okay, now could you explain for the Board  
7 ...we didn't do an exhibit in this case. We just kind of  
8 used the plat as our exhibit with the Board's blessing.  
9 Could you explain for the Board why we're seeking this  
10 location exception?

11 A. This was the only location that we could  
12 ...that the coal companies would approve in this area. They  
13 have some active strip mining going on in the area and this  
14 is where they put the location.

15 Q. Okay. So, they actually chose this  
16 location?

17 A. That's correct.

18 Q. Okay. And in the event this location  
19 exception were not granted, would you project the estimated  
20 loss of gas reserves resulting in waste?

21 A. 475,000,000 cubic feet.

22 Q. And what is the total depth of the proposed  
23 well under the plan of development?

24

--

1 A. 4693 feet.

2 Q. And this will be sufficient to penetrate and  
3 test the common sources of supply in the subject formations?

4 A. Yes.

5 Q. Are you requesting that this location  
6 exception cover conventional gas reserves to include the  
7 designated formations in your permit package from surface to  
8 total depth drilled?

9 A. Yes.

10 Q. And in your opinion, Mr. Hall, would the  
11 granting of this location exception be in the best interest  
12 of preventing waste, protecting rights and maximizing the  
13 recovery of the gas underlying the unit for V-502795?

14 A. Yes, it would.

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

17 BENNY WAMPLER: Questions from members of the  
18 Board?

19 (No audible response.)

20 BENNY WAMPLER: I don't know if...I think you said  
21 this in a different way, but did...specifically did Penn  
22 Virginia and Red River approve this well location?

23 DON HALL: Yes. Yes, they did.

24

--

1           MASON BRENT: What is Delta Resource's involvement?

2           DON HALL: They have the coal...the Dorchester seam  
3 above in this area and they are...though we're not  
4 stimulating...well, this is a conventional well. But anyway,  
5 we have to drill through their seams and we have to notify  
6 them. Delta is a company that's...it's another arm of Penn  
7 Virginia actually. They have to be notified since title to  
8 the coal from the Dorchester seam and above is in their name.

9           JIM KISER: Under 361.17, we were required to  
10 notify and did and have green cards from Red River Coal,  
11 Delta Resources, Penn Virginia Oil and Gas, and Penn Virginia  
12 Coal.

13           MASON BRENT: Did you just say that they're an  
14 affiliate of Penn Virginia?

15           DON HALL: Yes.

16           JIM KISER: Yeah, they're actually owned by Penn  
17 Virginia.

18           DON HALL: I think that's true.

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

21           (No audible response.)

22           BENNY WAMPLER: Have you been to this location, Mr.  
23 Hall?

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1 (Everyone laughs.)

2 JIM KISER: He probably has, haven't you?

3 DON HALL: Actually, I haven't been. There

4 wouldn't any reason for me to be.

5 MAX LEWIS: Flew over it, I'd say.

6 JIM KISER: We'd ask that the application be

7 approved as submitted.

8 BENNY WAMPLER: There's some history to that

9 question.

10 JIM KISER: This was before your time. I think it

11 might have been before everybody here's time.

12 BENNY WAMPLER: It probably was.

13 DON HALL: I thought they'd forgotten that.

14 (Everyone laughs.)

15 JIM KISER: They still drag it out, particularly

16 around the holidays.

17 (Everyone laughs.)

18 JIM KISER: I'm never going to get rid of that one.

19 BENNY WAMPLER: Is there a motion?

20 MAX LEWIS: I make a motion we approve.

21 BENNY WAMPLER: I have a motion to approve. Is

22 there a second?

23 MASON BRENT: Second.

24

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

3           (All members signify by saying yes.)

4           BENNY WAMPLER: Opposed, say no.

5           (No audible response.)

6           BENNY WAMPLER: You have approval. Thank you. I  
7 couldn't resist, Don.

8           JIM KISER: Yeah, we don't do that many location  
9 exceptions. So, you don't get many chances.

10          BENNY WAMPLER: That's right, while we got him  
11 here. The next item on the agenda is a petition from  
12 Equitable Production Company for pooling of coalbed methane  
13 unit under the Nora Gas Field, identified as VC-504509. This  
14 is docket number VGOB-01-11/20-0986. We'd ask the parties  
15 that wish to address the Board in this matter to come forward  
16 at this time.

17          JIM KISER: Mr. Chairman and members of the Board,  
18 Jim Kiser, again, on behalf of Equitable Production Company.  
19 Our witness will again be Mr. Hall.

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

22

23

DON HALL

24

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1 DIRECT EXAMINATION

2 QUESTIONS BY MR. KISER:

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

5 A. My name's Don Hall. I'm employed by  
6 Equitable Production Company as District Landman.

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

10 A. They do.

11 Q. And you're familiar with our application  
12 seeking the pooling of one unleased interest for Equitable  
13 well number VC-504509, which was dated October the 19<sup>th</sup> of  
14 2001?

15 A. Yes.

16 Q. And is Equitable seeking to force pool the  
17 drilling rights underlying the unit as depicted at Exhibit A,  
18 that being the plat to the application?

19 A. That's correct.

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

22 A. It does.

23 Q. Now, prior to filing this application, were  
24

1 efforts made to contact each of the respondents listed in  
2 Exhibit in an attempt to negotiate a voluntary oil and gas  
3 lease?

4 A. They were.

5 Q. Does Equitable own drilling rights in the  
6 unit involved here?

7 A. Yes, we do.

8 Q. Now, what is the interest of Equitable in  
9 the gas estate in the unit?

10 A. We have 97.46% leased.

11 Q. And the interest of Equitable in the coal  
12 estate?

13 A. 100%.

14 Q. And that's all Pittston?

15 A. That's correct.

16 Q. And the unleased parties set out in Exhibit  
17 B, specifically Mr. Roy Rose?

18 A. That's correct.

19 Q. Tract number four. So, his...so, the  
20 interest that remains unleased within the gas estate is  
21 2.54%?

22 A. That's correct.

23 Q. Okay, we don't have any unknown heirs or  
24

1 unknown respondents in this case, is that correct?

2 A. That's correct.

3 Q. And in your professional opinion, was due  
4 diligence exercised to locate each of the respondents named  
5 in Exhibit B?

6 A. It was.

7 Q. And are the addresses set out in Exhibit B  
8 to the application the last known addresses for the  
9 respondents?

10 A. Yes.

11 Q. And are you requesting this Board to force  
12 pool all the unleased interest, being Mr. Rose's interest, in  
13 tract 4 listed at Exhibit B?

14 A. We are.

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

18 A. Yes.

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

21 A. \$5 bonus, a five year term and a 1/8  
22 royalty.

23 Q. Did you gain this familiarity by acquiring  
24

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1 oil and gas leases, coalbed methane leases and other  
2 agreements involving the transfer of drilling rights in the  
3 unit involved here and in the surrounding area?

4 A. Yes.

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

9 A. It does.

10 Q. All right. Now, as to Mr. Rose, who has not  
11 agreed to a voluntary lease, do you recommend that he be  
12 allowed the following options with respect to his ownership  
13 interest within the unit: One, participation; two, a cash  
14 bonus of \$5 per net mineral acre plus a one-eighth of eighth-  
15 eighths royalty; three, in lieu of a cash bonus and one-  
16 eighth of eighth-eighths royalty share in the operation of  
17 the well on a carried basis as a carried operator under the  
18 following conditions: Such carried operator shall be entitled  
19 to the share of production from the tracts pooled accruing to  
20 his interest exclusive of any royalty or overriding royalty  
21 reserved in any leases, assignments thereof, or agreements  
22 relating thereto of such tracts, but only after the proceeds  
23 applicable to his share equal: A) 300% of his share of such

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1 costs applicable to the interest of a carried operator of a  
2 leased tract or portion thereof; or B) 200% of his share of  
3 such costs applicable to the interest of the carried operator  
4 of an unleased tract or portion thereof?

5 A. Yes.

6 Q. Do you recommend the order provide that  
7 elections by the respondents be in writing and sent to the  
8 applicant at Equitable Production Company, 1710 Pennsylvania  
9 Avenue, P. O. Box 2347, Charleston, West Virginia, 25328,  
10 Attention: Melanie Freeman, Regulatory?

11 A. Yes.

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

15 A. It should.

16 Q. Do you recommend that the pooling order  
17 provide that if no written elections was properly made, then  
18 such respondent should be deemed to have elected the cash  
19 royalty option in lieu of any participation?

20 A. Yes.

21 Q. Should the unleased respondents be given  
22 thirty days from the date of the execution of the order to  
23 file their written elections?

24

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1           A.       Yes.

2           Q.       If an unleased respondent elects to  
3 participate, should they be given 45 days to pay the  
4 applicant for their proportionate share of well cost?

5           A.       Yes.

6           Q.       Do you expect the party electing to  
7 participate to pay in advance that share of completed well  
8 costs?

9           A.       We do.

10          Q.       And should the applicant be given a hundred  
11 and twenty days following the recordation date of the Board  
12 order and thereafter annually on that date until production  
13 is achieved to pay or tender any cash bonus or delay rental  
14 becoming due under the force pooling order?

15          A.       Yes.

16          Q.       Do you recommend that the order provide that  
17 if a respondent elects to participate but fails to pay their  
18 proportionate share of well costs satisfactory to the  
19 applicant for the payment of those costs, then their election  
20 to participate should be treated as having been withdrawn and  
21 void and such respondent should be treated just as if no  
22 initial election had been filed under the order, in other  
23 words, deemed to be leased?

24

--

1 A. Yes.

2 Q. Do you recommend that the order provide that  
3 where a respondent elects to participate but defaults in  
4 regard to the payment of those costs, any cash sum becoming  
5 payable to that respondent be paid within sixty days after  
6 the last date on which such respondent could have paid or  
7 made arrangements for the payment of those costs?

8 A. Yes.

9 Q. Okay, now, in this particular case, we do  
10 have conflicting...a conflicting claimant situation. So, do  
11 you recommend that the Board set up a escrow account for  
12 those funds to be paid into...for the tracts where we do have  
13 a conflicting claim, for those funds to be paid into that  
14 account?

15 A. We do.

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

18 A. Equitable Production Company.

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

21 A. 1880 feet.

22 Q. And this is consistent with the permit that  
23 is now pending or will be pending before the DMME?

24

--

1           A.       It is.

2           Q.       And what are the estimated reserves of the  
3 unit?

4           A.       400,000 or 400,000,000. I'm sorry.

5           Q.       400,000,000 cubic feet?

6           A.       400,000,000 cubic feet, yes.

7           Q.       And are you familiar with the well costs for  
8 the proposed well under the plan of development?

9           A.       Yes.

10          Q.       And has an AFE been reviewed, signed and  
11 submitted to the Board as Exhibit C to the application?

12          A.       It has.

13          Q.       Was this AFE prepared by an engineering  
14 department knowledgeable in the preparation of AFEs and  
15 knowledgeable in regard to well costs in this area?

16          A.       Yes.

17          Q.       In your opinion, does it represent a  
18 reasonable estimate of the well costs for the proposed well  
19 under the plan of development?

20          A.       It does.

21          Q.       Could you state for the Board at this time  
22 both the dry hole costs and completed well costs?

23          A.       The dry hole cost is \$91,220 and the

24  
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1 completed well cost \$176,230.

2 Q. Do these costs anticipate a multiple  
3 completion?

4 A. They do.

5 Q. Does the AFE include a reasonable charge for  
6 supervision?

7 A. Yes.

8 Q. In your professional opinion, will the  
9 granting of this application be in the best interest of  
10 conservation, the prevention of waste and the protection of  
11 correlative rights?

12 A. It would.

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

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

17 (No audible response.)

18 BENNY WAMPLER: Is there a motion?

19 MAX LEWIS: I make a motion we approve.

20 BENNY WAMPLER: Motion to approve. Is there a  
21 second?

22 MASON BRENT: Second.

23 BENNY WAMPLER: Motion and second. Any further  
24

--

1 discussion?

2 (No audible response.)

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

5 (All members signify by saying yes.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval. The next item  
9 on the agenda is a petition from Equitable Production Company  
10 for pooling of a coalbed methane unit identified as VC-  
11 508826, docket number VGOB-01-11/20-0987 and we'd ask the  
12 parties that wish to address the Board in this matter to come  
13 forward at this time.

14 JIM KISER: Mr. Chairman, Jim Kiser again on behalf  
15 of Equitable Production Company. Our witness in this matter,  
16 again, will be Mr. Don Hall.

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

19

20 DON HALL

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. KISER:

23 Q. Mr. Hall, again your state your name for the

24

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1 Board, who you're employed by and in what capacity?

2 A. My name is Don Hall. I'm employed by  
3 Equitable Production as a district landman.

4 Q. Okay. And your responsibilities include the  
5 land involved in this unit and in the surrounding area?

6 A. They do.

7 Q. And you're familiar with Equitable's  
8 application seeking a pooling order for EPC well number VC-  
9 508826, which was dated October the 19th, 2001?

10 A. Yes

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

14 A. We are.

15 Q. And does this location proposed for this  
16 well fall within the Board's order for the Oakwood Coalbed  
17 Gas Field?

18 A. It does.

19 Q. And prior to filing the application, were  
20 efforts made to contact each of the respondents in an attempt  
21 made to work out an agreement regarding the development of  
22 the unit involved?

23 A. Yes.

24

--

1 Q. Now, does Equitable own drilling rights in  
2 the unit involved here?

3 A. We do.

4 Q. Could you state for the Board the interest  
5 of Equitable within the gas estate in the unit?

6 A. We have 87.085% leased.

7 Q. And the interest of Equitable in the coal  
8 estate?

9 A. 100...we have 100% leased.

10 Q. Okay. So, you're familiar with the  
11 ownership of drilling rights of parties other than Equitable  
12 underlying this unit; and the percentage of the gas estate  
13 that is unleased is 12.915?

14 A. That's correct.

15 Q. Okay, and once again, we do not have any  
16 unknown respondents or unknown interest owners in this case?

17 A. That's correct.

18 Q. In your professional opinion, was due  
19 diligence exercised to locate each of the respondents named  
20 herein?

21 A. It was.

22 Q. And are the addresses set out in Exhibit B  
23 to the application, the last known addresses for the  
24

--

1 respondents?

2 A. Yes.

3 Q. And are you requesting the Board to force  
4 pool all the unleased interest listed at Exhibit B to the  
5 application?

6 A. We are.

7 Q. And are you familiar with the fair market  
8 value of drilling rights in the unit here and in the  
9 surrounding area?

10 A. Yes.

11 Q. Could you advise the Board, again, as to  
12 what those are?

13 A. \$5 bonus, a five year term and a 1/8  
14 royalty.

15 Q. And you gained this familiarity by acquiring  
16 leases in the area?

17 A. Yes.

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

22 A. They do.

23 JIM KISER: Now, Mr. Chairman, at this time I'd ask

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1 that the testimony taken regarding the election options  
2 available to the unleased parties and their time periods and  
3 obligations under those elections that was taken in today's  
4 earlier hearing, being VGOB docket number 01-11/20-0985...no,  
5 excuse me, 0986, be incorporated.

6 BENNY WAMPLER: That will be incorporated.

7 Q. And we do have a conflicting claim situation  
8 here. So, the Board does need to establish an escrow account  
9 for that purpose?

10 A. That's correct.

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

13 A. Equitable Production.

14 Q. And the total depth of the proposed well  
15 under the plan of development?

16 A. 2350 feet.

17 SANDRA RIGGS: I notice that the reason for the  
18 conflict in tracts, at least 1 through 3, is that they're  
19 both Lon B. Rogers, but one is in Trust #1 and one is in  
20 Trust #2; and it's my recollection that Don Johnson appeared  
21 recently and presented the Board with agreements to resolve  
22 that conflict so that---

23 JIM KISER: Right. No, we're just talking about  
24

--

1 tract number 4.

2           SANDRA RIGGS: Okay. So, you're aware...the only  
3 thing we need to escrow---?

4           JIM KISER: Yeah, I've got copies of that.

5           SANDRA RIGGS: ---then is tract 4?

6           JIM KISER: Right.

7           DON HALL: That's correct.

8           JIM KISER: I'm sorry, I should have pointed that  
9 out.

10          SANDRA RIGGS: Okay.

11          CLYDE KING: That's not part of the other?

12          DON HALL: Right.

13          Q.       The total depth of the well under plan of  
14 development?

15          A.       2350 feet.

16          Q.       And this will be sufficient to penetrate and  
17 test any common sources of supply in the subject formations?

18          A.       It will.

19          Q.       And the estimated reserves in the unit?

20          A.       400,000,000 cubic feet.

21          Q.       Now, are you familiar with the well costs  
22 for the proposed well under the plan of development?

23          A.       Yes.

24

--

1 Q. Was an AFE reviewed, signed and submitted to  
2 the Board as exhibit C to the application?

3 A. It was.

4 Q. And was the AFE prepared by an engineering  
5 department knowledgeable in the preparation of AFEs and  
6 knowledgeable in regard to well cost in this particular area?

7 A. Yes.

8 Q. Does the AFE represent a reasonable estimate  
9 of the well cost for the proposed unit well under the plan of  
10 development?

11 A. It does.

12 Q. Could you state for the Board the dry hole  
13 costs and completed costs for 508826?

14 A. The dry hole cost is \$84,430. The completed  
15 well cost is \$166,901.

16 Q. Do these costs anticipate a multiple  
17 completion?

18 A. They do.

19 Q. Does the AFE include a reasonable charge for  
20 supervision?

21 A. Yes.

22 Q. In your professional opinion, would the  
23 granting of this application be in the best interest of  
24

1 conservation, the prevention of waste and the protection of  
2 correlative rights?

3 A. It would.

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

6 BENNY WAMPLER: Questions from members of the  
7 Board?

8 SANDRA RIGGS: With respect to tract 4, the  
9 trust...the only portion of tract 4 that would be escrowed  
10 are those of the unleased parties---?

11 DON HALL: Right.

12 JIM KISER: Right.

13 SANDRA RIGGS: ---because, as to the trust  
14 interest, it's also addressed by their assignments or their  
15 agreements?

16 JIM KISER: Right.

17 DON HALL: Yes.

18 JIM KISER: It would only be the 12.915% of the  
19 unleased portion of tract 4. They're cousins.

20 BENNY WAMPLER: Questions from members of the  
21 Board?

22 (No audible response.)

23 BENNY WAMPLER: Is there a motion?  
24  
~

1           CLYDE KING: I move we approve.

2           BENNY WAMPLER: Second?

3           MASON BRENT: I second it.

4           BENNY WAMPLER: Motion and second. Any further  
5 discussion?

6           (No audible response.)

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

9           (All members signify by saying yes.)

10          BENNY WAMPLER: Opposed, say no.

11          (No audible response.)

12          BENNY WAMPLER: You have approval.

13          BOB WILSON: Mr. Chairman, I assume that the  
14 supplemental order will point out that there was an existing  
15 split agreement between the Rogers's Trusts so that doesn't  
16 become confusing at some point down the road?

17          SANDRA RIGGS: Have they tendered those?

18          JIM KISER: Yeah, I've got copies of it. Do you  
19 want me to attach to the supplemental or you've got them,  
20 don't you?

21          SANDRA RIGGS: You can...I think the way we've done  
22 in the past is we have an exhibit...a separate exhibit  
23 attached outlying parties that have entered into split

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1 agreements resolving their conflicting claims, or you could  
2 do it in a paragraph of the supplemental order either way.  
3 Just list, "Parties have entered into---."

4           BOB WILSON: Actually, if he could show it as a  
5 separate exhibit, that would be more consistent with what  
6 we're doing...we've been doing in the past and it would be  
7 much easier to answer questions in the future if it was in an  
8 exhibit showing that there was...subject to that split  
9 agreement.

10           SANDRA RIGGS: Which parties aren't subject to  
11 escrow---.

12           BENNY WAMPLER: Good point.

13           SANDRA RIGGS: ---because of split agreements as  
14 opposed to other reasons.

15           JIM KISER: I'm sure he sent me copies of that.  
16 So, I'll just attach it to both of them. Then we've got  
17 another one that's coming up that's the exact same situation.  
18 I'll attach it to the supplemental on both of those.

19           BOB WILSON: Are you talking about the letter?

20           SANDRA RIGGS: The agreement between the two  
21 trusts.

22           BOB WILSON: The agreement. I have that if you  
23 don't have a copy.

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1           JIM KISER: I've got it.

2           BOB WILSON: Okay.

3           JIM KISER: You want the agreement attached to it  
4 and not the letter from Don, right, the actual split  
5 agreement?

6           BOB WILSON: Yes.

7           JIM KISER: Okay.

8           SANDRA RIGGS: We actually don't need the agreement  
9 as long as you make the representation that it's on file with  
10 the operator and that it doesn't require escrow because---

11           JIM KISER: So, I can just do a separate paragraph  
12 of my affidavit of election letter?

13           BENNY WAMPLER: Bob's saying let it be an exhibit.

14           JIM KISER: Yeah, he wants it as an exhibit.

15           BOB WILSON: Yeah, if we get an exhibit, that would  
16 be the best way to go. Yeah.

17           BENNY WAMPLER: Even if it's a paragraph.

18           SANDRA RIGGS: Well, but he's talking about the  
19 exhibit EE...well, you don't do a separate agreement showing  
20 what's going...I mean, a separate exhibit showing what's in  
21 escrow?

22           JIM KISER: We do an exhibit B that just shows the  
23 NRI---

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1           SANDRA RIGGS: You compare the gas and oil to the  
2 coal to determine the conflict.

3           JIM KISER: No. We don't do that. Our  
4 supplemental orders look a whole lot like the Board orders.  
5 We have the two page order and then we have an Affidavit of  
6 Election and attached to it is a final division of interest,  
7 exhibit B essentially. So, tell me what you want.

8           BOB WILSON: Well, again, it would a lot cleaner if  
9 we could have a separate thing because when we look at these  
10 things in the future, when somebody calls in and wants to  
11 know what the status of this thing is and you look at the---

12           JIM KISER: You'd like to have it attached, the  
13 actual split agreement. But you don't record that part of  
14 it, do you?

15           SANDRA RIGGS: He's not saying the split agreement  
16 attached.

17           BOB WILSON: No.

18           SANDRA RIGGS: He's saying an exhibit that  
19 shows---

20           JIM KISER: Oh.

21           SANDRA RIGGS: ---the parties to a split agreement.

22           BOB WILSON: A separate---

23           JIM KISER: Oh, okay.

24

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1           BOB WILSON: Yeah. Right.

2           SANDRA RIGGS: Like an exhibit B.

3           JIM KISER: So, just a separate paragraph...oh, I  
4 can do that.

5           BENNY WAMPLER: Yeah, you can just attach the  
6 paragraph as an exhibit.

7           JIM KISER: Okay.

8           BENNY WAMPLER: That's what I was saying. You can  
9 just...do it the way you do it now. Just---

10          JIM KISER: Just break it out?

11          BENNY WAMPLER: ---make it as an exhibit.

12          JIM KISER: Okay.

13          BOB WILSON: Sure.

14          BENNY WAMPLER: He's just making sure he's raising  
15 a flag.

16          SANDRA RIGGS: In other words, it would be like  
17 your exhibit B, but it would spell out the split agreement  
18 parties as opposed---

19          JIM KISER: So, that will be C or whatever the next  
20 letter is. And it can just be a narrative with the parties  
21 split up?

22                   (No audible response.)

23          JIM KISER: Okay.

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1           SANDRA RIGGS: Is this Oakwood I Field Rules?

2           JIM KISER: I believe so, yeah.

3           DON HALL: Yes.

4           SANDRA RIGGS: Frac?

5           JIM KISER: Yeah.

6           (Board members confer among themselves.)

7           BENNY WAMPLER: Okay, the last item on the agenda  
8 is a petition from Equitable Production Company for pooling  
9 of a coalbed methane unit under the Oakwood Coalbed Gas Field  
10 identified as VC-508827, docket number VGOB-01-11/20-0988.  
11 We'd ask the parties that wish to address the Board in this  
12 matter to come forward at this time.

13           JIM KISER: Mr. Chairman and Board members, Jim  
14 Kiser again on behalf of Equitable Production Company. Our  
15 witness in this matter will again be Mr. Hall. We didn't  
16 consolidate this one because it is a...there are a couple  
17 small differences. But we are pooling the exact same parties  
18 in this case.

19

20   DON HALL

21   DIRECT EXAMINATION

22   QUESTIONS BY MR. KISER:

23           Q.       If you'd, again, state your name for the

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1 Board, who you are employed by and in what capacity?

2 A. Don Hall. I'm employed by Equitable  
3 Production Company as district landman.

4 Q. And you're familiar with Equitable's  
5 application seeking a pooling order for this well being VC-  
6 508827, which was dated October the 19th, 2001?

7 A. I am.

8 Q. And you're seeking to force pool the  
9 drilling rights underlying the unit as depicted as Exhibit A,  
10 that being the plat to the application?

11 A. Yes.

12 Q. And the proposed for this well falls within  
13 the Board's order for the Oakwood I Coalbed Gas Field?

14 A. That's correct.

15 Q. And it also falls outside the interior  
16 window. So, in your permit application you have sought a  
17 variance?

18 A. That's correct.

19 Q. Now, prior to filing the application, were  
20 efforts made to contact each of the respondents that weren't  
21 under lease, once again being the...some of the Rogers heirs,  
22 in an attempt to work out an agreement regarding the  
23 development of the unit?

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1 A. Yes.

2 Q. Now, does Equitable own drilling rights in  
3 the unit involved here?

4 A. We do.

5 Q. And what is the interest of Equitable within  
6 the gas estate in the unit?

7 A. We have 92.98...92.985% leased.

8 Q. And the coal estate is 100% leased?

9 A. That's correct.

10 Q. So, the unleased portion of the gas estate  
11 in this particular case is 7.015?

12 A. That's correct.

13 Q. Again, we don't have any unknown parties or  
14 unknown respondents. In your professional opinion, was due  
15 diligence exercised to locate each of the respondents named  
16 herein?

17 A. Yes.

18 Q. And are the addresses set out in Exhibit B  
19 to the application, the last known addresses for the  
20 respondents?

21 A. Yes.

22 Q. And are you requesting the Board to force  
23 pool all unleased interest listed at Exhibit B to the

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1 application?

2 A. We are.

3 Q. And you are familiar with the fair market  
4 value of drilling rights in the unit here and in the  
5 surrounding area?

6 A. Yes.

7 Q. Could you, again, advise the Board as to  
8 what those are?

9 A. \$5 bonus, a five year term and a 1/8  
10 royalty.

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

15 A. They do.

16 JIM KISER: Mr. Chairman, once again, if you would,  
17 we'd ask that the testimony taken in item number fifteen on  
18 today's docket regarding elections afforded the unleased  
19 parties and their time lines and obligations under those  
20 elections be incorporated in this hearing.

21 BENNY WAMPLER: They will be incorporated.

22 Q. Okay, Mr. Hall, in this particular case, we  
23 again need to have the Board set up an escrow account for the

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1 7.015 percent of the gas estate in tract 2 that remains  
2 unleased?

3 A. That's correct.

4 Q. And that is conflicting?

5 A. That's correct.

6 Q. Okay. And that's all that would need to be  
7 escrowed due to some split agreements will be listed in the  
8 supplemental order?

9 A. That's correct.

10 Q. And who should be named the operator under  
11 any force pooling agreement?

12 A. Equitable Production.

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

15 A. 2280 feet.

16 Q. And this will be sufficient to penetrate and  
17 test any common sources of supply in the subject formations  
18 as noted in your permit application?

19 A. That's correct.

20 Q. And the estimated reserves for this unit?

21 A. 400,000,000 cubic feet.

22 Q. Now, are you familiar with the well costs  
23 for this unit and have you reviewed the AFE attached, signed

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1 and submitted to the Board as exhibit C to the application?

2 A. Yes.

3 Q. In your opinion, does it represent a  
4 reasonable estimate of the well costs for this well?

5 A. It does.

6 Q. Could you state for the Board both the dry  
7 hole costs and completed costs for 508827?

8 A. The dry hole costs would be \$86,508 and  
9 completed well costs would be \$169,826.

10 Q. Do these costs anticipate a multiple  
11 completion?

12 A. They do.

13 Q. Does the AFE include a reasonable charge for  
14 supervision?

15 A. Yes.

16 Q. In your professional opinion, would the  
17 granting of this application be in the best interest of  
18 conservation, the prevention of waste and the protection of  
19 correlative rights?

20 A. Yes.

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

23 BENNY WAMPLER: Questions from members of the  
24

1 Board?

2 (No audible response.)

3 BENNY WAMPLER: Do you have anything further, Mr.  
4 Kiser?

5 JIM KISER: We'd ask that the application be  
6 approved as submitted, Mr. Chairman.

7 BENNY WAMPLER: Is there a motion?

8 CLYDE KING: So moved.

9 BENNY WAMPLER: Motion to approve. Is there a  
10 second?

11 MASON BRENT: Second.

12 BENNY WAMPLER: Second. Any further discussion?  
13 (No audible response.)

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

16 (All members signify by saying yes.)

17 BENNY WAMPLER: Opposed, say no.

18 (No audible response.)

19 BENNY WAMPLER: You have approval.

20 DON HALL: Thank you.

21 BENNY WAMPLER: Do you have anything further, Mr.  
22 Wilson? That concludes today's docket.

23 BOB WILSON: Yeah, one thing that I...I think  
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1 everybody should...on the Board should have gotten their  
2 yearly financial disclosure...conflict of interest disclosure  
3 forms. We'd like to...if you haven't gotten them, please let  
4 us know and if you have gotten them, please get them back by  
5 January 4th. Actually, the quicker the better. But I wanted  
6 to encourage you to get those on back up to Richmond.

7           The only other thing is that I, at the last  
8 hearing, I presented draft copies of the audit. We've got no  
9 comments on that. So, that will be finalized as the final  
10 audit report. That's all I have.

11           BENNY WAMPLER: What about December docket?

12           BOB WILSON: December docket, we've got twelve  
13 items on it.

14           BENNY WAMPLER: All Consol?

15           JIM KISER: No, we've got two.

16           BOB WILSON: No.

17           BENNY WAMPLER: You've got two?

18           (No audible response.)

19           BENNY WAMPLER: Do we know of anything yet for  
20 January?

21           BOB WILSON: No, nothing about January.

22           JIM KISER: I know I'm going to have one somebody  
23 other than Equitable.

24

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1           DON HALL: I probably...in January, I'll probably  
2 have a couple.

3           BOB WILSON: It's my understanding that Consol will  
4 have about the steady flow that they've had along, too.  
5 So---

6           CLYDE KING: In January?

7           BOB WILSON: Yes.

8           BENNY WAMPLER: Thank you, gentlemen. Happy  
9 Thanksgiving.

10          JIM KISER: Thank you. Have a good Thanksgiving to  
11 you, too.

12          DON HALL: You to.

13          BENNY WAMPLER: Happy Thanksgiving to the members  
14 of the Board.

15          MASON BRENT: You to.

16          CLYDE KING: Yeah. Happy turkey.

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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 29th day of November, 2001.

NOTARY PUBLIC

My commission expires: August 31, 2005.