

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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9 SEPTEMBER 16, 2003

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12 APPEARANCES:

13 MASON BRENT - REPRESENT GAS & OIL INDUSTRY

14 KENNETH MITCHELL - CITIZEN APPOINTEE

15 BILL HARRIS - PUBLIC MEMBER

16 BENNY WAMPLER - DIRECTOR OF THE DMME & CHAIRMAN

17 SHARON PIGEON, COUNSEL FOR THE BOARD WITH THE ATTORNEY
18 GENERAL'S OFFICE

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

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5 BENNY WAMPLER: Good morning. My name is Benny
6 Wampler. I'm Deputy Director for the Department of Mines,
7 Minerals and Energy, and Chairman of the Gas and Oil Board.
8 I'll ask the members to introduce themselves, starting with
9 Mr. Brent.

10 MASON BRENT: My name is Mason Brent. I'm from
11 Richmond and I represent the gas and oil industry.

12 KEN MITCHELL: My name is Ken Mitchell. I'm from
13 Stafford County, Virginia, which is also the home of
14 Pocahontas, the Indian maiden, and I'm a citizen appointee.

15 SHARON PIGEON: I am Sharon Pigeon. I'm from the
16 office of the Attorney General, and I am a direct descendant
17 of Pocahontas.

18 UNIDENTIFIED SPEAKER: What was your last name?

19 SHARON PIGEON: Pigeon, like the bird.

20 AUDIENCE: Okay.

21 BILL HARRIS: I'm Bill Harris, a public member from
22 Wise County.

23 BOB WILSON: I'm Bob Wilson. I'm Director of the
24

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1 Division of Gas and Oil and principal executive to the staff
2 of the Board.

3 BENNY WAMPLER: Thank you.

4 BOB WILSON: And I won't comment on Pocahontas.

5 BENNY WAMPLER: The first item on today's agenda is
6 a petition from CNX Gas Company, LLC, for pooling of a
7 coalbed methane unit AW-102. This is docket number VGOB-03-
8 0819-1165. We have a request that that be continued until
9 the next meeting.

10 (No audible response.)

11 BENNY WAMPLER: That is without objection. That's
12 continued. We're going to go to number nine on the agenda.
13 A petition from CNX Gas Company, LLC, for pooling of a
14 coalbed methane gas unit AV-99, docket number VGOB-03-0916-
15 1185. Also, a request to combine that with item number
16 eleven is a petition from CNX Gas Company, LLC, for pooling
17 of the coalbed methane gas unit BA-100, docket number VGOB-
18 03-0916-1189. We'd ask the parties that wish to address the
19 Board in this matter to come forward at this time.

20 MARK SWARTZ: Mark Swartz and Les Arrington.

21 BENNY WAMPLER: Do you folks wish to address the
22 Board or do you want just to hear?

23 (Members from the audience come forward.)

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1 BENNY WAMPLER: You going to be the spokesman?

2 UNIDENTIFIED SPEAKER: (Inaudible response.)

3 BENNY WAMPLER: You want to come up and we'll make
4 sure that we get a mic---. Yeah, you come right up to the
5 table.

6 LINDA K. WOODWARD: First of all, we want...most of
7 these here in this row are my family. Since I have did a lot
8 of research on this for years and years, they have elected me
9 as spokesman. We're here to oppose CNX proposal altogether.
10 We're not here...we want the Board to know we are not here
11 to keep them from pumping the gas, but everything that they
12 have sent us has been totally wrong. Their maps are wrong.
13 The landowners are wrong. Everything they that they have
14 sent us so far has been wrong. So---.

15 BENNY WAMPLER: Well, what we're going to do is
16 we'll ask them to present their case. You can ask questions
17 and the Board will ask questions as we go forward and make
18 sure we get all the questions asked, and then we'll give you
19 an opportunity, you know, all the way through to say whatever
20 you want to say.

21 LINDA K. WOODWARD: Okay.

22 BENNY WAMPLER: Okay. You may proceed.

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LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, do you want to state your name for the record?

A. Yes. Leslie K. Arrington.

MARK SWARTZ: Swear the witness, please.

(Witness is duly sworn.)

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. What do you do for them?

A. I'm a permit...manager permit... environmental and permitting.

Q. Okay. Were you responsible for the preparation of the notices of hearing and the applications and the exhibits that have been submitted to the Board for hearing today regarding AV-99 and BA-100?

A. Yes, I was.

Q. And did you sign and attest to those documents?

A. Yes, I did.

Q. Have you listed in those documents the names of the people that are respondents and that you're seeking to

1 pool today?

2 A. Yes, we have.

3 Q. And what did you do to notify those folks of
4 this hearing?

5 A. We mailed by certified mail return receipt
6 requested and we published in the Bluefield Daily Telegraph
7 on August the 25th of 2003 for AV-99. The mailing was August
8 the 15th of 2003. For BA-100, again, mailed August the 15th
9 of 2003 and published August the 26th, 2003.

10 Q. And have you filed your certificates and
11 proofs with regard to mailing and publication with Mr.
12 Wilson?

13 A. Yes, we have.

14 Q. Who's the applicant with regard to these
15 units?

16 A. CNX Gas Company.

17 Q. Okay. Is CNX Gas Company a Virginia Limited
18 Liability Company?

19 A. Yes, it is.

20 Q. Is it authorized to do business in the
21 Commonwealth?

22 A. Yes, it is.

23 Q. Has it registered with the Department of
24

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1 Mines, Minerals and Energy?

2 A. Yes, it is.

3 Q. And does it have a blanket bond on file?

4 A. Yes, it does.

5 Q. Who is it that CNX Gas, the applicant, is
6 requesting be appointed as the Board's operator if these
7 applications are approved?

8 A. CNX Gas.

9 Q. Okay. Do you want to add any respondents to
10 the list of folks in the notice and/or at Exhibit B-3?

11 A. No.

12 Q. Do you want to dismiss any?

13 A. No.

14 Q. Okay. What...what is the...are the standard
15 lease terms that you would offer and have, in fact, offered
16 folks with regard to these two units?

17 A. Yes. For a coalbed methane lease, it's a
18 dollar per acre per year with a five year paid up term, with
19 a one-eighth production royalty.

20 Q. Okay. And would you recommend those terms
21 to the Board for any folks that might ultimately be deemed to
22 be leased?

23 A. Yes, we would.

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1 Q. These units are both, if I'm not mistaken,
2 Nora units, correct?

3 A. Yes...yes, they are.

4 Q. And they have slightly different acreage.
5 The AV-99 unit has 51.64 acres?

6 A. Yes, it does.

7 Q. And the BA-100 unit has---?

8 A. 58.79.

9 Q. 58.79, okay. Each of these units, you're
10 seeking to produce the coalbed methane by virtue of one well,
11 and in both instances, that's located in the drilling window,
12 is that correct?

13 A. That's correct.

14 Q. Okay. Let's turn to AV-99 and go through
15 some specific information with regard to that unit. The
16 location of the well appears to be on Tract 2F. Do you see
17 that, I think?

18 A. Yes.

19 Q. Okay. And 2F, the surface owner would
20 be---?

21 A. The actual well location itself was CNX Gas.

22 Q. Okay. Did you purchase the well location?

23 A. Yes, we did.

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1 Q. Okay. With regard to AV-99, could you turn
2 to Exhibit A, page two and describe to the Board the interest
3 that you've acquired and the interest that you're seeking to
4 pool?

5 A. We have acquired 100% of the coalbed methane
6 from the coal owner; 86.6963% of the oil and gas owners claim
7 to coalbed; seeking to pool 13.3037% of the oil and gas
8 owners claim to coalbed methane.

9 Q. Okay. And on the next page, Exhibit B-3, is
10 a list of the folks with their addresses that you're seeking
11 to pool, correct?

12 A. That's correct.

13 Q. And in the column percent of unit, you have
14 set forth their interest in the total acreage in the unit?

15 A. Yes, we have.

16 Q. And if somebody wanted to calculate their
17 royalty interest they would take, for example, let's look at
18 Kevin Meadows' interest, the 1.65 acres, they would take the
19 3.1952% times the 12½% or one-eighth royalty and that would
20 give them their royalty interest in the unit?

21 A. Yes, it will.

22 Q. And if they wanted to calculate what it
23 would cost to participate, they would take the 3.1952% times
24

1 the allocated costs which we'll get to in a minute?

2 A. Yes, sir.

3 Q. With regard to this unit, we've indicated
4 there's one well. Is there a permit for that well?

5 A. Yes, it is, 5775 for AV-99.

6 Q. And what's the total depth?

7 A. Estimated depth...this well has just been
8 drilled. So, it's still estimated as 1985.

9 Q. And what's the estimated cost to drill and
10 complete?

11 A. \$229,476.59.

12 Q. Now, again, with regard to AV-99, there's an
13 Exhibit E which would indicate that there needs to be an
14 escrow for some conflicts, correct?

15 A. It is.

16 Q. And when I reviewed that, it looks like the
17 tracts that would require escrow for conflicts are 2B as in
18 boy, 2C as in Charles, 2D as in David, 2G as in George, 2H as
19 in Henry, 2K as in Kappa and 2L as in Larry, is that correct?

20 A. That's correct.

21 Q. And we...also in this unit, you've reported
22 that some of the claimants have entered into royalty split
23 agreements, correct?

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1 A. That's correct.

2 Q. And those folks are listed at Exhibit EE?

3 A. Yes.

4 Q. And are you requesting that the Board, if it
5 would enter an order here, not require escrow with regard to
6 the folks identified in Exhibit EE, but would, by not
7 requiring escrow, allow the operator pay them directly in
8 accord with their split agreement?

9 A. Yes.

10 Q. Turning to BA-100, if you turn to A, page
11 two on this as well, Les---.

12 A. Yes.

13 Q. ---tell the Board what you've leased and
14 acquired and what's outstanding and needs to be pooled.

15 A. Yes. We have 100% of the coal owners claim
16 to coalbed methane leased; 58.4610% of the oil and gas owners
17 claim to coalbed methane leased. We're seeking to pool
18 41.5390% of the oil and gas owners claim to coalbed methane.

19 Q. Okay. And you've listed the folks that...
20 and their addresses that you're seeking to pool on Exhibit B-
21 3, which happens to be the following page, correct?

22 A. Yes.

23 Q. And you've indicated with regard to Mr.
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1 Harris that his...his CBM interest has been leased to
2 Equitable?

3 A. Yes, it was.

4 Q. So, they're going to have to get notice of
5 the pooling, as well?

6 A. Uh-huh.

7 Q. They got notice of the pooling, but they're
8 going to get notice of their election rights on this?

9 A. Yes, I would hope so.

10 Q. Okay. And that's a 4.08 acre interest?

11 A. Yes.

12 Q. The next exhibit is Exhibit C. Again,
13 there's a permit?

14 A. Yes, 5716.

15 Q. And what's the status of drilling here?

16 A. BA-100, I'm not showing that it's drilled.

17 Q. Okay. What's the estimated depth?

18 A. 2,176 feet at a cost of \$239,044.52.

19 Q. With regard to this unit as well, BA-100,
20 there's an Exhibit E that indicates that there is a
21 requirement of escrow for conflicting claims, correct?

22 A. Yeah, that's correct.

23 Q. And my notes indicate that escrow is going
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1 to be required with regard to the following tracts: 1B as in
2 boy, 1E as in Edward and 1G as in George, is that correct?

3 A. That's correct.

4 Q. Okay. Also, there's an Exhibit EE. Have
5 certain of the claimants here and royalty owners here entered
6 into split agreements?

7 A. Yes, they have.

8 Q. And are they listed on Exhibit EE?

9 A. They are.

10 Q. And are you requesting that the Board, if it
11 enters an order, allow the operator to pay these folks listed
12 on Exhibit EE directly instead of escrowing their funds in
13 accordance with the terms of their splits agreements?

14 A. Yes.

15 Q. Okay. Lastly, is it your opinion that the
16 plan, which is to drill one frac well in each of these units,
17 is a reasonable plan to develop coalbed methane under and
18 from these Nora units?

19 A. Yes.

20 Q. And between the leases that you've obtained,
21 the interest that you purchased and these poolings, will all
22 owners and claimants have their correlative rights protected
23 either by the leases or by the Board order?

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1 A. Yes, they will.

2 MARK SWARTZ: That's all I have.

3 BENNY WAMPLER: Questions from member of the Board
4 at this time?

5 MASON BRENT: The surface here, who owns the
6 surface?

7 LESLIE K. ARRINGTON: Okay. On BA-100---.

8 MASON BRENT: Is it Ruth Harris?

9 LESLIE K. ARRINGTON: Yes, Ruth Harris. Yeah.

10 MARK SWARTZ: You need to speak louder.

11 LESLIE K. ARRINGTON: Yes. 1D is Ruth Harris.

12 BENNY WAMPLER: Other questions at this time?
13 (No audible response.)

14 BENNY WAMPLER: Ma'am, we'll let you go ahead and
15 ask questions or address the Board at this time. Then the
16 Board may have further questions.

17 LINDA K. WOODWARD: Did he say 1B Harris?

18 MASON BRENT: 1D.

19 LINDA K. WOODWARD: 1D. Well, I have to totally
20 disagree with Exhibit A. Everything on that map is wrong,
21 totally.

22 BENNY WAMPLER: Now, is this for BA-100?

23 LINDA K. WOODWARD: No.

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1 BENNY WAMPLER: Oh, I'm sorry.

2 LINDA K. WOODWARD: The whole map is wrong.

3 BENNY WAMPLER: For AV-99?

4 LINDA K. WOODWARD: Yes.

5 BENNY WAMPLER: Okay.

6 LINDA K. WOODWARD: I'm sitting here with a deed in
7 that section that I have never been notified. I have several
8 people here with a deed in that section that has never been
9 notified. But I just have to totally disagree.

10 I also have a copy here of their agreement that
11 they got the people to sign that I'm just outraged and
12 utterly sick at my stomach at.

13 BENNY WAMPLER: Let me...let me pause you and calm
14 you down a little bit. We need to get you sworn in and we
15 need to get your name...full name for the record, okay.
16 Let's do that. Then we'll start.

17 (Linda K. Woodward is duly sworn.)

18 BENNY WAMPLER: We get outraged with them ever now
19 and then. So, you're not the first to do that.

20 LINDA K. WOODWARD: First of all, I disagree that
21 he did any title search.

22 BOB WILSON: Excuse me, Mr. Chairman.

23 BILL HARRIS: Still didn't get her name.

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1 BENNY WAMPLER: I need to get your full name for
2 the record.

3 LINDA K. WOODWARD: Linda K. Woodward.

4 COURT REPORTER: Woodward?

5 LINDA K. WOODWARD: W-O-O-D-W-A-R-D.

6 COURT REPORTER: Thank you.

7 BENNY WAMPLER: Okay. You were saying they
8 didn't---

9 LINDA K. WOODWARD: I disagree that they did any
10 title search because I worked in land research for fifteen
11 years doing it back. I can take this land back as far as you
12 want it to go, believe me. If he had done...I can tell by
13 reading his papers, he has only got word of mouth. I don't
14 know whose, but that's all he has got. Exhibit A is totally
15 wrong.

16 BENNY WAMPLER: Let me let them address that at
17 this point, then we'll go from there.

18 MARK SWARTZ: Where's your map?

19 LINDA K. WOODWARD: The only map I've got...I
20 didn't get anything.

21 MARK SWARTZ: Where is your map that's right?

22 LINDA K. WOODWARD: My map that's right?

23 MARK SWARTZ: Uh-huh.

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1 LINDA K. WOODWARD: In the Buchanan County
2 Courthouse.

3 MARK SWARTZ: Okay, which one?

4 LINDA K. WOODWARD: Well, I...well, I've got the
5 deeds here. All the deeds all the way back.

6 MARK SWARTZ: What I'm saying is you're telling the
7 Board that this map is completely wrong.

8 LINDA K. WOODWARD: That map...well, I would ask
9 the Board to identify to me what a broken line means on a
10 map.

11 MARK SWARTZ: It's a property line.

12 LINDA K. WOODWARD: It's an uncertain property
13 line.

14 MARK SWARTZ: Okay. And I guess what I'm asking
15 you is where is your map?

16 LINDA K. WOODWARD: I don't have a map. I have...
17 if they had did research, they would find that the piece of
18 land here we're in question on is heirship to start with.

19 MARK SWARTZ: Okay, what tract do you claim under?

20 LINDA K. WOODWARD: Well, I can't claim under any
21 of this because this is not right.

22 MARK SWARTZ: Okay. Do you recognize any of the
23 names on the notice?

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1 LINDA K. WOODWARD: I recognize all of the names.

2 MARK SWARTZ: Okay. Which name or names do you
3 claim under?

4 LINDA K. WOODWARD: I claim under James Coy Hess.

5 MARK SWARTZ: If you look at the list of...Exhibit
6 B-3, which person on that list do you claim under?

7 LINDA K. WOODWARD: Well, he's not on there.

8 MARK SWARTZ: Okay, so you---.

9

10 LINDA K. WOODWARD: But I also have a deed here
11 that my sister Eula, that's sitting right here beside of me,
12 that's the reason we're today, it's where the home place is
13 sitting where they are at. It's reserving his life rights on
14 it, her life rights on it, and it shows...it says, "Further
15 excepted and reserved from this conveyance such as coal, oil,
16 gas, minerals, easements, privileges and so forth." So, if
17 he had went to the Courthouse and did a title search the way
18 he should have done, each individual...each county is all
19 spread in different counties should have been notified in
20 every county and not Tazewell County. Every County should
21 have been notified because they live everywhere. If he had
22 went and pulled up this one single deed, it would have showed
23 this land is heirship. One single deed where they want...

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1 where...I have one brother here, his home is in question.
2 Well, if we could come here today claiming that I own your
3 home, I'd like to claim I own yours and see if the Board will
4 give it to me. I have a brother sitting here, they claim
5 that somebody else owns his home. But that claimant is not
6 here today. I'm here to say that claimant don't own nothing.
7 The right money...I'm not here to say that CNX don't have a
8 right to pump that gas. I'm saying let's get the money to
9 the right people that deserve that gas...that money. That's
10 what I'm saying. I'm not here to dispute nothing. I'm here
11 to say they have never done a title search, what I consider a
12 title search that would stand up in a Court of law. Let me
13 go to the Court to pretend on a piece of a property and you
14 see if they ain't a title search that has to be done.
15 Believe me, I can take this back as far as you want it to go
16 back. I about lost my mind over this piece of land. I'm
17 just here saying that their Exhibit A is wrong.

18 MARK SWARTZ: Okay.

19 LINDA K. WOODWARD: And I'm here to say that that
20 land is heirship.

21 MARK SWARTZ: Have you done a title?

22 LINDA K. WOODWARD: Over and over and over.

23 MARK SWARTZ: Do you have it with you?

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1 LINDA K. WOODWARD: Yes, I do.

2 MARK SWARTZ: Let me see it.

3 LINDA K. WOODWARD: Here is...all I have is the
4 deeds.

5 MARK SWARTZ: So, you haven't done a title?

6 LINDA K. WOODWARD: I did titles over and over.
7 Anything you want to know about it, I can tell you about it.

8 MARK SWARTZ: Can you---?

9 LINDA K. WOODWARD: Do you mean did I legally do a
10 title search that the Court requires me to do?

11 MARK SWARTZ: No, I'm saying, did you bring a title
12 with you to support your views---?

13 LINDA K. WOODWARD: Right there---.

14 MARK SWARTZ: ---with regard to who owns what?

15 LINDA K. WOODWARD: Right there is on the top copy.

16 MARK SWARTZ: Okay. Did you contact the Board or
17 Mr. Wilson before today?

18 LINDA K. WOODWARD: I've never been contacted one
19 way or the other.

20 MARK SWARTZ: No, no. Did you contact the
21 Board---?

22 LINDA K. WOODWARD: No, I did not.

23 MARK SWARTZ: Okay. Did you contact Mr.

24

1 Arrington---?

2 LINDA K. WOODWARD: My...which I'm speaking for my
3 sister. Yes, she did contact him.

4 MARK SWARTZ: Contacted who?

5 LINDA K. WOODWARD: CNX. No, they came to her
6 house. We have a copy of their proposal here to, if you
7 would like to see it.

8 MARK SWARTZ: Okay. What's her name?

9 LINDA K. WOODWARD: Eula Blankenship.

10 MARK SWARTZ: And you'll notice that she is
11 identified as an owner in Tract 2L, correct?

12 LINDA K. WOODWARD: Yes.

13 MARK SWARTZ: With a life estate?

14 LINDA K. WOODWARD: Life estate, yes.

15 MARK SWARTZ: Does she have a life estate?

16 LINDA K. WOODWARD: Yes, she does.

17 EULA BLANKENSHIP: Yes.

18 MARK SWARTZ: So, I guess that's right, huh?

19 LINDA K. WOODWARD: That's right.

20 MARK SWARTZ: Okay.

21 LINDA K. WOODWARD: But where that's on that map is
22 wrong.

23 MARK SWARTZ: And where is your map?

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1 LINDA K. WOODWARD: Mine. From them to get to A to
2 Z the way that their plat...wanting to do, they've got
3 through the alphabet to do it. They're trying to jump from A
4 to Z here and not take in the landowner's rights. If they
5 had have just did this half way right and asked for a
6 meeting, all they would have had to done on Eula
7 Blankenship's place there...on all they would have done if
8 they had did a right title search is say, hey, this is
9 heirship. We've got to meet with the family. That's all
10 that would have had been done. This family is not here to
11 stop them in no way. We're just here to make sure that it's
12 done right. We hope that the Board will see that it's done
13 right. We could have had a lawyer on each side of us today.
14 Personally, I just got out of surgery. I could care less
15 for what a lawyer...I can say what I want to say. But if it
16 goes to we have to say what we want, then a lawyer will be
17 asked for another hearing to where a lawyer can be present.

18 BENNY WAMPLER: Well, we want to get it right.

19 LINDA K. WOODWARD: That's the only way it can be
20 is right. That's the deed of Eula Blankenship, your top one.
21 I understand that the Board...it's easier to deal with one
22 individual as it is a big family, but---

23 MARK SWARTZ: This is what you've got here. I

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1 mean, ma'am, I'm looking at the deed you gave me and it seems
2 to me to agree with what we have listed on Exhibit B-3 Tract
3 2L. It is a deed from the Hesses...two of the Hesses to Anna
4 Ray Hess, who we are showing is the owner, subject to a life
5 estate in James Coy Hess. I mean, is that not what this deed
6 shows?

7 LINDA K. WOODWARD: No, it shows you that the coal
8 and the gas or anything is heirship. He reserved it out and
9 he's dead.

10 MARK SWARTZ: Well, ma'am, you need to read that
11 paragraph. Maybe you could read it out loud about the coal,
12 oil and gas.

13 LINDA K. WOODWARD: It says, "There is further
14 excepted and reserved from this conveyance such as coal, oil,
15 gas, mineral, easements, privileges and right-of-way as
16 herefore above conveyed by the previous owners."

17 MARK SWARTZ: Okay. And do you have the prior
18 conveyances?

19 LINDA K. WOODWARD: I don't understand your
20 question.

21 MARK SWARTZ: Well, all that says is that if there
22 have been prior conveyances, they are excepted from the
23 operation of that deed.

24

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1 LINDA K. WOODWARD: No, there have not been no more
2 prior conveyances.

3 MARK SWARTZ: So, you're saying that you think
4 that...what is her name, the grantee there?

5 LINDA K. WOODWARD: Anna.

6 MARK SWARTZ: You think that Anna Ray Hess owns
7 fee, is that what you're saying?

8 LINDA K. WOODWARD: I know for a fact she does.
9 No, I'm not saying she owned it. I'm saying James Coy Hess
10 owned it.

11 MARK SWARTZ: Do you know or have you attempted to
12 determine whether or not there was a severance of the coal
13 that is now owned by Harrison Wyatt, LLC?

14 LINDA K. WOODWARD: No.

15 MARK SWARTZ: So, you don't know?

16 LINDA K. WOODWARD: No.

17 MARK SWARTZ: Okay. That's what our title research
18 shows.

19 LINDA K. WOODWARD: My understanding, this hearing
20 is for coalbed methane only, the gas and not the coal.

21 MARK SWARTZ: Yeah, but if somebody besides Anna
22 Ray Hess Motes owns the coal, she only has a claim to coalbed
23 methane based on oil and gas.

24

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1 LINDA K. WOODWARD: That's the only reason we're
2 here today is for the coalbed methane gas.

3 MARK SWARTZ: Well, that's the only reason I'm
4 here. But what I'm saying is Anna Ray Hess Motes only has a
5 claim based on ownership of oil and gas. Under the same
6 tract, Harrison Wyatt, LLC has a claim to coalbed methane
7 based on their ownership of the coal.

8 LINDA K. WOODWARD: Well, I dispute them totally.

9 MARK SWARTZ: Well, you'll have to deal with them.
10 I mean, I...our title research, and we get a title
11 opinion...strike that. You got a title opinion on this, did
12 you not?

13 LESLIE K. ARRINGTON: Yes, we did.

14 MARK SWARTZ: And on this particular tract?

15 LESLIE K. ARRINGTON: Yes, we did.

16 MARK SWARTZ: From a lawyer?

17 LESLIE K. ARRINGTON: Yes, we did.

18 MARK SWARTZ: Which law firm?

19 LESLIE K. ARRINGTON: Altizer, Walk and White in
20 Tazewell, Virginia.

21 MARK SWARTZ: Okay. When you reviewed that title
22 opinion to help you prepare these exhibits---?

23 LESLIE K. ARRINGTON: Yes.

24

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1 MARK SWARTZ: ---who did that title opinion
2 indicate owns severed coal?

3 LESLIE K. ARRINGTON: Harrison Wyatt.

4 MARK SWARTZ: Okay. And who did it indicate owned
5 oil and gas?

6 LESLIE K. ARRINGTON: It will indicate the Motes
7 and Blankenship.

8 MARK SWARTZ: Subject to the life estate?

9 LESLIE K. ARRINGTON: The life estate.

10 MARK SWARTZ: Which is what you've reported in
11 these documents?

12 LESLIE K. ARRINGTON: That's correct.

13 MARK SWARTZ: So, I mean---.

14 LINDA K. WOODWARD: If he...anybody that has ever
15 did a title search, if they did do a title search, then all
16 they would have to do is go to Buchanan County Courthouse and
17 pull up as a Grantor as James Coy Hess. They had to do that
18 to get this deed. Then all they would have had to done...
19 which proves to me they never stepped their foot inside that
20 Courthouse to do this for our benefit. All they would have
21 to done was pull up James Coy Hess and Mary Hess as Grantors
22 and it would list that each one...each child and that piece
23 of property would have shown how each piece would have been

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1 split up. They are a map in the Courthouse where Daddy
2 surveyed the property and allotted it out to each child. Out
3 from this lot is...which Daddy excepted the gas off of this,
4 which I consider to be heirship. I don't know what about the
5 Board would consider. Out from this lot is another lot that
6 is heirship. Out from that lot belongs to my brother David
7 that's sitting here. Out from David's belongs to me. Out
8 from that belongs to the Raymond's home here that they say
9 Clayton Hale, which surface only is claiming. So, we're here
10 today that they need to tell us what's going...I mean,
11 what...we don't know what's going on. We're not here to say
12 that they can't pump the gas. I mean, we're not here to say
13 that. But---

14 MARK SWARTZ: Based on the deed I have seen, I
15 don't see a problem with our paperwork.

16 LINDA K. WOODWARD: I'm here to tell you that there
17 will be a major lawsuit because that property through there
18 ...they went from Phyllis Hale's, which I was born and raised
19 there. Everyone of these boys was born and raised there.
20 They went from A to Z without taking the contents in the
21 middle. Then they went to where they had to have it and
22 that's where they're at now with that one spot. Clayton Hale
23 is claiming everything...what they did they didn't know...

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1 they knew my sister lived on the home place. They knew
2 Raymond had certain little tracts around. But what they
3 didn't know and proved to me that they never went into the
4 Courthouse to see who owned this property, that got word of
5 mouth and Clayton claimed Raymond's home which could take in
6 the rest of my father's property. It's just...that's just
7 the way it has been done. I'm saying if CNX wants to do this
8 right, now we're willing to do it right.

9 BENNY WAMPLER: I'm trying to sort out, I guess the
10 Board is to, the...what...what you're saying insofar as
11 what's before us today. I mean, I'm trying to determine---

12 LINDA K. WOODWARD: Well, I'm disagreeing with
13 Exhibit A.

14 BENNY WAMPLER: Okay.

15 LINDA K. WOODWARD: That map is wrong.

16 BENNY WAMPLER: And that's what I'm trying to...and
17 how is it wrong? I mean, that's what I'm trying to get down
18 here.

19 LINDA K. WOODWARD: Well, you...if you want
20 to...the home place there where everybody is at, you can just
21 see that...for one thing a broken line means uncertainty
22 property lines. I mean, that's what I was told in the Court
23 of law, that's exactly what that means on a map. You cannot

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1 show me on Exhibit A a straight line nowhere that they're
2 sure where a property line is at. Not nowhere on that map
3 can you show except where they are identifying their square
4 topo and all of that. There's nothing...there's not a
5 straight line on that map nowhere.

6 BILL HARRIS: Mr. Chairman, may I---?

7 BENNY WAMPLER: Yes.

8 BILL HARRIS: ---ask this? Let me ask you about...
9 now, you were saying the map was incorrect. But you
10 mentioned 2L up in the corner there.

11 LINDA K. WOODWARD: I just used that as the way---.

12 BILL HARRIS: As an example?

13 LINDA K. WOODWARD: The way that I did this, and
14 believe me the sickness that I had has been really...if I'm
15 rusty on it is because I've been through the ringer. I took
16 the broke down what they put here. I took A1...Exhibit 1A -
17 Flora Ray, 1B - Clayton Hale. I go to their map 1B and 1A,
18 or whatever it was, and then I take my father's home place,
19 which they say is 2L. They are no way possible because
20 they're like this. They are like this. Then when I start
21 looking for me on here and my property and my brother's
22 property it's not here. It's not on here. It doesn't exist
23 by this map.

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1 BILL HARRIS: Where would that property be? Would
2 it be in or near 2L?

3 LINDA K. WOODWARD: Well, I cannot...I cannot show
4 you on this map because this map is wrong.

5 BILL HARRIS: Well, I mean, there's a road that
6 goes through the map and there's another one that winds, I
7 guess...there's one that goes right by the CBM AV-99.

8

9 LINDA K. WOODWARD: Well, that is a private owned
10 20 foot right-of-way that goes through our property...our
11 father's property. Now, CNX supposedly has bought or leased
12 or in partnership...I don't know how they did it with my
13 brother Otis Hess. They did part with my brother Raymond.
14 Raymond has been very, very sick. I don't know what Raymond
15 has signed or whatever. But then when I start reading this,
16 I find out that this 1B Clayton Hale, he has surface only.
17 But then when I start reading he just might own my brother's
18 home. He just might own the rest of my father's property
19 there. I'm here to tell you he stays on the left hand side
20 of that creek that goes up in there, that drain. Every deed
21 that I search back to 1800 shows that he stays on the left
22 hand side of that water. I'm here...I did enough research in
23 my life in this to know if you go to Court...if I go to Court

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1 claiming your home...I'm just going to use you as an example.
2 If I got to Court claiming your home and you don't go there
3 to dispute my word, that Judge has got the authority to give
4 me your home. I'm here to dispute that ownership...that
5 claim. I'm here to tell you that James Coy Hess owned that
6 property. We're willing to do this, if CNX...if we cannot
7 reach an agreement like this, we're willing to let CNX survey
8 that property if that's what they want to do. But it's
9 no...it don't have to be done. Right there it is in black
10 and white. They've even went as far...you can see these
11 deeds...on the Hale property, they went to Grundy and they're
12 naive enough to know that they have microcopied film in
13 Richmond Congress...Library of Congress in Richmond sat there
14 days on this property I have. They're naive enough to go to
15 Grundy and take a blackout marker and mark the drain and the
16 water situation out of these deeds. But if CNX wants to pay
17 for that, then I want a film sent from Richmond that show the
18 exact wording on this deed. You can't take a black marker to
19 Grundy in Buchanan County and mark out something because
20 they've done put their word of mouth in and that's all that
21 has been done on this. All CNX would have to do, we've got a
22 shelter built there. They could call a meeting with the Hess
23 family and everyone of them would be there. Everyone of

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1 them. They ain't nobody trying to give them no trouble. We
2 just want it done right.

3 MARK SWARTZ: Do you have your deed with you?

4 LINDA K. WOODWARD: No.

5 MARK SWARTZ: Do you have a deed?

6 LINDA K. WOODWARD: Yes, I do.

7 MARK SWARTZ: But you didn't bring it?

8 LINDA K. WOODWARD: I didn't because I just went
9 through major back surgery. My spinal cord was tapped. I
10 felt like that the research I done on this, I was the one
11 that should speak here today. I cannot walk across this
12 room. If God is willing, I will. But that's the reason the
13 deed is not been here because I haven't been able to walk in
14 two years.

15 MARK SWARTZ: Where is...where...do you live in
16 this general area?

17 LINDA K. WOODWARD: No, I live in Rosedale,
18 Virginia. But I'm here to sell...you when and if I ever sign
19 a contract with CNX Gas, it will consist only of that parcel
20 of property right there. This contract that they accidentally
21 ...nobody does nothing on accidentally. And this---

22 MARK SWARTZ: Where do you...where do you claim
23 your property is located on Exhibit A?

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1 LINDA K. WOODWARD: It is lying next to Raymond
2 Hess. Mine and Raymond's run together. Then David Hess'
3 property runs with mine. Then there are another piece of
4 property there which will be totally heirship because a
5 deed...my father never made a deed for it.

6 MARK SWARTZ: Do you have the map, Exhibit A, in
7 front of you?

8 LINDA K. WOODWARD: Yes, I do.

9 MARK SWARTZ: Okay. Tell us approximately where
10 your property...you claim your property is in relation---.

11 LINDA K. WOODWARD: There's no way that I could put
12 my property on there because this map is wrong.

13 MARK SWARTZ: Okay. So, you can't give us any help
14 in that regard?

15 LINDA K. WOODWARD: No. This map...this map is
16 wrong. It's totally wrong.

17 MARK SWARTZ: And you don't have your deed with
18 you?

19 LINDA K. WOODWARD: No. Well, this---.

20 MARK SWARTZ: Correct?

21 LINDA K. WOODWARD: You're right.

22 MARK SWARTZ: How many acres do you own?

23 LINDA K. WOODWARD: 3.5.

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1 MARK SWARTZ: Is it surface or something else?

2 LINDA K. WOODWARD: I don't understand. The
3 surface...it's everything.

4 MARK SWARTZ: So, it's fee?

5 LINDA K. WOODWARD: Fee...fee simple, yes.

6 MARK SWARTZ: Nothing was ever severed?

7 LINDA K. WOODWARD: No.

8 MARK SWARTZ: Do you have a title opinion that says
9 that?

10 LINDA K. WOODWARD: Not with me, no.

11 MARK SWARTZ: Does one exist?

12 LINDA K. WOODWARD: Yes.

13 MARK SWARTZ: Who did it?

14 LINDA K. WOODWARD: Don McGlothlin. McGlothlin and
15 McGlothlin in Grundy.

16 MARK SWARTZ: When did Don do it?

17 LINDA K. WOODWARD: I'm just guessing at the year
18 because I don't have my deed in front of me. I want to guess
19 around '73 or '74 or in that area. I don't know exactly what
20 year Daddy split that property up.

21 MARK SWARTZ: Okay, the property that your dad
22 split up was how many acres before it was split?

23 LINDA K. WOODWARD: Well, some says it was 40 some

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1 and some says it was 50. I want to say it was 51.

2 MARK SWARTZ: Okay, what was your father's name?

3 LINDA K. WOODWARD: James Coy Hess.

4 MARK SWARTZ: And when did he split it up?

5 LINDA K. WOODWARD: 1976.

6 MARK SWARTZ: And when he split it up, did you get
7 a deed?

8 LINDA K. WOODWARD: Yes, I did.

9 MARK SWARTZ: And that's the deed you don't have
10 with you today?

11 LINDA K. WOODWARD: Yeah...no, I don't.

12 MARK SWARTZ: Is that recorded?

13 LINDA K. WOODWARD: Yes, that is.

14 MARK SWARTZ: In what county?

15 LINDA K. WOODWARD: Buchanan.

16 MARK SWARTZ: What's the deed reference?

17 LINDA K. WOODWARD: I don't know. I don't have it
18 with me.

19 (Mark Swartz and Leslie K. Arrington confer.)

20 BENNY WAMPLER: Let me try to separate these two
21 since we combined them.

22 MARK SWARTZ: Okay.

23 BENNY WAMPLER: Did you have any dispute on the BA-

24

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1 100 at all? Everything that you had and the folks here have
2 is on AV-99?

3 LINDA K. WOODWARD: Uh-huh.

4 BENNY WAMPLER: Is that correct?

5 (No audible response.)

6 BENNY WAMPLER: Did the Board have any questions on
7 BA-100?

8 MASON BRENT: BA-100?

9 BENNY WAMPLER: The one we just---.

10 BILL HARRIS: That was number eleven, I believe.

11 BENNY WAMPLER: What I'm doing...what I'm planning
12 to do here is go ahead and if we have objections on BA-100 to
13 go ahead and decide on that one, and give you a continuance
14 for a month on this other one, and ask that you folks work
15 with them to present whatever deed references, etc. to
16 get---.

17 LINDA K. WOODWARD: But we would like that CNX
18 get...there are no way...no way under the stars that I would
19 sign a contract like this right here. When CNX approaches me
20 it will be simple, slim to none worry. It deals only with
21 that piece of land right there.

22 BENNY WAMPLER: Well, what...let me just
23 distinguish a little bit for you. We're not into what you

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1 sign or don't sign---.

2 LINDA K. WOODWARD: Okay.

3 BENNY WAMPLER: ---okay, as far as the Board goes.
4 What we will be---.

5 LINDA K. WOODWARD: This may be the only chance I
6 get over what I want them to hear---.

7 BENNY WAMPLER: That's okay. What...you know, I
8 agree with you. Anything, you know, that they bring to you
9 sign ought to be something you can read and understand.

10 LINDA K. WOODWARD: Well, I understand it too good.

11 BENNY WAMPLER: But what the Board will be deciding
12 on is when they petition to pool the property, if you don't
13 lease then, as he has presented to the Board already here
14 today, there are options that you would have. The Board, if
15 it grants the pooling, then you would get a copy of the Board
16 order and the option...selection options that you have.
17 Nobody is going to force you to lease. You can be deemed to
18 be leased---.

19 LINDA K. WOODWARD: Well, we're...we're not here to
20 say that we won't. Most everybody that I've talked to are
21 willing to do it. It just needs to be done right.

22 BENNY WAMPLER: So, we're going to go ahead and...
23 is there any objection from members of the Board going...any

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1 other thoughts?

2 MASON BRENT: I have no objection, Mr. Chairman.
3 But I would point out to Ms. Woodward and her family that
4 this Board has no jurisdiction on property disputes. So, if
5 the issue comes down to who owns what, that's not for this
6 Board to decide. That would have to be decided by a Court of
7 law.

8 LINDA K. WOODWARD: Well, then what we can...then
9 what we can agree upon, then everything else needs to go into
10 escrow until a Court of law can prove who---.

11 BENNY WAMPLER: Well, that's...I mean, that's
12 essentially the way that works. I mean, what's really
13 important here is to have the proper parties named. Okay.

14 LINDA K. WOODWARD: Well, that's the reason...CNX
15 needs a good title search. I'll do work for them because
16 they sure ain't got nobody doing it right right now. I'll
17 take a job for them.

18 KEN MITCHELL: Mr. Chairman.

19 BENNY WAMPLER: Mr. Mitchell.

20 KEN MITCHELL: Just a...just aside from what we're
21 looking at. I'm very uncomfortable with what I'm hearing.
22 But I would request...it's strictly request, my request
23 carries no weight. But my request is that communication

24

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1 needs to be advanced tremendously. I don't think...from what
2 I'm hearing, I'm not sure that communication has been there.

3 LINDA K. WOODWARD: Well, I thought there should be
4 a mediator or somebody that could...I agree with you.

5 KEN MITCHELL: Well, I don't...I don't know how to
6 structure it. But I would request that there would be a
7 meeting. I would request...and this is just my request, that
8 the meeting be held at the specific Courthouse which houses
9 the documents with the deeds.

10 LINDA K. WOODWARD: That would be Buchanan County.

11 KEN MITCHELL: Okay, right. That's what I was
12 about to say.

13 LINDA K. WOODWARD: Uh-huh.

14 KEN MITCHELL: I though it was Buchanan County from
15 everything that we've referenced. But I would say if we
16 could hold a meeting at the Courthouse and if someone needed
17 to go grab a quick deed, they could go down to the room and
18 pull the book, pull a copy of it---

19 LINDA K. WOODWARD: I did so much research in
20 Buchanan County. This is why it has been...everybody knows
21 why it has been done. So much coal and gas and everything.
22 There's so much money there. The titles in Grundy is
23 absolutely ridiculous. I mean, you can see some of mine.

24

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1 But we do all know the Library of Congress in Richmond does
2 have microfilms of all of this. If push comes to shove, we
3 can have those sent to us from Richmond and we're willing to
4 do that.

5 KEN MITCHELL: If you would have those sent to the
6 meeting site---

7 LINDA K. WOODWARD: Yes.

8 KEN MITCHELL: ---and have the meeting site at the
9 Courthouse and most Courthouses are very willing to arrange a
10 meeting room to work with you on it. I think the
11 communication end of it has to be solved.

12 LINDA K. WOODWARD: Absolutely. I agree with you.

13 KEN MITCHELL: And I think everyone will come out
14 with at least an equitable understanding and equitable
15 agreement---

16 LINDA K. WOODWARD: I agree with you.

17 KEN MITCHELL: ---from that point of view. So,
18 that's just my request.

19 LINDA K. WOODWARD: I agree with you. There are no
20 communication at this time, you know. You go up and
21 somebody's copy of their documents that they need to be
22 signed is throwed down on the ground on the porch...they
23 didn't even hand it to them personally. They've been...I

24

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1 mean, there's a wide gap of communication there. I agree
2 that they need to be...that needs to be established.

3 KEN MITCHELL: I'm thinking the Courthouse and then
4 the records are there and---

5 LINDA K. WOODWARD: It would be neat.

6 KEN MITCHELL: ---then it would be simple to go get
7 a piece of document or title on a piece of land---

8 LINDA K. WOODWARD: Yes.

9 KEN MITCHELL: ---if we need to go from that point.
10 Then report back to us---

11 LINDA K. WOODWARD: Maybe I'm walking that day and
12 they'll not have to run over to that room.

13 BENNY WAMPLER: Regarding BA-100, do you have
14 anything further, Mr. Swartz?

15 MARK SWARTZ: No.

16 BENNY WAMPLER: I'll go ahead and ask the Board to
17 take action on that one. That's agenda item number eleven.
18 Is there a motion?

19 BILL HARRIS: For BA-100, Mr. Chairman, I move for
20 approval as presented.

21 KEN MITCHELL: I would second the motion for
22 approval of BA-100.

23 BENNY WAMPLER: Second. Any further discussion?

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1 (No audible response.)

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

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. I'm just going
8 to go ahead as Chairman and say that we're going to continue
9 AV-99 until next month. At that time, we hopefully would
10 have verification that either this map is accurate or the
11 changes that need to be made on Exhibit A are made and any
12 other subsequent things that...you know, anything you find
13 that causes it to be changed.

14 LESLIE K. ARRINGTON: Okay. No problem.

15 LINDA K. WOODWARD: Will CNX contact us of a
16 meeting date?

17 LESLIE K. ARRINGTON: Well, the next...Anita will
18 be getting everyone's name and phone number---.

19 LINDA K. WOODWARD: It's not necessary that they
20 contact us all individually. They can contact Eula
21 Blankenship. That's the one that they contacted this time.
22 Then she'll get in touch with the rest of us and we'll all be
23 there.

24

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1 MARK SWARTZ: Well, we really need a list of
2 everybody who claims---

3 LINDA K. WOODWARD: I can do that.

4 MARK SWARTZ: ---they were left out, you know,
5 because otherwise we're floundering around in the dark.

6 LINDA K. WOODWARD: I can do that for you.

7 MARK SWARTZ: So, before...you know, before we
8 leave today, Anita wants to know that.

9 LINDA K. WOODWARD: That will be fine.

10 MARK SWARTZ: Then we'll get phone numbers and so
11 forth.

12 LINDA K. WOODWARD: That will be good.

13 BENNY WAMPLER: Thank you. Are you going to get
14 with them now or...I mean, you're welcome to stay. We're
15 going to continue on with the hearing. But I need you to get
16 somewhere---

17 LINDA K. WOODWARD: If that's all---

18 BENNY WAMPLER: ---where you all can talk.

19 LINDA K. WOODWARD: No, this is all...we're
20 ready...I've got to get my deeds here.

21 MARK SWARTZ: Here you go.

22 LINDA K. WOODWARD: Thank you. I need to leave. I
23 appreciate you'uns. I don't claim to be no lawyer. I'm glad

24

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1 I'm not in a way. But I would like a job at CNX if anybody
2 can put a word in for me.

3 EULA BLANKENSHIP: I'd like to take the time to
4 thank you, too, for all your help today.

5 LINDA K. WOODWARD: Come on, boys, you'uns are
6 ready.

7 BENNY WAMPLER: I guess we want to go to number ten
8 next. That's the AW-117.

9 MARK SWARTZ: 117, right.

10 BENNY WAMPLER: Okay. That's number ten on the
11 Board's agenda item. Anita, maybe you can find a little room
12 or something.

13 (Family exits the room.)

14 BENNY WAMPLER: Okay, the next item on the agenda
15 is a petition from CNX Gas Company, LLC for pooling of a
16 coalbed methane gas unit AW-117. This is docket number VGOB-
17 03-0916-1187. We'd ask the parties that wish to address the
18 Board in this matter to come forward at this time.

19 MARK SWARTZ: Mark Swartz and Les Arrington.

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

22

23 LESLIE K. ARRINGTON

24

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

3 DIRECT EXAMINATION

4 QUESTIONS BY MR. SWARTZ:

5 Q. Les, you're still under oath, right?

6 A. Yes.

7 Q. State your name for us.

8 A. Leslie K. Arrington.

9 Q. Who do you work for?

10 A. CNX Gas Company, LLC.

11 Q. What do you do for them?

12 A. Manager of environmental and permitting.

13 Q. Okay. Did you either prepare or supervise
14 the folks who prepared the notice of hearing and the
15 application and the exhibits with regard to this hearing
16 today concerning AW-117?

17 A. Yes, I did.

18 Q. And did you sign the notice and the
19 application?

20 A. Yes, I did.

21 Q. And this is a Middle Ridge I unit, is it
22 not?

23 A. Yes.

24

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1 Q. It's 58.74 acres?

2 A. Yes, it is.

3 Q. And the development proposal here is to

4 drill one frac well in the drilling window?

5 A. That's correct.

6 Q. The applicant is whom?

7 A. CNX Gas.

8 Q. LLC, right?

9 A. Yes.

10 Q. And that is a Virginia Limited Liability

11 Company?

12 A. Yes, it is.

13 Q. Is CNX Gas Company LLC authorized to do

14 business in the Commonwealth, registered with the Department

15 of Mines, Minerals and Energy, and does it have a blanket

16 bond on file?

17 A. Yes.

18 Q. Is CNX Gas Company requesting that it be

19 appointed the Board's operator if the application is

20 approved?

21 A. Yes.

22 Q. Have you notified the respondents?

23 A. Yes, we have.

24

1 Q. What did you do?

2 A. By certified mail return receipt requested
3 on August the 15th of 2003; published in the Bluefield Daily
4 Telegraph on August the 26th of 2003.

5 Q. And have you listed all the respondents both
6 on the notice of hearing and Exhibit B3?

7 A. Yes, we have.

8 Q. Do you want to add anybody or subtract
9 anybody today?

10 A. No.

11 Q. Let's turn to Exhibit A, page two. Would
12 you tell the Board the percentage or the interest that you've
13 been able to acquire and those that are outstanding that need
14 to be pooled?

15 A. Yes. As far as the coal leased beneath this
16 unit, we have 45.6928% of the coal leased. We have 92.62085%
17 of the coal owners claim to coalbed methane leased; and
18 75.85334% of the oil and gas owners claim to coalbed methane.
19 We're seeking to pool 7.37915% of the coal owners claim to
20 coalbed methane, and 24.14666% of the oil and gas owners
21 claim to coalbed methane.

22 Q. What lease terms are you recommending to the
23 Board with regard to folks who might be deemed to have been
24

1 leased?

2 A. Our standard coalbed methane lease is a
3 dollar per acre per year with a five year paid up term with a
4 one-eighth production royalty.

5 Q. There is, as I indicated, one well to be
6 located in this unit, correct?

7 A. Yes, sir.

8 Q. And is that...do you have a permit for that
9 well?

10 A. 5919.

11 Q. Has it been drilled?

12 A. No.

13 Q. Okay. What's the estimated depth?

14 A. 2,350 feet at an estimated cost of
15 \$248,004.64.

16 Q. There are some people identified on Exhibit
17 B3 who are not currently locateable, correct?

18 A. That's correct.

19 Q. So, there would be an escrow requirement in
20 that regard?

21 A. That's correct.

22 Q. And the tracts that have people who have not
23 been located are Tracts 1, 3, 4, 5, and 2A as in apple, is

24

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1 that correct?

2 A. That's correct.

3 Q. And then you've got an Exhibit E that you've
4 tendered to the Board and that would deal with escrowing
5 because just of a straight up conflict between oil and gas
6 and coal, correct?

7 A. Or title...actual title conflict.

8 Q. There's a title issue in some other tracts.

9 A. Yes, there is.

10 Q. Let's just do with straight up conflicts.

11 A. Okay.

12 Q. And that would be...conflicts would require
13 escrow in 2A as in apple, 2B as in boy, 2D as in dog, 2E as
14 in Edward, 3 and 4, correct?

15 A. That's correct.

16 Q. And then there is a...there are some title
17 issues that need to be resolved in advance of disbursement
18 and those title issues are present in Tracts 3 and 4?

19 A. That's correct.

20 Q. There is also...you've tendered to the Board
21 an Exhibit EE, is that correct?

22 A. Yes, we have.

23 Q. So, obviously some folks have entered into
24

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1 split agreements?

2 A. They have.

3 Q. And are you requesting that the Board order,
4 if any, allow you to pay the folks who have entered into
5 split agreements directly rather than escrowing their monies
6 in accordance with their agreements?

7 A. Yes, we have...yes, we are.

8 Q. Lastly, is the plan, as disclosed by your
9 application and the next exhibits, which is essentially to
10 drill one frac well in this unit, in your view, a reasonable
11 plan to develop coalbed methane from this unit?

12 A. Yes, it is.

13 Q. And between the leases that you've obtained
14 and the pooling order that you're seeking, would that...would
15 those two events serve to protect the correlative rights of
16 all owners and claimants?

17 A. Yes, it does.

18 MARK SWARTZ: That's all I have.

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

21 (No audible response.)

22 BENNY WAMPLER: In Exhibit EE, I feel certain this
23 is just a typo, but under Geraldine Whited on your one

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1 address you have Rt. 1, Box 256AA and the other one is 256A.

2 LESLIE K. ARRINGTON: I'm sure it's a typo.

3 BENNY WAMPLER: I suppose it's A?

4 LESLIE K. ARRINGTON: Yes.

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

7 (No audible response.)

8 BENNY WAMPLER: Do you have anything further, Mr.
9 Swartz?

10 MARK SWARTZ: No.

11 BENNY WAMPLER: Is there a motion?

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

14 BENNY WAMPLER: Motion to approve.

15 BILL HARRIS: Second.

16 BENNY WAMPLER: Second. Any further discussion?

17 (No audible response.)

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

20 (All members signify by saying yes.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: You have approval. The next item
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1 on the agenda is a petition from CNX Gas Company, LLC, for
2 creation of CNX Gas Longhole Unit 1 for the production of
3 coalbed methane. This is VGOB-03-0916-1190. We'd ask the
4 parties that wish to address the Board in this matter to come
5 forward at this time.

6 MARK SWARTZ: Mark Swartz and Les Arrington.

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

9 LESLIE K. ARRINGTON

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

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. SWARTZ:

14 Q. Les, you're still under oath.

15 A. Yes.

16 Q. Okay. State your name.

17 A. Leslie K. Arrington.

18 Q. Who do you work for?

19 A. CNX Gas Company.

20 Q. What do you do for them?

21 A. Manager of environmental and permitting.

22 Q. And did you either prepare yourself or cause
23 to be prepared the notice of hearing, the application and the
24

1 exhibits that we have with regard to the CNX Longhole unit?

2 A. Yes, I did.

3 Q. Just to remind the Board what is...
4 physically, what does a longhole unit look like?

5 A. Well, actually the longhole is actually just
6 about what we're saying. A longhole is going to be drilled
7 underground in the Pocahontas Number 3 seam from a mine
8 entry, just drilled out into an area that we're not going to
9 be doing coal mining in the near future and we're going to
10 produce coalbed methane from it.

11 Q. Okay. So, basically this is drilled in the
12 mine rather than from the surface?

13 A. That's correct.

14 Q. And then use a permitted well bore to get
15 the gas from the mine to the surface, correct?

16 A. That's correct, we do.

17 Q. And essentially once it's drilled, you just
18 do the PVC plumbing to make that happen?

19 A. Okay, I'm sorry, maybe I've missed your
20 question.

21 Q. Okay.

22 A. Okay, presently we do what's called
23 underground shorthole drilling to remove the coalbed methane

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1 from longwall panels in advance of the longwall mining. We
2 have facilities setup, piping and structure setup
3 underground. We collect that long...shorthole gas from those
4 longwall panels presently; take it to this borehole that's
5 permitted as a coalbed methane well and bring it from
6 underground. This Board has seen many applications before
7 where we have force pooled longwall panels for the shorthole
8 gas. Only thing different we're doing here this time is
9 we're drilling out in an area that's not going to be mined or
10 to be mined in the very near future and we're producing
11 coalbed methane and bringing it back into this existing
12 borehole and piping system that we have underground.

13 Q. And now in this particular case, the
14 drilling into to the coal off of the main in the mine, in the
15 existing mine, is going to be into...it's projected to be
16 into eight units that are depicted on A1, correct?

17 A. Well, it may be eight. It could be four.
18 It's just according to how deep we can get it.

19 Q. Okay. But if everything goes right, it
20 would be that many units?

21 A. It could be, yes.

22 Q. Okay. And you don't need to pool the folks
23 in any of these eight units, correct?

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1 A. No. 100% of the units that we're speaking
2 to here are owned entirely by Yukon/Pocahontas, which is all
3 under lease. But our problem here was, by our lease or the
4 Board orders, we didn't have a means to pay production.
5 That's the reason we're here today.

6 Q. The...if you look behind Exhibit A1, there
7 has been a further map Exhibit A---?

8 A. Yes.

9 Q. ---which shows in a little more detail the
10 tracts in these eight units that might be affected by
11 longholes here and shows us the Yukon/Pocahontas deed
12 references and so forth, correct?

13 A. Yes, that's correct.

14 Q. And is it true that you have a lease with
15 Yukon/Pocahontas?

16 A. Yes, we do.

17 Q. And Buchanan Coal and Salyers and Plum
18 Creek?

19 A. Yes. Yes, that's correct.

20 Q. And that lease allows you to produce coalbed
21 methane gas and pay them a royalty?

22 A. It does.

23 Q. But it does not allow you to create a unit
24

1 bigger than some acreage which is considerably smaller than
2 this or a statutory unit, correct?

3 A. That's correct.

4 Q. So, we need to correct a drilling unit to
5 allow us to produce under those leases is essentially why
6 we're here, correct?

7 A. Yes, it is. And basically my mechanism here
8 is to pay this production. My mechanism here will be the
9 total length of the borehole divided by the amount of links
10 that's in each unit. That's simply how they're going to be
11 paid.

12 Q. Right. And your leases, obviously, allow
13 you to do that?

14 A. Yes.

15 Q. So, in short, what you are asking the Board
16 for here is not a pooling order, but an order creating a
17 drilling unit the size and shape of these eight Oakwood units
18 for this longhole production?

19 A. That's it, yes.

20 MARK SWARTZ: That's...that's really all I have,
21 Mr. Chairman.

22 BENNY WAMPLER: Let me ask you one question. I
23 understand your request. You talk about you're not sure if

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1 you're getting four or six or eight or what have you,
2 depending on how far you take your bore out. If your bore
3 penetrates in any of the unit, you'll pay that entire unit if
4 any portion of it penetrates?

5 LESLIE K. ARRINGTON: That portion. Whatever that
6 portion is within that 80 acre unit, they'll get that
7 proportional part.

8 BENNY WAMPLER: Proportional share?

9 LESLIE K. ARRINGTON: Yes.

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

12 BILL HARRIS: Mr. Chairman.

13 BENNY WAMPLER: Mr. Harris.

14 BILL HARRIS: Just a couple of questions. This
15 longhole, are we talking a horizontal bore or does it just
16 sort of meanders through or---?

17 LESLIE K. ARRINGTON: No, we actually know the
18 location. It's directionally controlled. They do know where
19 they're at all times.

20 BILL HARRIS: But the intent is out rather than---?

21 LESLIE K. ARRINGTON: Just out.

22 BILL HARRIS: Okay.

23 LESLIE K. ARRINGTON: They're drilling it actually
24

1 in the coal seam. They're set up in the Pocahontas Number 3
2 seam and directionally drilling to where they want to be as
3 far as they can go.

4 BILL HARRIS: Okay.

5 MARK SWARTZ: In fairness, Mr. Harris---

6 BILL HARRIS: Yeah.

7 MARK SWARTZ: ---I mean there may be a dip to the
8 seam---

9 BILL HARRIS: Yes. You're following the seam.

10 MARK SWARTZ: ---and they're going to follow the
11 seam. So, it may---

12 BILL HARRIS: But the intent if these aren't
13 vertical---

14 LESLIE K. ARRINGTON: No.

15 MARK SWARTZ: No.

16 BILL HARRIS: ---holes as we conventionally run---

17 LESLIE K. ARRINGTON: No.

18 BILL HARRIS: Okay. The other thing is, I think
19 you may...you stated earlier about the length of the unit in
20 each of the...I'm sorry, the length of the pipe in each of
21 the units. I'm not sure if I heard incorrectly, but you're
22 going to divide that by the total length, right? I think you
23 stated that you'll take the total length---

24

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1 LESLIE K. ARRINGTON: They'll just get that
2 percent.

3 BILL HARRIS: Yeah, I think you said though, that
4 the total length divided by the length. But you want it the
5 other way around, right?

6 LESLIE K. ARRINGTON: They'll get their
7 proportional---

8 BILL HARRIS: You're going to do a percentage of
9 each?

10 LESLIE K. ARRINGTON: Yes.

11 BILL HARRIS: Okay. Now, is there any way...well,
12 but you can direct a bit?

13 LESLIE K. ARRINGTON: Yes, they can.

14 BILL HARRIS: I mean, because, you know, we're
15 talking a fairly long distance...well, I don't know what the
16 engineering is on these things these days, but I assume you
17 can stay within the...you know, there's two up as you go
18 through here and you're saying you may not hit all of them,
19 but your intent is---

20 LESLIE K. ARRINGTON: It may not...they may not
21 drill it as far. They'll know the meanders of it. They'll
22 know where they're at and can control it.

23 BILL HARRIS: But you won't be into---?

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1 LESLIE K. ARRINGTON: No, not on this one. No.

2 BILL HARRIS: Thank you. Thank you.

3 LESLIE K. ARRINGTON: And this is actually our
4 first test to see how things work on this.

5 BENNY WAMPLER: Is it only in Poca 3?

6 LESLIE K. ARRINGTON: Yes, sir.

7 BENNY WAMPLER: Other questions from members of the
8 Board?

9 KEN MITCHELL: Mr. Chairman, I was looking at the
10 80 acre tract units and the north and east coordinates. I
11 think I found six or seven drawings in here, which all are
12 well location plats.

13 LESLIE K. ARRINGTON: Yes, they are.

14 KEN MITCHELL: I've counted seven. There may be
15 more.

16 LESLIE K. ARRINGTON: There should be...I would
17 hope there would be one, two, three, four, five, six, seven,
18 eight...I would hope there's eight.

19 KEN MITCHELL: Eight. Okay, okay, and that's fine.
20 And...but as...are we talking one specific 80 acre tract?
21 Are we talking eight 80 acre tracts?

22 MARK SWARTZ: Eight.

23 KEN MITCHELL: Okay. Okay.

24

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1 MARK SWARTZ: Do you have extras?

2 LESLIE K. ARRINGTON: Yeah.

3 MARK SWARTZ: Why don't you pass that out?

4 KEN MITCHELL: That answered my...that answered my
5 question.

6 MARK SWARTZ: Well---.

7 KEN MITCHELL: Every corner it was different.

8 LESLIE K. ARRINGTON: Let me give you just a little
9 exhibit here. Hopefully, this will better explain what we're
10 doing. You'll see the dash lines on here. That's...this is
11 going to be our little...I call it our test drill. If this
12 works, then I'll be back for numerous more. We may or may
13 not get out the full length out into the northernmost unit.
14 We hope to.

15 BILL HARRIS: I guess it's okay to ask a question
16 while we're...let me...can I ask a question, Mr. Chairman?

17 BENNY WAMPLER: Sure, Mr. Harris.

18 BILL HARRIS: I guess I'm just curious about this
19 drilling again. Is this something that...I know you said
20 this is the first time for you all. Is this something that
21 has been done elsewhere?

22 LESLIE K. ARRINGTON: Yes. We actually...years ago
23 Oxy done some---.

24

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1 MARK SWARTZ: Right.

2 LESLIE K. ARRINGTON: ---longhole drilling. It
3 does work. We use shorthole...I'll call it shorthole
4 drilling, underground on a daily affair. But those are only
5 drilled a 1,000 feet underground. So, the only thing we're
6 doing is taking that same technique and we're going to apply
7 it here where we are not going to be mining for several
8 years.

9 MARK SWARTZ: If I'm not mistaken, the shorthole
10 gas production is captured in the Oakwood II order. So, it
11 gets...you can produce that along with active gob. So, you
12 don't see us on the shortholes because they're just in the
13 one particular panel usually, okay. But the longhole, if I
14 remember correctly, is not included within the Oakwood II, or
15 at least I don't believe that it is. Although here we're not
16 pooling anyway, but we are creating a drilling unit. I guess
17 we're voluntarily pooling. I take that back. But we don't
18 need a pooling order. We drilled some longholes I'm thinking
19 in '91 or '92---

20 LESLIE K. ARRINGTON: '91.

21 MARK SWARTZ: ---you know, that were several
22 thousand feet. I don't really recall why we stopped because
23 they worked.

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1 BILL HARRIS: It did.

2 MARK SWARTZ: It has been a while.

3 BENNY WAMPLER: Is there any reason to consider
4 these provision...this is a provisional unit, and if not, why
5 not? I mean, because obviously you intend to---.

6 MARK SWARTZ: Well, the provisional unit, you're
7 going to want us to come back.

8 BENNY WAMPLER: Right.

9 MARK SWARTZ: And why would you want us to come
10 back? I mean, we're willing to come back.

11 LESLIE K. ARRINGTON: Yeah.

12 MARK SWARTZ: But why would you...why would you
13 want us to?

14 BENNY WAMPLER: I mean, obviously, this is
15 something that you plan to do prevalently, if it works.

16 LESLIE K. ARRINGTON: If this works.

17 BENNY WAMPLER: And I would think that it could be
18 prudent on our part to have more detailed information if we
19 get into allocation.

20 MARK SWARTZ: Well, except here---.

21 BENNY WAMPLER: I know we're changing the---.

22 MARK SWARTZ: ---you're not...you're not going
23 to...you don't have...you really don't have jurisdiction to
24

1 tell us how to pay this in this setting. So, that would not
2 be a reason to come. Now, technically it might be---

3 BENNY WAMPLER: I understand in this setting. I'm
4 talking about in other settings we will have that issue.

5 MARK SWARTZ: In other settings you might, right.

6 BENNY WAMPLER: And what I...and I realize that in
7 this setting. That's why I'm having an open discussion with
8 you here about this.

9 MARK SWARTZ: Okay.

10 BENNY WAMPLER: Because when we do have other
11 parties affected and they're not under lease, etc., then
12 we're going to have, you know, the issues. I'm just
13 wondering if it isn't more prudent to go ahead and set up it
14 up provisional, get the data, get more confident with it.
15 Then we'll know what we're dealing with.

16 MARK SWARTZ: As long as we have a Board order
17 creating this unit, I don't care what you call it because it
18 will meet our lease terms. Our need...I mean, the reason
19 we're here is because we cannot voluntarily pool these...this
20 unit under current lease language.

21 BENNY WAMPLER: I understand that.

22 MARK SWARTZ: That's the only reason we're here.
23 So, as long as I get an order creating a unit, I don't care

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1 what you call it. You know, if you want us to come back for
2 technical reasons or whatever, just kind of a headups as what
3 happened, I have no problem with that. All I need is that
4 designation and an order.

5 SHARON PIGEON: So, in a sense you're giving the
6 Board jurisdiction over something? The lease won't operate
7 without a unit being defined because that's the terms of the
8 lease?

9 MARK SWARTZ: I'm asking you to create a unit
10 consistent with your jurisdictional authority---.

11 BENNY WAMPLER: Right.

12 MARK SWARTZ: ---granting under the statute. Once
13 you create a statutory unit, then I'm home free under my
14 lease.

15 BENNY WAMPLER: Right.

16 SHARON PIGEON: But until such time, you're not?

17 MARK SWARTZ: We can't do this.

18 BENNY WAMPLER: Right.

19 MARK SWARTZ: Under our lease, we'd have to get a
20 modification every time you go to a lessor with a
21 modification. You know, they want you to write a check.

22 BENNY WAMPLER: And I'm simply suggesting that we
23 do it as a provisional unit.

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1 MARK SWARTZ: Not a problem.

2 BENNY WAMPLER: I don't see any reason not to do
3 it. With a provisional, we'll get them to come back and talk
4 to us about how they went about it; what they encountered,
5 how it worked; and the Board will have a better technical
6 understanding of the process because, obviously, you plan to
7 use it over and over.

8 MARK SWARTZ: You know, and unfortunately...the
9 Board members may not have thought about this, but I'm sure
10 Mr. Wilson has, you know, unfortunately we still have to have
11 a permitted well. So, we have to deal with Mr. Wilson just
12 because we're drilling it underground and collecting it
13 underground. You know, we've got to get it to surface. Any
14 hole---

15 BENNY WAMPLER: And that's a well.

16 MARK SWARTZ: ---that you bring it to the surface
17 is a well. We just can't get rid of that man.

18 BENNY WAMPLER: We got that one. Do you have
19 anything further?

20 MARK SWARTZ: No, I don't.

21 BENNY WAMPLER: Any other questions from members of
22 the Board?

23 BENNY WAMPLER: Mr. Harris.

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1 BILL HARRIS: We didn't have a cost estimate, did
2 we?
3 LESLIE K. ARRINGTON: No, you did not.
4 BILL HARRIS: Okay.
5 MARK SWARTZ: We're not asking anybody to pony up
6 money. So, we're not---.
7 BILL HARRIS: I guess...well---.
8 BENNY WAMPLER: It's not applicable in this case.
9 It will be in others.
10 BILL HARRIS: I'm just curious to see what...what
11 that compares. I guess you all are, also.
12 BENNY WAMPLER: Well, that's what this will do.
13 BILL HARRIS: But we're not...yeah.
14 SHARON PIGEON: Maybe off the record, they'll talk
15 to you about it.
16 MARK SWARTZ: Well, another thing to this...I mean,
17 this is PVC pipe, right?
18 LESLIE K. ARRINGTON: It's...yes. It's just
19 nothing.
20 MARK SWARTZ: So, you can mine right through it.
21 You know, this is...this is mining friendly, you know, in the
22 future.
23 MASON BRENT: May I ask one or two questions?

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1 BENNY WAMPLER: Sure.

2 MASON BRENT: On the proposed longhole drilling
3 we've got here, it looks like M & N-30 are not impacted by
4 this, or you're not going into those units, yet you're making
5 them part of this---?

6 LESLIE K. ARRINGTON: N-30. I just done that to,
7 for one, if we should get there. If we should decide to
8 drill more.

9 MARK SWARTZ: I take it that what we're...I think
10 where he's coming from, are you anticipating drilling out of
11 this main into those areas or---.

12 LESLIE K. ARRINGTON: Actually, this is...this is
13 an abandoned mine. We're just going to drill over within 200
14 feet of that.

15 MARK SWARTZ: Okay. So, it's possible you could
16 get into the---?

17 LESLIE K. ARRINGTON: That's right.

18 MARK SWARTZ: Okay. All right.

19 LESLIE K. ARRINGTON: It's possible.

20 MASON BRENT: But it's also possible that you
21 won't, is that right?

22 LESLIE K. ARRINGTON: It's a possibility. But
23 again, I just want to have my bases covered there on each
24

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1 units.

2 MASON BRENT: Is it likely or unlikely in the
3 future that you would ever come into these two that I'm
4 referring to and drill a vertical well?

5 LESLIE K. ARRINGTON: No. M & N-30, no.

6 MASON BRENT: Okay.

7 BENNY WAMPLER: Thank you, Mr. Brent. Any other
8 questions from members of the Board?

9 (No audible response.)

10 BENNY WAMPLER: Sharon is suggesting that any...I
11 usually don't do this, but any motion would set this up as a
12 provisional unit. Is there a motion?

13 KEN MITCHELL: Mr. Chairman, I make a motion for
14 approval as a provisional unit.

15 BENNY WAMPLER: Is there a second?

16 BILL HARRIS: Second.

17 BENNY WAMPLER: Motion and second. Any further
18 discussion?

19 (No audible response.)

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

22 (All members signify by saying yes.)

23 BENNY WAMPLER: Opposed, say no.

24

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1 (No audible response.)

2 BENNY WAMPLER: You have approval. Your final item
3 on the agenda is a petition from CNX Gas, LLC for pooling of
4 a coalbed methane gas unit U-35, docket number VGOB-03-0916-
5 1191. We'd ask the parties that wish to address the Board in
6 this matter to come forward at this time.

7 MARK SWARTZ: Mark Swartz and Les Arrington.

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

10

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15 LESLIE K. ARRINGTON

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

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

20 Q. Les, you need to state your name.

21 A. Leslie K. Arrington.

22 Q. I'll remind you'll still under oath.

23 A. Yes.

24

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1 Q. Who do you work for?
2 A. CNX Gas Company, LLC.
3 Q. What do you do for them?
4 A. Manager of environmental and permitting.
5 Q. And CNX Gas Company is the applicant here?
6 A. Yes, it is.
7 Q. And it is a Virginia Limited Liability
8 Company?
9 A. Yes, it is.
10 Q. Is it authorized to do business in the
11 Commonwealth, registered with the DMME, and does it have a
12 blanket bond on file?
13 A. Yes, it does.
14 Q. If the application is approved, is the
15 applicant requesting that it, meaning CNX Gas, be the
16 operator?
17 A. Yes.
18 Q. There's only one respondent here, correct?
19 A. That's correct.
20 Q. What did you do to notify Wilderness
21 Tabernacle?
22 A. We mailed by certified mail return receipt
23 on August the 15th, 2003, published in the Bluefield Daily
24

1 Telegraph on August the 27th. I'd better check to make sure
2 it was Bluefield. It was Bluefield Daily Telegraph.

3 Q. Okay. And have you filed proofs with regard
4 to mailing and publication with Mr. Wilson?

5 A. Yes, we have.

6 Q. This is a request to pool under both Oakwood
7 I and Oakwood II, is that...is that right?

8 A. That's correct.

9 Q. And it would be an 80 acre Oakwood unit?

10 A. Yes.

11 Q. And there are two longwall panels that will
12 effect this unit, is that correct?

13 A. That's...I believe that's correct, Mark.
14 Yes.

15 Q. And if you go to the end here, I think maybe
16 starting at the back is helpful. Toward end of...well,
17 actually the middle of what you've got there is an Exhibit G,
18 page one, which kind of looks like this.

19 A. Yes, sir.

20 Q. Essentially, the costs of the development
21 plan here are driven by mining, correct?

22 A. That's right.

23 Q. And just if we...if we look at the plat for
24

1 this unit, it looks like there are two, four, six...there are
2 six wells in this...in this unit?

3 A. Yes.

4 Q. Either in it or proposed?

5 A. Well, what...yes. Either in it or proposed,
6 yes.

7 Q. Okay. And those would fall in one or the
8 other of the five east panel or six east panel?

9 A. Yes.

10 Q. And you have shown a total cost...well costs
11 for both of these panels at the top of Exhibit G, page one
12 and then you've done a percentage of panels in unit
13 allocation, correct?

14 A. We have.

15 Q. And then you've allocated the cost from the
16 five east and the six east to unit U-35, correct?

17 A. Yes.

18 Q. And the allocated cost into this unit would
19 be?

20 A. \$600,846.51.

21 Q. And because there's going to be longwall gob
22 gas production here, you have also...our Exhibit B-3 is going
23 to look a little different---.

24

--

1 A. It does.

2 Q. ---because you actually have three numbers
3 on Exhibit B-3.

4 A. Correct.

5 Q. The percent of unit would be relevant to
6 what the Wilderness Tabernacle Church would be required to
7 pay if they wanted to participate?

8 A. Correct.

9 Q. It would be that percent of unit times the
10 allocable costs?

11 A. Uh-huh.

12 Q. And then with regard to royalty, the gas is
13 going to come from either five right or six right and be
14 allocated?

15 A. That's correct.

16 Q. And their royalty percentage is different
17 for each panel---?

18 A. Yes.

19 Q. ---because there is apparently more of the
20 five right panel in this unit U-35 than the six right panel,
21 just to put it simply?

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

23 Q. The well cost data has come from estimated
24

1 well costs in these...in these panels, correct?

2 A. It did.

3 Q. Okay. Do you want to add anybody or
4 subtract anybody from the list of respondents?

5 A. No, we do not.

6 Q. Okay. The interest that you're seeking to
7 pool here is .0125% of the oil and gas interest, correct?

8 A. It is, yes.

9 Q. And you've either leased or purchased all of
10 the other coal and oil and gas interest?

11 A. Yes, we have.

12 Q. What's the status of mining under this unit?

13 A. We're presently...this is five and six
14 panel. We're presently in the four panel.

15 Q. Okay. So, it's coming but not there yet?

16 A. Very, very soon, yes.

17 Q. Okay. So, the current wells would be being
18 produced frac?

19 A. In six panel for sure; five panel, they're
20 probably starting to plug those frac wells at this time.

21 Q. Okay. And then ultimately as you mine
22 through, some of those wells will be recycled for gob?

23 A. No.

24

--

1 Q. No?

2 A. We...we have changed that a little bit. We
3 plug those wells and then just redrill new wells.

4 Q. Redrill, okay.

5 A. Yes.

6 Q. Okay. So, currently you would operating
7 under the Oakwood I allocation for royalty purposes?

8 A. Uh-huh.

9 Q. And then when you isolate the panels, you're
10 going to be operating under II?

11 A. Correct.

12 Q. Okay. What lease terms would you recommend
13 to the Board here?

14 A. For a coalbed methane lease, it's a dollar
15 per acre per year, a five year paid up term with a one-eighth
16 production royalty.

17 Q. You would ask with regard to the Wilderness
18 Tabernacle if they're deemed to have been leased, that those
19 be lease terms?

20 A. Yes, we are.

21 Q. Okay. Any split agreements here?

22 A. Yes, Tract 3A.

23 Q. Okay. Would you also ask that any Board
24

1 order to pay Hurt McGuire and CNX Gas according to the terms
2 of their split agreement consisted with Exhibit EE instead of
3 escrowing funds?

4 A. Yes, we do.

5 Q. And the Tabernacle...Wilderness Tabernacle
6 is in conflict with Hurt McGuire Land Trust, is that correct?

7 A. That's correct.

8 Q. So, we're going to need escrow with regard
9 to Tract 3B?

10 A. That's correct.

11 Q. Lastly, is it your view that the plan to
12 develop by frac well followed by panel production is a
13 reasonable plan to develop the gas under U-35?

14 A. Yes, it is.

15 Q. And if you take your leases and couple them
16 with this pooling order, will those two events protect the
17 correlative rights of all the owners and claimants in this
18 unit?

19 A. Yes, it will.

20 MARK SWARTZ: That's all I have.

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

23 (No audible response.)

24

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1 BENNY WAMPLER: Is there a motion?

2 BILL HARRIS: Mr. Chairman, I move for approval of
3 the proposal.

4 BENNY WAMPLER: Is there a second?

5 MASON BRENT: Second.

6 BENNY WAMPLER: Motion and second. Any further
7 discussion?

8 (No audible response.)

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

11 (All members signify by saying yes.)

12 BENNY WAMPLER: Opposed, say no.

13 (No audible response.)

14 BENNY WAMPLER: You have approval. Thank you.

15 MARK SWARTZ: Thank you all. We appreciate it.

16 BENNY WAMPLER: The next item on the agenda is a
17 petition from Equitable Production Company for a well
18 location exception for proposed well PD-550426, docket number
19 VGOB-03-0916-1178. We'd ask the parties that wish to address
20 the Board in this matter to come forward at this time. We'll
21 take a five minute break while everybody gets set up.

22 (Off record.)

23 BENNY WAMPLER: The record will show there are no
24

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1 others. You may proceed. Folks, we're going to have to have
2 order until we finish this. Okay, go ahead.

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

7 (Witness is duly sworn.)

8 BENNY WAMPLER: You may proceed.

9

10

DON HALL

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

13

DIRECT EXAMINATION

14 QUESTIONS BY MR. KISER:

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

17 A. My name is Don Hall. I'm employed by
18 Equitable Production Company as District Landman.

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

21 A. Yes.

22 Q. Now, are you familiar with the application
23 we filed seeking a location exception for well PD-550426?

24

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1 A. Yes.

2 Q. Have all interested parties been notified as
3 required by Section 4(b) of the Virginia Gas and Oil Board
4 Regulations?

5 A. They have.

6 Q. Would you indicate for the Board the
7 ownership of the oil and gas underlying the unit for well
8 number PD-550426?

9 A. Pine Mountain Oil and Gas, Incorporated owns
10 a 100%.

11 Q. And does Equitable have the right to operate
12 the reciprocal well, that being well number P-435---?

13 A. Yes.

14 Q. ---which is directly to...or somewhat
15 directly to the east of the proposed location?

16 A. Uh-huh.

17 Q. Are there any correlative rights issues?

18 A. No. No, this is all on Pine Mountain
19 property.

20 Q. Can you explain for the Board why we're
21 seeking a location exception for this well?

22 A. This is in their deep mine 27 and they
23 chose...the coal company chose this specific spot for us to

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1 put the well.

2 Q. So, this is the spot that they chose that
3 will interfere the least with their mining operations?

4 A. That's correct.

5 Q. Okay. In the event this location exception
6 were not granted, would you project the estimated loss of
7 reserves resulting in waste?

8 A. 300 million cubic feet.

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

11 A. 6150 feet.

12 Q. Will this be sufficient to penetrate and
13 test the common sources of supply in the subject formations?

14 A. It will.

15 Q. And is the application requesting that this
16 location exception cover convention gas reserves to include
17 the designated formations from the surface to the total depth
18 drilled?

19 A. Yes.

20 Q. And in your professional opinion, would the
21 granting of this location exception be in the best interest
22 of preventing waste, protecting correlative rights, and
23 maximizing the recovery of the gas reserves underlying the
24

1 unit for PD-550426?

2 A. Yes.

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

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

7 DON HALL: If I may, as a point of clarification,
8 if you're looking at the plat, you'll see a conventional
9 unit. In addition to that, you'll see a coalbed methane
10 unit. The plan is for this well to be a dual producer well.
11 We needed the exception for the conventional portion of it.
12 But the coalbed methane portion of that well falls within
13 the interior drilling window. So, we're okay there.

14 BENNY WAMPLER: Thank you. Headed off my question.

15 DON HALL: Pardon?

16 BENNY WAMPLER: You headed off my question.

17 DON HALL: I thought I might.

18 BENNY WAMPLER: Other questions from members of the
19 Board?

20 (No audible response.)

21 BENNY WAMPLER: Do you have anything further, Mr.
22 Kiser?

23 JIM KISER: Mr. Chairman, we'd ask that the
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1 application be approved as submitted.

2 BENNY WAMPLER: Is there a motion?

3 KEN MITCHELL: Motion for approval, Mr. Chairman.

4 MASON BRENT: Second.

5 BENNY WAMPLER: Second. Any further 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. Thank you. I
13 understand that the folks that are here are waiting for us to
14 get to agenda item number fifteen. So, we'll go ahead and
15 call that so that you won't...hold you any longer---

16 JIM KISER: Mr. Chairman, one point. Mr. Belcher,
17 whom I was speaking with over there is the owner of the oil
18 and gas under Tract 8 in that unit. He was interested in the
19 hearing, too. He got a phone call and left and he's not
20 back. So, maybe we ought to wait a little bit longer, I
21 guess. As soon as he come...if you all want to go try drag
22 him in, we'll get to that.

23 AUDIENCE MEMBER: No, we're fine. That's no

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1 problem. We can wait.

2 JIM KISER: So, as soon as he comes in, when we
3 finish that one, maybe we can go to that one.

4 BENNY WAMPLER: When he comes in we'll...we'll go
5 to that one.

6 JIM KISER: I hate to have him come back in and
7 find out we've already done it.

8 BENNY WAMPLER: Yeah, I've had that happen before.

9 JIM KISER: Yeah.

10 BENNY WAMPLER: The next item on the agenda is a
11 petition from Equitable Production Company for pooling of a
12 coalbed methane gas unit PC-551120, docket number VGOB-03-
13 0916-1179. We'd ask the parties that wish to address the
14 Board in this matter to come forward at this time.

15 JIM KISER: Mr. Chairman, again, Jim Kiser and Don
16 Hall on behalf of Equitable Production Company.

17 DON HALL
18 having been duly sworn, was examined and testified as
19 follows:

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. KISER:

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

24

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

3 Q. And are you familiar with the application
4 seeking a pool order for EPC well number PC-551120, which was
5 dated August the 15th, 2003?

6 A. Yes.

7 Q. Is Equitable seeking to force pool the
8 drilling rights underlying the unit as depicted at Exhibit A,
9 that being the plat to the application?

10 A. Yes.

11 Q. Does Equitable own drilling rights in the
12 unit involved here?

13 A. We do.

14 Q. Now, prior to filing the application, were
15 efforts made to contact each of the respondents and an
16 attempt made to work out a voluntary lease---

17 A. Yes.

18 Q. ---with each of the respondents?

19 Q. What is the interest of Equitable within the
20 gas estate in the unit?

21 A. We have 98.71% of the gas leased.

22 Q. And what about the interest of Equitable in
23 the coal estate in the unit?

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1 A. A 100%.

2 Q. In fact, is the only unleased interest
3 within this unit the unknown heirs of Joseph Kiser, Jr.?

4 A. That's correct.

5 Q. Okay. And what percentage does that
6 represent of the gas estate?

7 A. 1.29%.

8 Q. Okay. Now, were efforts made to determine,
9 identify and locate these unknown heirs including primary
10 sources such as deed records, probate records, assessor's
11 records, treasurers records and secondary sources such as
12 telephone directories, city directories, family and friends?

13 A. Yes.

14 Q. In your professional opinion, was due
15 diligence exercised to locate each of the respondents named
16 herein, including the unknown heirs of Joseph Kiser, Jr.?

17 A. Yes.

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

21 A. Yes.

22 Q. Are you requesting this Board to force pool
23 all unleased interest listed at Exhibit B-3?

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1 A. We are.

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

5 A. Yes.

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

8 A. A five dollar bonus, five year term and a
9 one-eighth royalty.

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

14 A. It does.

15 Q. All right. Now, as to the Joseph Kiser
16 heirs, do you recommend that they be allowed the...even
17 though they're unknown, be allowed the following options with
18 respect to their ownership interest within the unit: One,
19 participation; two, a cash bonus of five dollars per net
20 mineral acre plus a one-eighth of eight-eighths royalty; or
21 three, in lieu of a cash bonus and one-eighth of eight-
22 eighths royalty, a share in the operation of the well on a
23 carried basis as a carried operator under the following

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1 conditions: Such carried operator should be entitled to his
2 share of production from the tracts pooled accruing to his
3 interest exclusive of any royalty or overriding royalty
4 reserved in any leases, assignments thereof or agreements
5 relating thereto of such tracts, but only after the proceeds
6 applicable to his share equal A), 300% of the share of such
7 costs applicable to the interest of the carried operator of a
8 leased tract or portion thereof; or B), 200% of the share of
9 such costs applicable to the interest of a carried operator
10 of an unleased tract or portion thereof?

11 A. Yes.

12 Q. Do you recommend that the order provide that
13 elections by respondents be in writing and sent to the
14 applicant at Equitable Production Company, 1710 Pennsylvania
15 Avenue, P. O. Box 2347, Charleston, West Virginia, zip code
16 25328, Attention: Melanie Freeman, Regulatory?

17 A. We do.

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

21 A. Yes.

22 Q. Do you recommend that the order provide that
23 if no written election is properly made by a respondent, then
24

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1 such respondent shall be deemed to have elected the cash
2 royalty option in lieu of participation?

3 A. Yes.

4 Q. Should the unleased respondents be given 30
5 days from the date the order is executed to file their
6 written elections?

7 A. Yes.

8 Q. And if an unleased respondent elects to
9 participate, should they be given 45 days to pay the
10 applicant for their proportionate share of well costs?

11 A. Yes.

12 Q. Does the applicant expect the party electing
13 to participate to pay those costs in advance?

14 A. We do.

15 Q. Should the applicant be allowed a 120 days
16 following the recordation date of the Board order and
17 thereafter annually on that date until production is achieved
18 to pay or tender any cash bonus becoming due under the force
19 pooling order?

20 A. Yes.

21 Q. Do you recommend the order provide if a
22 respondent elects to participate but fails to pay their
23 proportionate share of well costs satisfactory to the
24

1 applicant for the payment of those costs, then the
2 respondent's election to participate should be treated as
3 having been withdrawn and void and such respondent should be
4 treated just as if no initial election had been filed under
5 the order?

6 A. Yes.

7 Q. Do you recommend that the order provide that
8 where a respondent elects to participate but defaults in
9 regard to the payment of the well costs, any cash sum
10 becoming payable to such respondent be paid within 60 days
11 after the last date on which such respondent could have paid
12 or made satisfactory arrangements for the payment of those
13 costs?

14 A. Yes.

15 Q. In this particular case, we do have...the
16 only interest that remains unleased is an unknown and
17 unlocateable interest. So, the Board needs to establish an
18 escrow account into which any proceeds attributable to that
19 interest can be paid, is that correct?

20 A. That's correct.

21 Q. All right. And who should be named the
22 operator under any force pooling order?

23 A. Equitable Production Company.

24

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1 Q. Now, what is the total depth of the well
2 under the plan of development?

3 A. 2918 feet.

4 Q. And the estimated reserves over the life of
5 the unit?

6 A. 3000...300 million cubic feet.

7 Q. And are you familiar with the well costs for
8 the 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 the 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, sir.

17 Q. In your opinion, does the AFE submitted as
18 Exhibit C represent a reasonable estimate of the well costs?

19 A. It does.

20 Q. And could you state for the Board both the
21 dryhole costs and the completed well costs for this well?

22 A. The dryhole cost is \$112,200 and the
23 completed well cost would be \$231,916.

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1 Q. And do these costs anticipate a multiple
2 completion?

3 A. They do.

4 Q. Does your AFE include a reasonable charge
5 for supervision?

6 A. Yes.

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

11 A. They would.

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

14 BENNY WAMPLER: My copy doesn't have Exhibit E or
15 B-3.

16 SHARON PIGEON: Nor does mine.

17 JIM KISER: I've got a B-3, but I don't have an E.

18 BOB WILSON: The submitted copy that's in the file
19 has copies of both of those exhibits.

20 JIM KISER: Thank you, Mr. Wilson. Bailed me out
21 again.

22 BENNY WAMPLER: As long as we...as long as we have
23 them. I just want to make sure. Questions from members of
24

1 the Board?

2 KEN MITCHELL: One...one clarification.

3 BENNY WAMPLER: Mr. Mitchell.

4 KEN MITCHELL: On your AFE on the very, very top of
5 the document, it shows rate dollars per foot. That's on the
6 lefthand side of the page...upper lefthand side of the page.
7 That number is \$14.13. At the bottom of your AFE in your
8 cost per foot, it shows 79.48. Can you tell me the
9 difference in those two numbers or are the same number or am
10 I looking at a different number?

11 DON HALL: That rate at the upper left hand corner,
12 I think is the drilling footage rate. That's just what the
13 drilling contractor gets. When you hire a---

14 KEN MITCHELL: The drilling...right. The drilling.

15 DON HALL: Yeah...yeah. That figure at the bottom
16 includes all other costs.

17 KEN MITCHELL: All other costs. Okay, okay.

18 DON HALL: All other costs.

19 KEN MITCHELL: I knew...I knew there had to be a
20 tremendous difference. Okay.

21 DON HALL: Yeah.

22 BENNY WAMPLER: Mr. Brent, do you have a question?

23 MASON BRENT: This well is...proposed well is
24
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1 outside the drilling window?

2 DON HALL: I think maybe the application is
3 pending, if not already issued. But it's addressed in the
4 application as allowed by---

5 JIM KISER: Field rules.

6 DON HALL: ---field rules.

7 JIM KISER: So, we would seek a location exception
8 within the permitting process.

9 MASON BRENT: Right.

10 JIM KISER: Or has sought.

11 MASON BRENT: I know your application said that it
12 was pending. I didn't know whether it had been permitted
13 yet.

14 BILL HARRIS: Mr. Chairman, just a quick---

15 BENNY WAMPLER: Mr. Harris.

16 BILL HARRIS: ---question about the Exhibit B that
17 we have. I guess Phase I, the unleased person there, heirs
18 of Joseph Kiser, Jr.

19 DON HALL: Uh-huh.

20 BILL HARRIS: Is this what we're being asked to
21 pool then because we don't have the other exhibits, but the
22 1.29%?

23 DON HALL: Yes...yes. That's all there is.

24

--

1 JIM KISER: That's all that's released.
2 BILL HARRIS: Okay. So I just wanted to make sure.
3 Thank you.
4 BENNY WAMPLER: Other questions?
5 (No audible response.)
6 BENNY WAMPLER: Do you have anything further?
7 JIM KISER: Mr. Chairman, we'd ask that the
8 application be approved as submitted, and if I need to get
9 extra copies of B-3 and E to anybody, I'll be glad to.
10 BENNY WAMPLER: Well, we---.
11 BOB WILSON: I think the---.
12 BENNY WAMPLER: Mr. Wilson has them. We'll take
13 care of them.
14 BOB WILSON: The file copy has them.
15 JIM KISER: Okay.
16 BENNY WAMPLER: Is there a motion?
17 MASON BRENT: Mr. Chairman, I move that we grant
18 the application.
19 KEN MITCHELL: Second.
20 BENNY WAMPLER: Motion and second. Any further
21 discussion?
22 (No audible response.)
23 BENNY WAMPLER: All in favor, signify by saying
24

1 yes.

2 (All members signify by saying yes.)

3 BENNY WAMPLER: Opposed, say no.

4 (No audible response.)

5 BENNY WAMPLER: You have approval. He's not back.

6 So, we'll go ahead with the next one. The next item on the
7 agenda is a petition from Equitable Production Company for
8 pooling of a conventional gas unit P-550513, docket number
9 VGOB-03-0916-1180. We'd ask the parties that wish to address
10 the Board in this matter to come forward at this time.

11 JIM KISER: Mr. Chairman, Jim Kiser and Don Hall,
12 again, on behalf of Equitable Production.

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

15

16 DON HALL

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

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. KISER:

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

23 A. My name is Don Hall. I'm employed by
24

--

1 Equitable Production Company as district landman.

2 Q. This is a conventional well. And you're
3 familiar with our application seeking the establishment of a
4 drilling unit and pooling of unleased interest for well
5 number P-550513, which was dated August the 15th, 2003?

6 A. Yes.

7 Q. Does Equitable own drilling rights in the
8 unit involved here?

9 A. We do.

10 Q. Does Equitable own drilling rights in the
11 unit involved here?

12 A. We do.

13 Q. Now, prior to filing the application, were
14 efforts made to contact each of the respondents and an
15 attempt made to work out a voluntary agreement?

16 A. Yes.

17 Q. What is the interest of Equitable within
18 the unit under lease?

19 A. We have 95.52% of the unit under lease.

20 Q. Are you familiar with the ownership of the
21 drilling rights of parties other than Equitable underlying
22 the unit?

23 A. Yes.

24

--

1 Q. And what percentage remains unreleased at this
2 time?
3 A. 4.48%.
4 Q. And that's represented by some interest in
5 Tract 4?
6 A. That's correct, yes.
7 Q. Most of which are unknown?
8 A. Yes.
9 Q. And all the unreleased parties are set out at
10 Exhibit B-3 to the application?
11 A. That's correct.
12 Q. And once, again, since we have unknowns,
13 were reasonable and diligent efforts made and sources checked
14 to identify and locate unknown heirs including primary
15 sources such as deed records, probate records, assessor's
16 records, treasurer's records, and secondary sources such as
17 telephone directories, city directories, family and friends?
18 A. Yes.
19 Q. In your professional opinion, was due
20 diligence exercised to locate each of the respondents named
21 in the application?
22 A. They were.
23 Q. And are the addresses set out in Exhibit B
24

1 to the application the last known addresses for the
2 respondents?

3 A. Yes.

4 Q. Are you requesting this Board to force pool
5 all the unleased interest listed at Exhibit B-3?

6 A. We are.

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

10 A. Yes.

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

13 A. A five dollar bonus, five year term and a
14 one-eighth royalty.

15 Q. In your opinion, do the terms you've just
16 testified to represent the fair market value of and the fair
17 and reasonable compensation to be paid for drilling rights
18 within this unit?

19 A. Yes.

20 JIM KISER: Mr. Chairman, at this time we'd ask
21 that the testimony we just took regarding the statutory
22 election options and the different time lines in which to
23 make those elections and the ramifications of those time

24

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1 lines that was just taken in VGOB docket number 03-0916-1179
2 be incorporated into this hearing.

3 BENNY WAMPLER: They will be incorporated.

4 Q. Mr. Hall, again, we do have some unknown
5 interest...unlocateable, unknown interest listed in Tract 4
6 to the unit. So, the Board needs to establish an escrow
7 account into which the proceeds for those interest can be
8 paid, is that correct?

9 A. That's correct.

10 Q. Okay, who should be named the operator under
11 any force pooling order?

12 A. Equitable Production Company.

13 Q. And what is the total depth of the well
14 under the plan of development?

15 A. 4614 feet.

16 Q. And are you requesting that force pooling
17 conventional gas reserves not only to include the designated
18 formations but any other formations excluding coal formations
19 which may be between those formations designated from the
20 surface to the total depth drilled?

21 A. Yes.

22 Q. And what are the estimated reserves for this
23 unit?

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1 A. 400 million cubic feet.

2 Q. Now, are you familiar with the AFE and has
3 it been reviewed, signed and submitted to the Board as
4 Exhibit C?

5 A. It has.

6 Q. Was it prepared by an engineering department
7 knowledgeable in the preparation of AFEs and knowledgeable in
8 regard to well costs in this area?

9 A. Yes.

10 Q. In your opinion, does it represent a
11 estimate of the well costs for this well?

12 A. It does.

13 Q. Could you state at this time both the
14 dryhole costs and completed well costs for this well?

15 A. The dry hole cost is \$178,816, and the
16 completed well cost is \$270,317.

17 Q. And do these costs anticipate a multiple
18 completion?

19 A. They do.

20 Q. Does your AFE include a reasonable charge
21 for supervision?

22 A. Yes.

23 Q. In your professional opinion, would the
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1 granting of this application be in the best interest of
2 conservation, the prevention of waste, and the protection of
3 correlative rights?

4 A. It would.

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

7 BENNY WAMPLER: Could you restate the total depth?

8 DON HALL: 4644 feet.

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

11 MASON BRENT: Have you filed for a well location
12 exception for P-550506? On the plat, it's 2110 feet.

13 DON HALL: I believe...I believe this permit was
14 issued...this is a real old well. This is one of those
15 permits that was issued without an expiration date. At the
16 time it was issued, the location exception was not required.

17 MASON BRENT: Your application says that a permit
18 is currently or is anticipated to be pending before the
19 Department.

20 DON HALL: I think...I'm confusing this with
21 another well. I believe maybe 50506 is not a well we've
22 applied for yet. It's a spot that we probably shouldn't have
23 been on. It's a spot, I think, that we don't have a permit

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1 on. Therefore, whenever we apply for it, we'll have to get
2 an exception from 513.

3 BENNY WAMPLER: For the sake of the record, we
4 would direct you to come back before the Board if, in fact,
5 you find that is an existing well---

6 DON HALL: Okay.

7 BENNY WAMPLER: ---for a well location exception.

8 DON HALL: Okay. Sure.

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

11 (No audible response.)

12 BENNY WAMPLER: Do you have anything further?

13 DON HALL: Can I clarify something that was asked
14 at the last hearing? It shows up again on this one. I can't
15 remember who asked the question. But someone asked why at
16 the bottom of the page the cost per foot differed so much
17 from coalbed wells to conventional wells. Conventional wells
18 are...this is a conventional well and it's 40 some hundred
19 feet, a coalbed well is 2000 feet. You've got a certain
20 amount of fixed costs that's going to be there no matter what
21 type of well it is. You've just got more feet to divide into
22 the figure. That's why the cost is less.

23 JIM KISER: Mr. Chairman, we'd ask that the
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1 application be approved as submitted with the caveat that
2 we'll check and make sure that P-550506 is not an existing
3 well. If it is an existing well, then we'll make application
4 for the October docket for a location exception.

5 BOB WILSON: Mr. Chairman, I might point out just
6 as information to the Board that the pooling process being
7 totally separate from the permitting process, they would not
8 be able to receive a permit for this well---

9 JIM KISER: Without a location exception.

10 BOB WILSON: ---without an exception.

11 BENNY WAMPLER: Is there a motion?

12 KEN MITCHELL: Motion for approval, Mr. Chairman.

13 BILL HARRIS: 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 BENNY WAMPLER: You have approval. He's still not
22 back. So, we'll---

23 JIM KISER: Maybe he's not coming back. I talked

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1 to him...I think I probably answered most of his questions.

2 But I don't know if that's a risk you want to take.

3 AUDIENCE MEMBER: He may have left.

4 JIM KISER: Huh?

5 AUDIENCE MEMBER: He may have left.

6 BENNY WAMPLER: Well, you know, I'm just not
7 interested in holding you all here as we go through these. I
8 didn't want to leave him out.

9 JIM KISER: Do you want me to go look out there
10 real quick?

11 BENNY WAMPLER: Yeah, check and see.

12 (Jim Kiser exits the room.)

13 BENNY WAMPLER: We have a standing rule anyway that
14 it's not safe to leave the room in case we get to you
15 because, you know, sometimes some people can continue cases.
16 You just never know. But we always try to work with you.
17 This is item fifteen that we'll be going to.

18 JIM KISER: He's checking downstairs. He appears
19 to be gone. Although in all fairness, I told him it would
20 probably be about 11:30 before we got to that one. He got a
21 phone call and I don't know if that took him away. But I
22 talked to him for about fifteen or twenty minutes. He wasn't
23 here to object. He just wanted to know what his options were

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1 and what it would cost him to participate.

2 BENNY WAMPLER: I'm going to go ahead and call it
3 and let these folks get on about their day. The next item on
4 the agenda will be number fifteen on the Board's agenda.
5 It's a petition from Equitable Production Company for pooling
6 of a conventional gas unit V-503179, docket number VGOB-03-
7 0916-1193. We'd ask the parties that wish to address the
8 Board in this matter to come forward at this time.

9 JIM KISER: Mr. Chairman, again, Jim Kiser and Don
10 Hall on behalf of Equitable Production Company.

11 BENNY WAMPLER: Do any of you want to come down
12 or---?

13 JOY COMPTON: If you don't mind. I know nothing
14 about this. Do you mind if I ask a couple of questions?

15 BENNY WAMPLER: Not at all.

16 JIM KISER: He's back.

17 BENNY WAMPLER: Oh, okay.

18 JOY COMPTON: If you want to go with him, that's
19 fine. It doesn't matter.

20 BENNY WAMPLER: You may come on down, also. We've
21 got room for two people to sit down here.

22 AUDIENCE MEMBER: Should I come down here?

23 BENNY WAMPLER: Yes.

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1 BENNY WAMPLER: Don, can you move things and let
2 her sit over there? You can sit right here. What we'll do
3 is we let them go first and then we'll let...we'll ask
4 questions and let you ask questions. You may proceed, Mr.
5 Kiser.

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DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

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

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

Q. All right. And you're familiar with the application that we filed seeking the establishment of a drilling unit and pooling any unleased interest for EPC well number V-503179, which was dated August the 15th, 2003?

A. Yes.

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

A. We do.

Q. Now, prior to filing the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what is the interest of Equitable under

1 lease in the unit?

2 A. We have 52.28% leased.

3 Q. And the interest that remains unleased in
4 the unit?

5 A. 47.72%.

6 Q. Okay. And are all the unleased parties set
7 out in Exhibit B-3 to the application?

8 A. Yes.

9 Q. In this particular case, we have quite a few
10 unknowns again. So, were reasonable and diligent efforts
11 made and sources checked to identify and locate unknown
12 respondents including primary sources, such as deed records,
13 probate records, assessor's records, treasurer's records and
14 secondary sources such as telephone directories, city
15 directories, family and friend?

16 A. Yes.

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

20 A. Yes.

21 Q. Now, are the addresses set out in the
22 Exhibit B to the application the last known addresses for the
23 respondents?

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1 A. Yes.

2 Q. Are you requesting this Board to force pool
3 all unleased interest listed in Exhibit B-3?

4 A. We are.

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

8 A. Yes.

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

11 A. A five dollar bonus, five year term and a
12 one-eighth royalty.

13 Q. In your opinion, do the terms you've
14 testified to represent the fair market value of and the fair
15 and reasonable compensation to be paid for drilling rights
16 within this unit?

17 A. They do.

18 JIM KISER: Mr. Chairman, since I know at least Mr.
19 Belcher's issues and questions have to do primarily with his
20 statutory election options as a pooled party, rather than
21 incorporating the testimony, I guess I'll go through all of
22 this stuff again.

23 BENNY WAMPLER: It would be good to do that.

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1 Q. All right. So, Mr. Hall, as to the interest
2 owners within the unit who have not...who remain unleased,
3 who have not signed a voluntary lease, do you recommend that
4 be allowed the following statutory options with respect to
5 their ownership interest within the unit: One,
6 participation; two, a cash bonus of five dollars per net
7 mineral acre plus a one-eighth of eight-eighths royalty;
8 three, in lieu of a cash bonus and one-eighth of eight-
9 eighths royalty, share in the operation of the well on a
10 carried basis as a carried operator under the following
11 conditions: Such carried operator should be entitled to his
12 share of production from the tracts pooled accruing to his
13 interest exclusive of any royalty or overriding royalty
14 reserved in any leases, assignments thereof or agreements
15 relating thereto of such tracts, but only after the proceeds
16 applicable to his share equal A), 300% of the share of such
17 costs applicable to the interest of the carried operator of a
18 leased tract or portion thereof; or B), 200% of the share of
19 such costs applicable to the interest of a carried operator
20 of an unleased tract or portion thereof?

21 A. Yes.

22 Q. Do you recommend that the order provide that
23 elections by respondents be in writing and sent to the

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1 applicant at Equitable Production Company, 1710 Pennsylvania
2 Avenue, Charleston, West Virginia 25328, Attention: Melanie
3 Freeman, Regulatory?

4 A. Yes.

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

8 A. Yes.

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

13 A. Yes.

14 Q. Should the unleased respondents be given 30
15 days from the date that the order is executed to file their
16 written elections?

17 A. Yes.

18 Q. If an unleased respondent elects to
19 participate, should they be given...should they be given 45
20 days to pay the applicant for their proportionate share of
21 well costs?

22 A. Yes.

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

3 A. Yes.

4 Q. Should the applicant be allowed a 120 days
5 following the recordation date of the Board order and
6 thereafter annually on that date until production is achieved
7 to pay or tender any cash bonus or delay rental becoming due
8 under the force pooling order?

9 A. Yes.

10 Q. Do you recommend that the order provide if a
11 respondent elects to participate but fails to pay their
12 proportionate share of well costs satisfactory to the
13 applicant for the payment of those costs, then the
14 respondent's election to participate will be treated as
15 having been withdrawn and void?

16 A. Yes.

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

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1 A. Yes.

2 Q. In this particular case, again, we have some
3 unknown interest owners within the unit. So, the Board does
4 need to establish an escrow account for their benefit into
5 which the proceeds allocable to their interest will be paid,
6 correct?

7 A. Correct.

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

10 A. Equitable Production Company.

11 Q. And what is the total depth of this well
12 under the plan of development?

13 A. 5390 feet.

14 Q. And are we requesting the force pooling of
15 conventional gas reserves not only to include the designated
16 formations, but any other formations excluding coal
17 formations which may be between those formations designated
18 from the surface to the total depth drilled?

19 A. Yes.

20 Q. Estimated reserves for the life of this
21 unit?

22 A. 200 million cubic feet.

23 Q. And you're familiar with the well costs for
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1 this well?

2 Q. Has an AFE been reviewed, signed and
3 submitted to the Board as Exhibit C?

4 A. It has.

5 Q. Was the AFE prepared by engineering
6 department knowledgeable in the preparation of AFEs and
7 knowledgeable in regard to well costs in this area?

8 A. Yes.

9 Q. In your professional opinion, does the AFE
10 represent a reasonable estimate of the well costs?

11 A. It does.

12 Q. Could you state what those are now?

13 A. The dry hole cost is \$177,875, and the
14 completed well cost is \$289,673.

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

17 A. They do.

18 Q. Does your AFE include a reasonable charge
19 for supervision?

20 A. Yes.

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

2 A. Yes.

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

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

7 (No audible response.)

8 BENNY WAMPLER: We'll hear your questions. State
9 your name for the record, please.

10 JOY COMPTON: Joy Compton, Blacksburg, Virginia. I
11 know nothing concerning as far as pooling. I mean, what is
12 the advantage of pooling all of these wells together?

13 JIM KISER: Well...is it okay for me to answer?

14 (No audible response.)

15 JIM KISER: We're not really pooling wells. We're
16 pooling the interest within the unit for the well.

17 JOY COMPTON: What does that mean, the interest?

18 JIM KISER: Well, in this particular case, this is
19 a conventional well. Under the statewide spacing statute, a
20 1200...a circle with a 1250 foot radius which amounts to a
21 112.69 acres. And under Virginia Law you have to have either
22 a voluntary lease from everybody within that 1250 foot
23 radius, within that circle, or if you have made your best
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1 efforts and can't obtain a lease from them and/or they are
2 unknown or unlocateable, then the State has established a
3 statutory procedure, which is what we're doing today, to pool
4 those people into the unit so that you have a 100% unit and
5 then the people that are pooled and not leased are under the
6 jurisdiction of the Board order which will control, you know,
7 what you get paid and, you know, the fact that you'll get
8 paid a bonus a one-eighth royalty. It's very similar to a
9 lease. It's not the same as a lease. Most operators would
10 prefer to have voluntary units with everybody under a lease
11 rather than have to go through this procedure. But what this
12 does is allow the rights of the parties who have elected to
13 go ahead and lease to be taken care of for the reserves...the
14 Commonwealth's reserves to be produced in an efficient manner
15 that protects everybody's rights in a nutshell.

16 JOY COMPTON: I noticed in the listing, I did have
17 the attachment to see the budget. That wasn't included in my
18 packet---

19 JIM KISER: It wasn't?

20 JOY COMPTON: ---that you sent my husband and I.
21 And this...our names and our addresses have been on this for
22 many years. But this is the first time in, I want to say
23 four or five years, that I've actually had any correspondence
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1 from you.

2 JIM KISER: Well---

3 JOY COMPTON: And as far as leasing or non-leasing,
4 this is the first time that I've had anything directed toward
5 this.

6 JIM KISER: ---my guess would be, and Don may be
7 able to answer this better, but my guess would be that the
8 development is moving towards you. They wouldn't contact you
9 until they were ready to drill a well.

10 JOY COMPTON: Not even for to sign a lease?

11 JIM KISER: I don't know. Probably, but not---

12 DON HALL: Well, we should have...there should have
13 been a contact of the known heirs...we've had quite a problem
14 trying to track down all the heirs for one thing.

15 JOY COMPTON: I know. But you do have my correct
16 address on there.

17 DON HALL: Yeah, we've got...yeah. And you---

18 MASON BRENT: Mr. Chairman, if I may interrupt.

19 BENNY WAMPLER: Mr. Brent.

20 MASON BRENT: We seem...we seem to have drifted
21 just from questions toward some testimony here. So, you may
22 want to swear her as a witness.

23 BENNY WAMPLER: Yeah, let's go ahead and do---

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1 JOY COMPTON: Well, I thought it was a question.

2 But I can do that.

3 (Witness is duly sworn.)

4 JOY COMPTON: And there are...we do know of a
5 couple on there are deceased in the family. I don't know if
6 you need to know which ones. My sister-in-law can provide
7 you with that information.

8 JIM KISER: That would be great.

9 CHARLIE GANDIE: I'll get that information.

10 DON HALL: Charlie Gandie back there will get all
11 that information after hearing.

12 JOY COMPTON: Okay. When you're talking about
13 pooling, are you talking about the resources itself, the
14 money, the wells or all combined? Everybody would get a
15 certain percentage?

16 JIM KISER: Right. There's only one well per unit.
17 And---.

18 JOY COMPTON: What do you mean one well per unit?
19 Do you mean one...one---?

20 JIM KISER: It would be just one...one well drilled
21 within that 112 acre surface.

22 JOY COMPTON: Okay.

23 DON HALL: Here's a...this is the well here.

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1 JOY COMPTON: Okay.

2 DON HALL: This is the...this is what he's
3 referring to as the unit.

4 JOY COMPTON: The unit.

5 DON HALL: All these other tracts in here are
6 various owners within that 1250---

7 JOY COMPTON: How did you derive at the 25 acres?
8 I mean, our...it looks like that that is what is supposed to
9 be in my section. This one, how did you derive at 25 acres?

10 DON HALL: It was calculated...the acreage was
11 calculated within the unit.

12 JOY COMPTON: A unit, and how did you derive the
13 unit? What...what---?

14 DON HALL: The unit is established by the 1250 foot
15 radius.

16 JOY COMPTON: So, what kind of documentation do you
17 have that, persay, says this is a 112 acres and this is what
18 all these heirs get? I've just never seen anything on it. I
19 mean, I know---

20 DON HALL: We have...we have title work.

21 JOY COMPTON: You have title work.

22 DON HALL: Yeah. Again, Mr. Gandie can give you
23 some information on it.

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1 JOY COMPTON: May I have a copy of that?

2 DON HALL: Sure. Yeah, we can get you a copy of
3 the title opinion.

4 JOY COMPTON: Because I've never seen anything on
5 it. My husband and I have never seen anything.

6 DON HALL: Okay.

7 JIM KISER: And the unit is established by a
8 statewide spacing statute and then it's surveyed. That's how
9 that's done.

10 JOY COMPTON: And the survey is done for these
11 people that you've listed there?

12 JIM KISER: That's right. (Inaudible).

13 DON HALL: Yes. This plat was done by this
14 surveyor.

15 JOY COMPTON: Do you all have any questions?

16 THEDA WEBSTER: I'm just wondering why it has taken
17 so long to get a well drilled anywhere for the last fifteen
18 years.

19 KENNY COMPTON: We've signed three or four
20 different leases and each one was for five years a piece.

21 DON HALL: We're just now getting...there's a lot
22 of acreage out in that area and we're just now getting to
23 that area over there. We're continuing to develop.

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1 JIM KISER: I mean, I guess by way of some sort of
2 explanation for that...I mean, you see that there's a lot of
3 different individual tracts in this unit with a lot of
4 different heirs and owners in the unit. Just like anything
5 else in life, they basically drill the easy ones first. Now,
6 we're getting out into the area where the units are more cut
7 up and there's a lot more work involved.

8 JOY COMPTON: You were talking about the cost. I'm
9 not quite sure since I didn't have a budget or anything to
10 look at.

11 JIM KISER: Well, you should have gotten that.
12 We'll make sure you get a copy of that.

13 JOY COMPTON: I'm not quite sure what you're
14 talking about---

15 JIM KISER: It's in the file.

16 JOY COMPTON: ---the expense for the owners or the
17 people who lease.

18 DON HALL: No. This is the...this is a copy of the
19 AFE.

20 JOY COMPTON: Okay.

21 DON HALL: This is the estimated cost for drilling
22 the well. That cost is our cost unless the owners elect to
23 participate. If they elect to participate, then they pay

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1 their proportionate share based on the acreage that they have
2 in the unit.

3 JOY COMPTON: So, based on the acreage that you
4 have listed for our section, which is 25---?

5 DON HALL: Uh-huh.

6 JOY COMPTON: ---what would be the cost of our
7 percentage for this well?

8 JIM KISER: It would be 18.15% of---.

9 DON HALL: \$289,000.

10 JIM KISER: \$289,000.

11 JOY COMPTON: I don't have a calculator.

12 DON HALL: I don't either.

13 JOY COMPTON: Shame on you.

14 JIM KISER: Well, it's a fifth of 289, whatever
15 that is.

16 JOY COMPTON: I'm sorry?

17 JIM KISER: It would be---.

18 DON HALL: It would be roughly a fifth of that.

19 JIM KISER: Yeah. It would be a---.

20 HUGH BELCHER: It's what...what's the percentage?

21 JIM KISER: 18.15.

22 DON HALL: There's a man with a calculator.

23 HUGH BELCHER: Roughly, \$52,453.

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1 JOY COMPTON: So, that is an option we have?

2 JIM KISER: Yes, ma'am.

3 JOY COMPTON: To participate?

4 JIM KISER: Uh-huh. And that would entitle you to
5 18.15% of eight-eighths of the proceeds rather than one-
6 eighth, rather than 12.5% of the proceeds. 18.15% of 12½%.

7 JOY COMPTON: So, is this a separate contract
8 or---?

9 JIM KISER: Yes, ma'am.

10 JOY COMPTON: ---an agreement that would have to be
11 issued?

12 JIM KISER: Yes. If the Board grants the request
13 for the pooling order, then a order will be drafted and then
14 once the order is executed and recorded, we will send you a
15 copy of the order and then with the order something called an
16 election letter which will set out your options and the time
17 in which you need to make your decision. Then you send that
18 back to us and, you know, you either elect to be leased,
19 which means you get the five dollars per acre and the one-
20 eighth royalty or you elect to participate, which means
21 you'll have to ante up the \$52,435; or you can elect to be
22 carried, which means you're an indirect participant and you
23 don't put any money up. You don't share in the risk. But

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1 you don't get any money until...in your case, you're
2 unleased, until the well reaches 200% of payout, which would
3 be \$590,000 roughly.

4 JOY COMPTON: The people that you have listed that
5 you have not been able to contact, this fifty some thousand
6 that you're talking...fifty-two, that includes them that you
7 cannot contact?

8 JIM KISER: No. That would strictly be your tract.

9 JOY COMPTON: Well, I know.

10 DON HALL: The people---

11 JOY COMPTON: All these people are listed that you
12 haven't been able to contact.

13 DON HALL: Right.

14 JOY COMPTON: So, this fifty some thousand is still
15 their portion, also?

16 DON HALL: It's not each.

17 JIM KISER: No.

18 DON HALL: It's total. The Idle Willis heirs for
19 Tract #2, that would be their proportionate share. Your
20 share would be whatever percentage that you own in the Idle
21 Willis property.

22 JOY COMPTON: That's what I'm looking at.

23 JIM KISER: Yeah. For all of Tract 2 would be
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1 fifty some thousand. Your percentage of that 52,000---

2 JOY COMPTON: Those people that you cannot contact,
3 how do you put somebody and you can't contact them and
4 everybody---

5 JIM KISER: Well, they would be able to
6 participate, obviously.

7 JOY COMPTON: Okay, so you're saying that they
8 would be---

9 JIM KISER: So, the 52,000 would actually be
10 diluted to whoever...whatever percentage the known people
11 could possibly be.

12 JOY COMPTON: Okay.

13 JIM KISER: So, the whole 18.15 could not elect to
14 participate because some of them are unknown.

15 JOY COMPTON: Okay.

16 JIM KISER: All right.

17 JOY COMPTON: But those who do elect to do this can
18 participate and no escrow would be given to these other
19 people that you have not been able to contact?

20 JIM KISER: They would be...their interest...their
21 proceeds from this well would be a one-eighth royalty and
22 that would go into an escrow account. See, if you elect to
23 participate, you'll be a working interest partner. You'll
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1 have to sign a joint operating agreement. You'll be billed
2 monthly for operational costs. You will be just like, you
3 know, an investor in the well. You'll be a working interest
4 partner. The unknown people don't have that option because
5 they're unknown and they'll be royalty interest owners and
6 their one-eighth of their share will be paid into the Board
7 established escrow account to sit there until they are either
8 located or, you know, they come forward.

9 JOY COMPTON: Then what happens to that?

10 JIM KISER: Then it would be paid to them.

11 JOY COMPTON: I know. But if they never claim it.

12 JIM KISER: I guess at some point, it escheats to
13 the State. Seven years?

14 BENNY WAMPLER: At some point.

15 JOY COMPTON: Okay. Well, thank you.

16 JIM KISER: Uh-huh.

17 BENNY WAMPLER: Thank you. Mr. Belcher, would you
18 state your name for the record, please?

19 HUGH BELCHER: Hugh Belcher, Haysi, Virginia. We
20 are...I left my packet at home.

21 JIM KISER: You're the owner of Tract #7.

22 HUGH BELCHER: Tract #7.

23 JIM KISER: He owns 8.68% of the unit.

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1 HUGH BELCHER: Basically, I just wanted to be here
2 because I haven't been to one of these. I have been force
3 pooled, I guess, on a couple of tracts of the wells. The one
4 was a little bit more sizeable. We believe that we probably
5 want to exercise our right to participate. But I just wanted
6 to come and be here for the proceedings and hear any other
7 questions that were going to be asked and ask just a few
8 things. If we elect to participate, then we're going to need
9 to ante...we're going to need to ante up, as Mr. Kiser puts
10 it, in 45 days, paid in advance, is that right?

11 (No audible response.)

12 HUGH BELCHER: Now, from that period of time...do
13 we have a date of...a drill date that this is going to take
14 place?

15 DON HALL: We don't have a specific date yet. Most
16 likely if everything goes as planned, we will drill it
17 sometime this year.

18 HUGH BELCHER: But would it certainly be within a
19 certain period of time. I mean, obviously, as in anything
20 else and I'm sure Equitable would feel the same, don't want
21 to spend...have any expenditures that are going to be just
22 sitting around---

23 DON HALL: Right.

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1 HUGH BELCHER: ---and losing interest on that
2 money. Just out of curiosity, I mean, it's not...it's not
3 that much money, but is that money then held in escrow? I
4 mean, if there were...in other words, if I were paying the
5 \$26,000 or \$27,000, or whatever the percentage would be---.
6 I haven't calculated my percentage. But it's going to be
7 between \$25,000 and \$30,000. If it's drilled within thirty
8 or sixty days, that wouldn't be that much interest to
9 collect. If it's six months to a year, you're talking about
10 a sizeable bit of interest on that. Is there any provision
11 made for that sort of thing?

12 DON HALL: I'm not aware of anything other than the
13 fact that permits for wells are only good for two years. I
14 understand that the force pooling process runs concurrently
15 with that. I mean, enforceable.

16 JIM KISER: The order is good for two years.

17 DON HALL: The order, yeah.

18 JIM KISER: Pooling orders are good for two years.

19 DON HALL: I---.

20 JIM KISER: I guess his question is if he elects to
21 participate and pays in those costs within 45 days of the
22 date of the executed order and you don't drill for nine
23 months, I mean, is there any---?

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1 HUGH BELCHER: Or two years. Let's just say two
2 years.

3 JIM KISER: You may not be aware. This may be a
4 question that he needs to ask his accounting people and get
5 back to you. Is there a mechanism...does that money go into
6 some sort of internal interest bearing account or does it
7 just go in with other capital funds? You probably don't know
8 the answer to that.

9 DON HALL: I don't know the answer.

10 JIM KISER: We have very few people, and I guess
11 I've been doing this for eleven years now, and, you know,
12 maybe a thousand wells or something, and I think we've only
13 had two or three people who have elected to participate. But
14 that's an answer you can get. I'm sure he can find out.

15 HUGH BELCHER: You said that there was some unknown
16 owners that you were unable to contact. What percentage was
17 unknown owners?

18 JIM KISER: Be on Exhibit E. It's just 2.80325% of
19 the unit.

20 HUGH BELCHER: 2.8 roughly.

21 JIM KISER: Percent, yeah.

22 HUGH BELCHER: And I am sure that this is a
23 question that has been asked, or I think it would be, one of
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1 the things that we're dealing with an annual maintenance and
2 the cost of the well would be an annual maintenance cost, I
3 would imagine, and supervision and administrative cost and
4 those type of things. As a participant in the well, I
5 imagine that I would have a breakdown of those costs?

6 DON HALL: Yeah, you would be...you would be billed
7 as partner in the well.

8 JIM KISER: You'll sign a joint operating agreement
9 and it will set all of that out.

10 DON HALL: Which will be...should be fairly
11 itemized as to what those costs are.

12 HUGH BELCHER: In the unlikely event that I'm ever
13 dissatisfied with any of those costs, do I have any...any way
14 to approach the company or any input? Let's say that all of
15 a sudden, we have an administrative cost that jumps from
16 \$10,000 or \$15,000 a year to \$85,000 a year. How do I go
17 about voicing my complaint?

18 DON HALL: I would say that would be addressed in
19 the joint operating agreement.

20 JIM KISER: Yeah, you'll have...you'll have certain
21 rights under the joint operating agreement.

22 HUGH BELCHER: There would be some kind of
23 mediation or arbitration or something like that would be

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1 available?

2 (No audible response.)

3 HUGH BELCHER: Okay. How are we going to resolve
4 the...get a answer on the other question in terms of
5 the...now, this is...I've been corrected on one thing. I
6 thought this permit was good for five years and it's only
7 good for two years.

8 DON HALL: Two years.

9 HUGH BELCHER: And so basically what you're saying
10 at this point in time is that insofar as you know right now,
11 there there's no...if I pay the \$25,000, that you can take
12 that full two...up to that full two years...and I hear what
13 you're saying, that you want to get it drilled as soon as
14 practical, but it could go two years and there's no kind of
15 payment or anything like...I mean, I'd feel a whole lot more
16 comfortable if I was notified 30 days in advance of the time
17 that they were going to drill the well to get that money up.
18 I would think that, you know, Equitable would probably would
19 want to do the same...would want to do the same thing with
20 their money.

21 DON HALL: I really---.

22 HUGH BELCHER: Or not...I mean, not just saying 30
23 days. It could be 45 days or whatever we need to do it.

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1 DON HALL: Yeah.

2 JIM KISER: Well, I think what we need to do is
3 have Don get your phone number or I'll get it and Don can get
4 back to me, however you want to do it, and then contact his
5 division or the people whoever handles this stuff for you and
6 find out what their practice or what their practice would be
7 in this case.

8 DON HALL: Yeah, I've made a note already.

9 JIM KISER: Yeah, and as long as...you know, I
10 assume as long as they're going to internally escrow it in an
11 interest bearing account, you'd be fine with that.

12 HUGH BELCHER: On this particular well...I guess
13 this would be a question more addressed to the Board, on this
14 particular well Equitable had 52...just over 52% of the gas
15 rights---

16 JIM KISER: Under lease.

17 HUGH BELCHER: Now, wait a minute, I'm sorry. 52%
18 under lease?

19 DON HALL: Yes.

20 HUGH BELCHER: Okay. Of this 112.69 acres, what
21 percentage of the gas did Equitable own as outright?

22 JIM KISER: Do you mean the number of acres? Well,
23 they don't own any of it outright. They're the lessee.

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1 HUGH BELCHER: Okay, so this was not...okay, well,
2 it's Pine Mountain, I guess.
3 DON HALL: Right.
4 HUGH BELCHER: My question...the question I'm
5 getting at is, is there a percentage of---?
6 JIM KISER: 25%.
7 HUGH BELCHER: ---25% that---?
8 BENNY WAMPLER: Have to have 25% under lease in
9 order to---.
10 JIM KISER: Has to be leased in order...in order to
11 come under the statute.
12 HUGH BELCHER: 25% owned or under lease?
13 BENNY WAMPLER: Under lease.
14 HUGH BELCHER: Under lease.
15 BENNY WAMPLER: It can be owned and under lease.
16 JIM KISER: For a conventional well.
17 BENNY WAMPLER: For a conventional. There's no
18 percentage on a coalbed methane.
19 HUGH BELCHER: Okay. There are other wells and
20 proposed wells in the area that we're talking about here and
21 for this new unit. When you have the...when you have your
22 circle, your 1250 foot circle to drill your well and a 112
23 acres at this point, and let's say you have another well
24

1 that's drilled over here in the next quadrant. If what I
2 understand is correct, you can only have one well drilled per
3 1600 foot quadrant, is that---?

4 DON HALL: Now, you're talking about coalbed
5 methane.

6 HUGH BELCHER: Oh, that's coalbed methane.

7 BENNY WAMPLER: Yeah, where we had established
8 field rules for coalbed methane.

9 JIM KISER: Field rules. Those are actually
10 squares rather than circles.

11 BENNY WAMPLER: Yeah.

12 HUGH BELCHER: Right. They're 1600...what is it
13 1600 feet?

14 JIM KISER: Conventional wells are just drilled on
15 statewide spacing, which is---.

16 HUGH BELCHER: Okay. So, they do not have to go
17 inside a 1600 foot...1600 foot...the grid rule doesn't apply
18 to a conventional well.

19 JIM KISER: Right.

20 BENNY WAMPLER: No. No, not for a conventional
21 well. Right. That's right.

22 HUGH BELCHER: With the placement of these wells,
23 are wells...are the circles ever able to overlap each other?

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1 DON HALL: Yes.

2 BENNY WAMPLER: They pay both. That's what we
3 ordered.

4 DON HALL: That's---.

5 JIM KISER: We have to seek a location exception.
6 Then the areas that are in both units are paid twice. Get
7 paid from both wells. The overlap paid from both wells. In
8 order to do that, we have to come to the Board and get an
9 exception.

10 HUGH BELCHER: And there's no---.

11 JIM KISER: If we're less than 2500 feet from
12 another well, then we have...in order to get a permit and be
13 able to drill the well we have to get a location exception.

14 HUGH BELCHER: Okay. And there's no written rule
15 in terms of how much they could overlap, it's just would be
16 on a case by case basis and well by well basis?

17 BENNY WAMPLER: Well, it's case by case. The
18 Board, obviously, would, you know, have some concerns there
19 the closer they get.

20 HUGH BELCHER: Sure.

21 BENNY WAMPLER: But what we have done historically,
22 and I imagine you would be continuous, where you do overlap
23 is, we require them to pay both parties.

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1 HUGH BELCHER: Right.

2 JIM KISER: And in most cases, at least in our
3 location exceptions, there aren't any correlative rights
4 issues because the adjoining acreage in the adjoining units
5 are owned by the same party anyway.

6 HUGH BELCHER: Right, right.

7 JIM KISER: And they're actually in favor of it
8 because they get---

9 HUGH BELCHER: Paid twice.

10 JIM KISER: ---the gas out quicker and paid
11 quicker, yeah.

12 HUGH BELCHER: Okay. I think that's all I have.

13 BENNY WAMPLER: Did you finish your testimony?

14 JIM KISER: I think so. Are we done, Don?

15 (No audible response.)

16 JIM KISER: Do you all have any further questions?

17 JOY COMPTON: Just one (inaudible). I noticed that
18 most of the leases that you obtained were all from Dickenson
19 County. You have none outside except maybe one or two. One,
20 I think, Kingsport, Tennessee you have one. But all of them
21 were in those surrounding area and no one was really outside
22 the area. Is there a reason why?

23 JIM KISER: No, I guess other than it's probably

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1 harder to get absentee owners to agree to this. They live
2 outside of the area. They're not interested or maybe they
3 don't understand it. I mean, the people that live in the
4 area see it going on. They see the trucks going up and down
5 the road and the drill rigs. It's just a little more
6 exciting for them maybe or something other. A landman might
7 be able to tell us. I think...my experience...I was landman
8 for eight years before I went back to law school. It's much
9 harder to get a lease from somebody who doesn't live near the
10 property because they just don't seem as interested in it.

11 LINDA K. WOODWARD: Well, these people are from
12 that area (inaudible). That's why I was curious why the
13 select few in that area always seem to want to have their
14 leases when the surrounding outside that realm didn't have
15 anything at all. It's just (inaudible).

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

18 BILL HARRIS: Mr. Chairman, I don't---.

19 BENNY WAMPLER: Mr. Harris.

20 BILL HARRIS: ---I don't seem to have an AFE with
21 my packet.

22 BENNY WAMPLER: I don't think any of us do.

23 BILL HARRIS: Do we not?
24
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1 BENNY WAMPLER: No.

2 JIM KISER: But you do, right?

3 BOB WILSON: I do.

4 BENNY WAMPLER: Mr. Wilson---.

5 JIM KISER: All right. For once the culprit is not

6 me.

7 BOB WILSON: I believe---.

8 JIM KISER: It couldn't be Diane. She never makes

9 mistakes.

10 BOB WILSON: I believe you...you submitted all

11 these copies when you sent it in. So, I'm going to throw it

12 right back at you. We send the copies out just as you send

13 them in.

14 JIM KISER: Do you want me to go make some?

15 BENNY WAMPLER: Well, we can---.

16 BOB WILSON: Do you need to see this?

17 BENNY WAMPLER: No. Just pass it around.

18 JIM KISER: See if you have any questions.

19 (Board reviews AFE.)

20 BENNY WAMPLER: I was just checking to see if we

21 got the questions answered in the letter that you'd written.

22 HUGH BELCHER: Oh, is this our letter?

23 BENNY WAMPLER: Yes. I think it covered that as

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1 well.

2 HUGH BELCHER: May I ask one question?

3 BENNY WAMPLER: Yes.

4 HUGH BELCHER: I just happened to think of it.

5 This estimated production of 300 million cubic feet, that's

6 something that you are...is that something that you're

7 required to make. Obviously, it's a good idea to do that.

8 JIM KISER: Yeah. We're required under the statute

9 to provide that in the application for this very purpose.

10 So, if someone is going to elect to either directly

11 participate or be carried, they have information on which to

12 base that decision.

13 HUGH BELCHER: One of the wells we were pooled in,

14 we were a small percentage, I think, 3 or 4%, and the well

15 costs at that time, that was probably close to fifteen years

16 ago, was \$319, 000. We could never decide what we wanted to

17 do and just ended up getting force pooled. To this date,

18 that well has not paid itself out. It's...it's in...not

19 even...it's just approaching maybe \$300,000 in payout right

20 now. Thinking about what we wanted to do with this one.

21 This other one, it was kind of a loser or it appears to be a

22 loser anyway. How accurate are we with our...with these

23 things? Do you all chart...is that something that you chart?

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1 You've got enough wells to have some kind of track record on
2 that?

3 DON HALL: I'm not sure which well you're talking
4 about. I don't think it was a well that we drilled.

5 HUGH BELCHER: No, it's not.

6 JIM KISER: No, he said it was a Virginia Gas well.

7 HUGH BELCHER: Virginia Gas well.

8 DON HALL: We've got several hundred wells in
9 Dickenson and the geologist look at the trends and they study
10 these wells on a daily basis and look at the production
11 charts and so forth to see what they're...what they do and
12 they have a pretty good handle on, you know, how they're
13 going to produce. We don't go out and pick a well in an area
14 that they don't think is a good area. They have...they put a
15 lot of study into it. The, you know, smaller companies with
16 fewer wells had...maybe in your case had less data to review.

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

19 KEN MITCHELL: Mr. Chairman, one question.

20 BENNY WAMPLER: Mr. Mitchell.

21 KEN MITCHELL: But a very minor, minor, minor
22 technical point. On Exhibit B-3, page three of three, there
23 are two Mitchells listed. I'm no relation to the two

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1 Mitchells listed. I would recuse myself...I would recuse
2 myself if I were. It's a minor point. But all exs live in
3 Texas.

4 BENNY WAMPLER: I always try to point that out
5 myself, especially a Wampler.

6 JIM KISER: Yeah, we do get some Wampers from time
7 to time.

8 BENNY WAMPLER: Yeah, that's for sure.

9 KENNY COMPTON: I've got a couple of questions.

10 BENNY WAMPLER: We need you to come forward.

11 KEN MITCHELL: The lease---.

12 BENNY WAMPLER: You need to come forward. We can't
13 pick...it all needs to be on record, and state your name for
14 the record, please.

15 KENNY COMPTON: My name is Kenny Compton. The
16 leases that we got several months ago that we didn't sign,
17 are they still good or are we going to get another one
18 through the mail?

19 JIM KISER: Uh---.

20 CHARLIE GANDIE: I can send them---.

21 JIM KISER: Yeah. If you'll take with that
22 gentleman back there when we finish, he can send you out a
23 new one that's got more current information on the correct...

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1 you know, a more accurate date for the beginning of the
2 lease. We'd rather have you sign a lease. If you do, even
3 though we're going through this process today, if you sign a
4 lease, then you'll be dismissed from the jurisdiction of the
5 Board order through the supplemental order process. Your
6 controlling instrument will be your lease and not the Board
7 order.

8 KENNY COMPTON: Okay.

9 JIM KISER: We'd rather do the lease. So, if
10 you're interested in signing---

11 KENNY COMPTON: How many of those leases that we
12 have, you know, our names are heirs do you have to have
13 before you can drill or---?

14 JIM KISER: Oh, we've already got as many as we
15 need. That's why we're here doing this pooling.

16 KENNY COMPTON: Okay.

17 JIM KISER: So---.

18 KEN MITCHELL: What's the average life of the gas
19 well?

20 JIM KISER: These wells should produce commercially
21 probably twenty-five to thirty years.

22 KENNY COMPTON: That's all I've got.

23 JIM KISER: Okay. Thank you.

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1 BENNY WAMPLER: Thank you. Do you have anything
2 further, Mr. Kiser?

3 JIM KISER: Nothing further, Mr. Chairman. We'd
4 ask that the order be...the application be approved as
5 submitted and, I guess, we're okay on the AFE. If you need
6 us to submit some more, we'll be glad to. We're okay with
7 it.

8 BENNY WAMPLER: We're okay with it.

9 JIM KISER: Okay. We'll get the Board a copy if
10 they request a copy.

11 KEN MITCHELL: Motion for approval Mr. Chairman.

12 BENNY WAMPLER: Is there a second?

13 BILL HARRIS: Second.

14 BENNY WAMPLER: Second. Any further discussion?

15 (No audible response.)

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

18 (All members signify by saying yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval. Thank you.

22 Thank you all very much.

23 JOY COMPTON: Thank you.

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1 BENNY WAMPLER: Go back to the...number five.

2 JIM KISER: We're on five?

3 BENNY WAMPLER: Number five. Do you have any
4 housekeeping on the rest of them?

5 JIM KISER: I don't think so.

6 BENNY WAMPLER: All right. The next item on the
7 agenda is a petition from Equitable Production Company for
8 pooling of a conventional gas unit V-502666, docket number
9 VGOB-03-0916-1181.

10 JIM KISER: I do have a little bit on this one, Mr.
11 Chairman, since you asked. It's good housekeeping, though.
12 Once, again, Jim Kiser and Don Hall on behalf of Equitable
13 Production Company. We do have unleased party. If everybody
14 will turn to their Exhibit B or B-3, whichever your
15 preference, and you'll see Tract #3 unleased and it's a
16 C.C.C.F. Enterprises, Inc. They...we've been working on a
17 voluntary lease with them. I was contacted late yesterday
18 afternoon by their attorney, Dawn Figorose, a young lady who
19 is with Elliott & Pomrinke Firm in Abingdon. They are going
20 to sign a lease. They just don't have it. She hasn't
21 completely reviewed it at this point, but we expect to get
22 that one within the next week. She originally wanted
23 to...full disclosure, wanted us to continue the hearing. But
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1 when I explained to her that we were going to have to pool
2 another tract anyway and that we can dismiss her out as a
3 leased party in the supplemental order process, she said she
4 was fine with us going ahead because we still have to pool
5 Tract #4. So, a little housecleaning there. So, in the very
6 near future, the only unleased interest we will have will be
7 Tract 4 and that will significantly reduce our unleased
8 percentage obviously to over 99...the lease percentage will
9 then be over 99%.

10 BENNY WAMPLER: You may proceed with this.

11 JIM KISER: Now, where are my questions?

12

13 DON HALL

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

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. KISER:

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

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

22 Q. And you're familiar with the application
23 that we filed for the establishment of a drilling unit and

24

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1 seeking of the pooling any unleased interest for well V-
2 50266, dated August the 15th, 2003?

3 A. Yes.

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

6 A. We do.

7 Q. Now, prior to filing the application, were
8 attempts made to work out a voluntary agreement with each of
9 the respondents within the unit?

10 A. Yes.

11 Q. And what is the interest of Equitable that's
12 leased in the unit at the current time?

13 A. 67.9%.

14 Q. All right. And that's tracts...and the
15 unleased percentage is 32.10?

16 A. That's correct.

17 Q. And that's Tract 3 & 4, and we just talked
18 about Tract 3, right?

19 A. Uh-huh.

20 Q. Now, are all the unleased parties set out in
21 Exhibit B-3?

22 A. Yes.

23 Q. In this particular case, we don't have any
24

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1 unknown parties, do we?

2 A. No.

3 Q. No. In your professional opinion, was due
4 diligence exercised to locate each of the respondents?

5 A. It was.

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

9 A. They are.

10 Q. And are we requesting the Board to force
11 pool all unleased interest listed at Exhibit B-3?

12 A. Yes.

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

16 A. Yes.

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

19 A. A five dollar bonus, five year term and a
20 one-eighth royalty.

21 Q. In your opinion, do the terms you've
22 testified to represent the fair market value of and the fair
23 and reasonable compensation for drilling rights within this
24

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1 unit?

2 A. They do.

3 JIM KISER: At this time, Mr. Chairman, regarding
4 the statutory election options afforded the unleased parties
5 and their different time lines and the ramifications of those
6 time lines in which to make those elections that was taken
7 in...I guess we have more current on now, VGOB docket number
8 03-0916-1193, that being the hearing for well V-5030179 be
9 incorporated.

10 BENNY WAMPLER: That will be incorporated.

11 Q. And, Mr. Hall, the Board does not need to
12 establish an escrow account in this case?

13 A. That's correct.

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

16 A. Equitable Production Company.

17 Q. And what is the depth of the well under the
18 plan of development?

19 A. 5245 feet.

20 Q. And is the applicant requesting the force
21 pooling of conventional gas reserves not only to include the
22 designated formations, but any other formations excluding
23 coal formations which may be between those formations

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1 designated from the surface to the total depth drilled?

2 A. Yes.

3 Q. And the estimated reserves of the unit?

4 A. 400 million cubic feet.

5 Q. Now, you're familiar with the well costs for
6 this well?

7 Q. Yes. Has an AFE been reviewed, signed and
8 submitted to the Board?

9 A. It has.

10 Q. Was that AFE prepared by engineering
11 department knowledgeable in the preparation of AFEs and
12 knowledgeable in regard to well costs in this area?

13 A. Yes.

14 Q. Could you state those costs for the Board?

15 A. The dry hole cost is \$161,357, the completed
16 well cost is \$278,626.

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

19 A. They do.

20 Q. Does your AFE include a reasonable charge
21 for supervision?

22 A. Yes.

23 Q. In your professional opinion, would the
24

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1 granting of this application be in the best interest of
2 conservation, the prevention of waste, and the protection of
3 correlative rights?

4 A. It would.

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

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

9 (No audible response.)

10 BENNY WAMPLER: No questions. Anything further?

11 JIM KISER: Mr. Chairman, we'd ask that the
12 application be approved as submitted.

13 BENNY WAMPLER: Is there a motion?

14 BILL HARRIS: Mr. Chairman, I move for approval of
15 the application as submitted.

16 MASON BRENT: Second.

17 BENNY WAMPLER: Any further discussion?

18 (No audible response.)

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

21 (All members signify by saying yes.)

22 BENNY WAMPLER: Opposed, say no.

23 (No audible response.)

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1 BENNY WAMPLER: You have approval. All right, the
2 next item on the agenda is a petition from Equitable
3 Production Company for pooling of a coalbed methane gas unit
4 VC-535731, docket number VGOB-03-0916-1182. We'd ask the
5 parties that wish to address the Board in this matter to come
6 forward at this time.

7 JIM KISER: Mr. Chairman, Jim Kiser and Don Hall
8 again on behalf of Equitable Production Company. This is
9 another...this is a CBM well. It's another well that the
10 only unleased party are again the unknown heirs of Joseph
11 Kiser, Jr.

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

14 DON HALL
15 having been duly sworn, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KISER:

19 Q. Mr. Hall, again state your name, who you're
20 employed by and in what capacity?

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

23 Q. And you're familiar with the
24

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1 application...our application seeking a pooling order for EPC
2 well number VC-535731, dated August the 15th, 2003?

3 A. Yes.

4 Q. Is Equitable seeking to force pool the
5 drilling rights underlying the drilling and spacing unit as
6 depicted at Exhibit A, that being the plat for the
7 application?

8 A. Yes.

9 Q. Does Equitable own drilling rights in the
10 unit involved here?

11 A. We do.

12 Q. And what is the interest of Equitable under
13 lease in the gas estate within the unit.

14 A. 51.91%.

15 Q. And the interest of Equitable in the coal
16 estate in the unit?

17 A. 100%.

18 Q. Are you familiar with the ownership of
19 drilling rights of parties other than Equitable underlying
20 this unit?

21 A. Yes.

22 Q. And what is the interest in the gas estate
23 that's unleased?

24

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1 A. 48.09%.

2 Q. And that represents the interest that's
3 owned by the unknown heirs of Joseph Kiser, Jr.?

4 A. That's correct.

5 Q. And were reasonable and diligent efforts
6 made and sources checked to identify and locate those heirs
7 including primary sources such as deed records, probate
8 records, assessors's records, treasurer's records, secondary
9 sources such as telephone directories, city directories,
10 family and friends?

11 A. Yes.

12 Q. In your professional opinion, was due
13 diligence exercised to locate the respondents named in
14 Exhibit B?

15 A. It was.

16 Q. Are the addresses set out in Exhibit B to
17 the application the last known addresses for the respondents?

18 A. That's correct.

19 Q. And are we requesting this Board to force
20 pool all the unleased interest listed at Exhibit B-3?

21 A. Yes.

22 Q. Now, are you familiar with the fair market
23 value of drilling rights in the unit here and in the

24

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1 surrounding area?

2 A. Yes.

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

5 A. A five dollar bonus, five year term and a
6 one-eighth royalty.

7 Q. In your opinion, do the terms you've just
8 testified to represent the fair market value of and the fair
9 and reasonable compensation to be paid for drilling rights
10 within this unit?

11 A. They do.

12 JIM KISER: At this time, Mr. Chairman, I'd again
13 ask that the testimony regarding elections and the options
14 that was taken 03-0916-1193 be incorporated.

15 BENNY WAMPLER: That will be incorporated.

16 Q. And, Mr. Hall, we again have the...an
17 unknown interest, the Joseph Kiser, Jr. heirs, so the Board
18 does not need to establish an escrow account into which the
19 proceeds attributable to that interest can be paid?

20 A. That's correct.

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

23 A. Equitable Production Company.

24

--

1 Q. And what is the depth of the proposed well?
2 A. The well is 2764 feet.
3 Q. And the estimated reserves for the unit?
4 A. 400 million cubic feet.
5 Q. Now, are you familiar with the well costs?
6 A. Yes.
7 Q. Has an AFE been reviewed, signed and
8 submitted to the Board as Exhibit C?
9 A. It has.
10 Q. Does this AFE represent a reasonable
11 estimate, in your opinion, of the well costs?
12 A. It does.
13 Q. Could you state what those are?
14 A. The dry hole costs are \$99,260, the
15 completed well cost is \$233,769.
16 Q. Do these costs anticipate a multiple
17 completion?
18 A. They do.
19 Q. Does your AFE include a reasonable charge
20 for 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. Yes.

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

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

8 (No audible response.)

9 BENNY WAMPLER: Do you have anything further?

10 JIM KISER: Mr. Chairman, we'd ask that the
11 application be approved as submitted.

12 BENNY WAMPLER: Is there a motion?

13 KEN MITCHELL: Motion for approval, Mr. Chairman?

14 BILL HARRIS: Second.

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

17 (No audible response.)

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

20 (All members signify by saying yes.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: You have approval. The next item
24

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1 on the agenda is a petition from Equitable Production Company
2 for well location exception for proposed well V-502355,
3 docket number VGOB-03-0916-1183. We'd ask the parties that
4 wish to address the Board in this matter to come forward at
5 this time.

6 JIM KISER: Mr. Chairman, again, Jim Kiser and Don
7 Hall on behalf of Equitable Production Company. This is a
8 location exception wherein the Jefferson National Forest is
9 the surface owner.

10

11

DON HALL

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

14

DIRECT EXAMINATION

15 QUESTIONS BY MR. KISER:

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

18 A. My name is Don Hall. I'm employed by
19 Equitable Production Company as district Landman.

20 Q. And do your responsibilities include the
21 land involved here?

22 A. They do.

23 Q. Are you familiar with the application we
24

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1 filed seeking a location exception for well V-502355?

2 A. Yes.

3 Q. Have all interested parties been notified as
4 required by Section 4(b) of the Virginia Gas and Oil Board
5 Regulations?

6 A. They have.

7 Q. Would you indicate for the Board the
8 ownership of the oil and gas underlying the unit for well
9 number V-502355?

10 A. Penn Virginia Oil and Gas Corporation owns a
11 100%.

12 Q. All right. And does Equitable have the
13 right to operate the reciprocal wells, those being V-2356 and
14 V-2337?

15 A. That's correct.

16 Q. Okay. Are there any correlative rights
17 issues?

18 A. No, this is all on Penn Virginia acreage.

19 Q. Okay. Could you explain for the Board why
20 we're seeking this exception?

21 A. This location was chosen by the Forest
22 Service as part of the EIS in locating wells up there. They
23 pretty much pick where we're going to drill. This one was

24

--

1 chosen in that fashion.

2 JIM KISER: Where is Jim McIntyre when we need him.

3 A. As a matter of fact, he may have had to
4 recuse himself if he had been here because I think he may
5 have been the one that picked this.

6 Q. He may have picked this one. In the event
7 this exception were not granted, would you project the
8 estimated loss of reserves?

9 A. 275 million cubic feet.

10 Q. And the total depth of the proposed well
11 under the plan of development?

12 A. 5298 feet.

13 Q. Is the applicant requesting that this
14 location exception cover conventional gas reserves to include
15 the designated formations from the surface to the total depth
16 drilled?

17 A. Yes.

18 Q. And in your professional opinion, would the
19 granting of this location exception be in the best interest
20 of preventing waste, protecting correlative rights, and
21 maximizing the recovery of the gas reserves underlying the
22 unit for V-502355?

23 A. Yes.

24

--

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

3 BENNY WAMPLER: Questions from members of the
4 Board?

5 (No audible response.)

6 BENNY WAMPLER: Do you have anything further?

7 JIM KISER: Mr. Chairman, we'd ask that the
8 application be approved as submitted.

9 BENNY WAMPLER: Is there a motion?

10 MASON BRENT: Mr. Chairman, I move that we grant
11 the application as submitted.

12 BENNY WAMPLER: Is there a second?

13 BILL HARRIS: Second.

14 BENNY WAMPLER: Second. Any further discussion?

15 (No audible response.)

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

18 (All members signify by saying yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval. The next item
22 on the agenda is a petition from Equitable Production Company
23 for a well location exception for proposed well V-502361,
24

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1 docket number VGOB-03-0916-1184. We'd ask the parties that
2 wish to address the Board in this matter to come forward at
3 this time.

4 JIM KISER: Again, Mr. Chairman, Mr. Kiser and Mr.
5 Hall for Equitable. This another National Forest location.

6

7

8

9

DON HALL

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

12

DIRECT EXAMINATION

13 QUESTIONS BY MR. KISER:

14 Q. Mr. Hall, are you familiar with the
15 application we filed seeking this location exception?

16 A. Yes.

17 Q. Have all interested parties been notified as
18 required by Section 4(b) of the Virginia Gas and Oil Board
19 Regulations?

20 A. They have.

21 Q. Could you indicate for the Board the
22 ownership of the oil and gas underlying the unit for this
23 well, which is V-502361?

24

--

1 A. Penn Virginia Oil and Gas Corporation owns
2 48.86% and the Hagen Estate, Incorporated owns 51.53%.

3 Q. Okay. And does Equitable have the right to
4 operate the reciprocal wells, those being...I guess there's
5 just one, that being V-2691?

6 A. Yes, we do.

7 Q. Okay. Are there any correlative rights
8 issues?

9 A. No.

10 Q. Okay. This is actually in Scott County,
11 right over the line. Can you explain, again, for the Board
12 why we have seek this exception?

13 A. Again, this is part of the forest service,
14 EIS and this location was, again, chosen by them.

15 Q. Okay. In the event this location exception
16 were not granted, would you project the estimated loss of
17 reserves?

18 A. 400 million cubic feet.

19 Q. And the total depth of the proposed well?

20 A. 5366 feet.

21 Q. And are you requesting that this location
22 exception cover conventional gas reserves to include the
23 designated formations from the surface to the total depth

24

--

1 drilled?

2 A. Yes.

3 Q. And in your professional opinion, would the
4 granting of this location exception be in the best interest
5 of preventing waste, protecting correlative rights, and
6 maximizing the recovery of the gas reserves underlying V-
7 502361?

8 A. It would.

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

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

13 (No audible response.)

14 BENNY WAMPLER: Do you have anything further?

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

17 BENNY WAMPLER: Is there a motion?

18 KEN MITCHELL: Motion for approval, Mr. Chairman.

19 BILL HARRIS: Second.

20 BENNY WAMPLER: Second. Any further discussion?

21 (No audible response.)

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

24

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1 (All members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval. Number fourteen
5 next, a petition from Equitable Production Company for
6 pooling of a conventional gas unit V-535456, docket number
7 VGOB-03-0916-1192. We'd ask the parties that wish to address
8 the Board in this matter to come forward at this time.

9 JIM KISER: Mr. Chairman and Board Members, Mr.
10 Kiser and Mr. Hall, again, on behalf of EPC. This is a
11 conventional well in Dickenson County.

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, are familiar with the application
21 that we filed for the establishment of a drilling unit and
22 seeking to pool any unleased interest for EPC well number V-
23 535456, which was dated August the 15th, 2003?

24

--

1 A. Yes.

2 Q. Is Equitable seeking to force pool the
3 drilling right underlying the unit as depicted at Exhibit A,
4 that being the plat to the application?

5 A. Yes.

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

8 A. We do.

9 Q. Now, prior to filing the application, were
10 attempts made to contact each of the respondents owning
11 interest within the unit and an attempt made to work out a
12 voluntary lease agreement?

13 A. Yes.

14 Q. And what is the interest of Equitable in the
15 gas estate within the unit?

16 A. We have 56.15% leased.

17 Q. And are all the unleased parties set out in
18 Exhibit B-3?

19 A. Yes.

20 Q. Are you familiar with the ownership of the
21 drilling rights of parties other than Equitable underlying
22 this unit?

23 A. Yes.

24

--

1 Q. And what is the percentage of the interest
2 that remains unleased?

3 A. 43.85%.

4 Q. Okay. Do we have any unknown interest
5 owners in this unit?

6 A. No.

7 Q. Okay. In your professional opinion, was due
8 diligence exercised to locate each of the respondents named
9 in Exhibits B and B-3?

10 A. It was.

11 Q. And are the addresses set out in Exhibit B
12 to the application the last known addresses for the
13 respondents?

14 A. Yes.

15 Q. Are you requesting this Board to force pool
16 all unleased interest as listed at Exhibit B-3?

17 A. Yes.

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

21 A. Yes.

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

24

--

1 A. A five dollar bonus, five year term and a
2 one-eighth royalty.

3 Q. Okay. In your opinion, do the terms you've
4 just testified to represent the fair market value of and the
5 fair and reasonable compensation to be paid for drilling
6 rights within this unit?

7 A. They do.

8 JIM KISER: At this time, Mr. Chairman, I'd again
9 ask that all the testimony regarding elections and time
10 periods in which to make those elections and refemications of
11 those time periods that was taken on the record in VGOB
12 docket number 03-0916-1193 be incorporated here.

13 BENNY WAMPLER: That will be incorporated.

14 Q. Now, Mr. Hall, we do not need the Board to
15 establish an escrow account for this particular unit?

16 A. That's correct.

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

19 A. Equitable Production Company.

20 Q. And the total depth of the proposed well?

21 A. Is 6,064 feet.

22 Q. And the estimated reserves for the unit?

23 A. 375 million cubic feet.

24

--

1 Q. Now, are you familiar with the well cost for
2 this unit?

3 A. Yes.

4 Q. Has an AFE been reviewed, signed and
5 submitted to the Board as Exhibit C?

6 A. It has.

7 Q. In your opinion, does it represent a
8 reasonable estimate of the well cost for this well?

9 A. Yes.

10 Q. Could you state both the dry hole cost and
11 complete well cost?

12 A. The dry hole cost is \$174,190 and the
13 completed well cost is \$317,054.

14 Q. Do these costs anticipate a multiple
15 completion?

16 A. They do.

17 Q. Does your AFE include a reasonable charge
18 for supervision?

19 A. Yes.

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

24

--

1 A. Yes.

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

4 BENNY WAMPLER: Questions from members of the
5 Board?

6 (No audible response.)

7 BENNY WAMPLER: Do you have anything further?

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

10 BENNY WAMPLER: Is there a motion?

11 BILL HARRIS: Mr. Chairman, I move for approval of
12 the application as submitted.

13 MASON BRENT: Second.

14 BENNY WAMPLER: Second. Any further discussion?

15 (No audible response.)

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

18 (All members signify by saying yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval. Go to number
22 sixteen, a petition from Equitable Production Company for
23 pooling of a coalbed methane gas unit VC-505218, docket
24

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1 number VGOB-03-0916-1194. We'd ask the parties that wish to
2 address the Board in this matter to come forward at this
3 time.

4 JIM KISER: Yes, sir, Mr. Chairman and Board
5 members, Mr. Kiser and Mr. Hall, again, on behalf of
6 Equitable.

7

8

DON HALL

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

11

DIRECT EXAMINATION

12 QUESTIONS BY MR. KISER:

13 Q. Mr. Hall, you're familiar with the
14 application we filed seeking a pooling order to pool the
15 unleased interest for EPC well number VC-505218, which was
16 dated August the 15th, 2003?

17 A. Yes.

18 Q. Is Equitable seeking to force pool the
19 drilling rights underlying the unit as depicted at Exhibit A,
20 that being the plat to the application?

21 A. Yes.

22 Q. Does Equitable own drilling rights in the
23 unit involved here?

24

--

1 A. We do.

2 Q. Now, prior to filing the application, were
3 efforts made to contact each of the respondents and an
4 attempt made to work out a voluntary agreement?

5 A. Yes.

6 Q. What is the interest of Equitable under
7 lease in the gas estate?

8 A. We have 87.0125%.

9 Q. And the interest of Equitable in the coal
10 estate?

11 A. A 100%.

12 Q. Are all the unleased parties set out in
13 Exhibit B-3?

14 A. They are.

15 Q. Are you familiar with the ownership of
16 drilling rights of parties other than Equitable underlying
17 this unit?

18 A. Yes.

19 Q. And what percentage of the gas estate
20 remains unleased?

21 A. 12.9875%.

22 Q. Okay. Okay, we don't have any unknown
23 interest owners in this unit?

24

--

1 A. No.

2 Q. In your professional opinion, was due
3 diligence exercised to locate each of the respondents name
4 herein?

5 A. Yes.

6 Q. Are the addresses set out in Exhibit B to
7 the application the last known addresses for the respondents?

8 A. They are.

9 Q. Are you requesting this Board to force pool
10 all the unleased interest listed at Exhibit B-3?

11 A. Yes.

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

15 A. Yes.

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

18 A. A five dollar bonus, five year term and a
19 one-eighth royalty.

20 Q. In your opinion, do the terms you've just
21 testified to represent the fair market value of and the fair
22 and reasonable compensation to be paid for drilling rights
23 within this unit?

24

--

1 A. They do.

2 JIM KISER: Again, Mr. Chairman, at this time I'd
3 ask that the testimony regarding elections from docket number
4 1193 be incorporated.

5 BENNY WAMPLER: That will be incorporated.

6 Q. Mr. Hall, do we need to...what have we got
7 here? We've got a conflicting claimant situation.

8 (Mr. Hall and Mr. Kiser confer.)

9 Q. Okay. We've got CBM well with conflicting
10 claimants. So, the Board does need to establish an escrow
11 account, is that correct?

12 A. That's correct.

13 Q. And who should be named the operator under
14 any Board order?

15 A. Equitable Production Company.

16 Q. And the total depth of this well?

17 A. 2360 feet.

18 Q. And the estimated reserves?

19 A. 300 million cubic feet.

20 Q. And are you familiar with the AFE that was
21 reviewed, signed and submitted to the Board as Exhibit C?

22 A. Yes.

23 Q. In your opinion, does it represent a
24

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1 reasonable estimate of the well costs?

2 A. It does.

3 Q. Could you state for the Board both the
4 dryhole cost and the completed well cost for this well?

5 A. The dryhole cost is \$85,281 and the
6 completed well cost is \$219,548.

7 Q. And do these costs anticipate a multiple
8 completion?

9 A. They do.

10 Q. Does your AFE include a reasonable charge
11 for supervision?

12 A. Yes.

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

17 A. Yes.

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

20 BENNY WAMPLER: On your application, you say it's
21 in the Nora quadrangle, on your plat it says St. Paul.

22 DON HALL: It's in the St. Paul.

23 JIM KISER: It's our mistake, Mr. Chairman.

24

--

1 BENNY WAMPLER: Other questions from the members of
2 the Board?

3 (No audible response.)

4 BENNY WAMPLER: So, it is St. Paul?

5 DON HALL: Yes, sir.

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

8 (No audible response.)

9 BENNY WAMPLER: Do you have anything further?

10 JIM KISER: Do you need us to resubmit that?

11 BENNY WAMPLER: We'll correct here on the record.

12 JIM KISER: Okay. All right. We'd just ask then
13 that the application be approved as submitted with that
14 correction.

15 BENNY WAMPLER: Is there a motion?

16 KEN MITCHELL: Motion for approval, Mr. Chairman.

17 BILL HARRIS: Second.

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

20 (No audible response.)

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

23 (All members signify by saying yes.)

24

--

1 BENNY WAMPLER: Opposed, say no.

2 (No audible response.)

3 BENNY WAMPLER: You have approval. The next item
4 on the agenda is a petition from Equitable Production Company
5 for pooling of coalbed methane unit VC-503599, docket number
6 VGOB-03-0916-1195. We'd ask the parties that wish to address
7 the Board in this matter to come forward at this time.

8 JIM KISER: Mr. Chairman, Jim Kiser and Don Hall
9 again on behalf of Equitable Production Company. What I just
10 handed you is a royalty split agreement of the Pobst-Combs
11 heirs who are interest owners within this unit that should
12 now become Exhibit EE to the application that we didn't file
13 originally. This agreement was originally between these
14 folks, the Ervin and Pobst and Combs and all of those people
15 and Oxy who is now to CNX who is the oil and gas lessee on
16 one of these tracts. So, it needs to be made an Exhibit EE
17 to this application as a matter of housecleaning.

18

19 DON HALL

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

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KISER:

24

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1 Q. Mr. Hall, again are you familiar with the
2 application we filed seeking a...the pooling of the unleased
3 interest for EPC well number VC-503599, which was dated
4 August the 15th, 2003?

5 A. Yes.

6 Q. Is Equitable seeking to force pool the
7 drilling rights underlying the unit as depicted at Exhibit A,
8 that being the plat to the application?

9 A. Yes.

10 Q. Does Equitable own drilling rights in the
11 unit involved here?

12 A. We do.

13 Q. Now, prior to filing the application, were
14 efforts made to contact each of the respondents and an
15 attempt made to work out a voluntary lease?

16 A. Yes.

17 Q. What is the interest of Equitable within the
18 gas estate in the unit?

19 A. We have 92.35% leased.

20 Q. And the interest of Equitable in the coal
21 estate?

22 A. The same 92.35%.

23 Q. Are all the unleased parties set out in
24

--

1 Exhibit B-3?

2 A. They are.

3 Q. Are you familiar with the...whatever the
4 interest that remains unleased in both the gas estate and
5 coal estate?

6 A. 7.65%.

7 Q. Okay, in this particular well, we do not
8 have any unknown interest owners, correct?

9 A. That's correct.

10 Q. In your professional opinion, was due
11 diligence exercised to locate each of the respondents named
12 herein?

13 A. Yes.

14 Q. Are the addresses set out in Exhibit B to
15 the application the last known addresses for the respondents?

16 A. Yes.

17 Q. Are you requesting this Board to force pool
18 all unleased interest listed at Exhibit B-3?

19 A. Yes.

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

23 A. Yes.

24

--

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

3 A. A five dollar bonus, five year term and a
4 one-eighth royalty.

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

9 A. They do.

10 JIM KISER: Again, Mr. Chairman, at this time we'd
11 ask that the election testimony in docket number 1193 be
12 incorporated.

13 BENNY WAMPLER: That will be incorporated.

14 Q. Mr. Hall, we do have a conflicting claim
15 situation on Tract 4 in this unit. So, we do need to
16 establish an escrow account, correct?

17 A. I think the split ownership agreement will
18 take care of that?

19 JIM KISER: Oh, yeah, I guess it would. So, do we
20 need to file E then or just EE?

21 SHARON PIGEON: We need to dismiss or---.

22 BENNY WAMPLER: Are they unleased now? Are they
23 still unleased?

24

--

1 DON HALL: Yeah, they're released.

2 JIM KISER: Yeah. That's B-3, though.

3 BENNY WAMPLER: Yeah, I know. I'm trying to get
4 from unleased to split.

5 MASON BRENT: It would be dismissed from Exhibit E,
6 right?

7 SHARON PIGEON: Or withdraw it on the order based
8 on---

9 DON HALL: Yeah, we don't need an E.

10 JIM KISER: Yeah, we don't need an E in this case,
11 just an EE.

12 Q. Okay. Would it be your testimony that we
13 can withdraw Exhibit E from the application?

14 A. Yes.

15 Q. Okay.

16 MASON BRENT: In its entirety?

17 JIM KISER: When I submit my order. Yeah. When
18 I submit my order, I just won't include it...make any
19 reference to it.

20 BENNY WAMPLER: For the coal estate only?

21 DON HALL: It's for both estates.

22 BENNY WAMPLER: Both estates.

23 DON HALL: Yeah, it's the same ownership pretty
24

--

1 much. Well, it's...the agreement is between the two owners
2 of the two estates. That's EE.

3 JIM KISER: Yeah, all the owners of both estates
4 are parties to the split agreement, right?

5 BENNY WAMPLER: So, what's your testimony? You're
6 withdrawing?

7 JIM KISER: Yeah, I'm withdrawing Exhibit E and
8 withdrawing...we don't need an escrow account either, right?

9 DON HALL: Right.

10 Q. So, as far as any disbursements of royalty
11 under the Board order under Tract 4 would be controlled by
12 Exhibit EE. Is that correct?

13 A. Yes.

14 JIM KISER: Mr. Chairman, I'd submit when I email
15 the final order, I'll just take out all reference to it.

16 SHARON PIGEON: You'll need to attach---

17 JIM KISER: Attach that.

18 SHARON PIGEON: ---as Exhibit EE since we are not
19 getting an order.

20 JIM KISER: Right.

21 Q. All right. Where were we? We incorporated
22 the...okay, who would be named the operator under any force
23 pooling order?

24

--

1 A. Equitable Production.
2 Q. And the total depth of this well?
3 A. 1990 feet.
4 Q. And the estimated reserves for the unit?
5 A. 400 million cubic feet.
6 Q. And you're familiar with the AFE and it has
7 been reviewed, signed and submitted to the Board as Exhibit
8 C?
9 A. Yes.
10 Q. In your opinion, it represents a reasonable
11 estimate of the well costs?
12 A. It does.
13 Q. Could you state both the dry hole cost and
14 the completed well cost?
15 A. The dry hole cost is \$102,383 and the
16 completed well cost is \$216,993.
17 Q. And do these costs anticipate a multiple
18 completion?
19 A. Yes.
20 Q. Does your AFE include a reasonable charge
21 for supervision?
22 A. It does.
23 Q. In your professional opinion, would the
24

1 granting of this application be in the best interest of
2 conservation, the prevention of waste, and the protection of
3 correlative rights?

4 A. Yes.

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

7 BENNY WAMPLER: Do you have anything further?

8 JIM KISER: We'd ask that the application be
9 approved as submitted and a Board order be drafted by us and
10 we'll delete any reference to Exhibit E and include a copy of
11 Exhibit EE.

12 BENNY WAMPLER: Is there a motion?

13 MASON BRENT: Mr. Chairman, I move that we grant
14 the application, subject to omission of Exhibit E and
15 submission of Exhibit EE.

16 KEN MITCHELL: Second.

17 BENNY WAMPLER: Motion and second. Any further
18 discussion?

19 (No audible response.)

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

22 (All members signify by saying yes.)

23 BENNY WAMPLER: Opposed, say no.

24

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1 (No audible response.)

2 BENNY WAMPLER: You have approval. Thank you. The
3 next item on the agenda is a petition from Equitable
4 Production Company for a well location exception for proposed
5 well V-535428, docket number VGOB-03-0916-1196. We'd ask the
6 parties that wish to address the Board in this matter to come
7 forward at this time.

8 JIM KISER: Mr. Chairman, again, Jim Kiser and Don
9 Hall for Equitable. This is location exception in Dickenson
10 County.

11

12 DON HALL
13 having been duly sworn, was examined and testified as
14 follows:

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. KISER:

17 Q. Mr. Hall, do your responsibilities include
18 the land involved here and in the surrounding area?

19 A. Yes.

20 Q. And are you familiar with the application we
21 filed seeking a location exception for well number V-535428?

22 A. Yes.

23 Q. Have all interested parties been notified as
24

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1 required by Section 4(b) of the Virginia Gas and Oil Board
2 Regulations?

3 A. They have.

4 Q. Would you indicate for the Board the
5 ownership of the oil and gas underlying well V-535428?

6 A. Pine Mountain Oil and Gas owns 74.10% and
7 the Columbus Phipps Foundation and others owns 25.90%.

8 Q. Okay, in this particular case, the
9 reciprocal well, in other words, the well that we're seeking
10 the exception from is a well numbered 132549, and that's
11 actually an old Pine Mountain well?

12 A. That's correct.

13 Q. And we're seeking an exception of 49 feet
14 and Pine Mountain has been notified and is on Board and has
15 approves this location?

16 A. That's correct.

17 Q. Could you explain why we need this location
18 exception?

19 A. The location itself is on the Army Corps of
20 Engineers surface and this is another situation as comparable
21 to the U. S. Forest Service in the Coeburn field. They
22 pretty choose the location as to where they want it to be.
23 This is in the waters of the Flannagan Dam...Flannagan Lake.

24

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1 The Corps of Engineers people chose this site.

2 Q. And, again, because it looks like you
3 could...they chose the site on their tract. I mean, they
4 have that right. But, I mean, if they had chose it at 49
5 feet to the north, it wouldn't be required to seek this
6 exception, correct?

7 A. That's correct.

8 Q. So, it is an exception of only 49 feet?

9 A. That's correct.

10 Q. And in the event this location exception
11 were not granted, would you project the estimated loss of
12 reserves?

13 A. 400 million cubic feet.

14 Q. And the total depth of this well?

15 A. 5119 feet.

16 Q. And is the applicant requesting that this
17 location exception cover conventional gas reserves to include
18 the designated formations from the surface to the total depth
19 drilled?

20 A. Yes.

21 Q. And in your professional opinion, would the
22 granting of this location exception be in the best interest
23 of preventing waste, protecting correlative rights, and
24

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1 maximizing the recovery of the gas reserves underlying the
2 unit for V-535428?

3 A. Yes.

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 BILL HARRIS: Mr. Chairman, just a clarification.

9 BENNY WAMPLER: Mr. Harris.

10 BILL HARRIS: You said this was in the lake. This
11 drilling site is on land?

12 DON HALL: Oh, yeah. It's the watershed of the
13 lake.

14 BILL HARRIS: Okay, okay.

15 DON HALL: It's in...no, no.

16 BILL HARRIS: Okay. I thought maybe there's
17 something new going on here. Okay. That's...that's all I
18 needed. Thank you.

19 BENNY WAMPLER: Okay.

20 SHARON PIGEON: Would you repeat the amount of
21 reserves?

22 DON HALL: 400 million cubic feet.

23 BENNY WAMPLER: Other questions?

24

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1 (No audible response.)

2 BENNY WAMPLER: Do you have anything further?

3 JIM KISER: Mr. Chairman, we'd ask that the
4 application be approved as submitted.

5 BENNY WAMPLER: Is there a motion?

6 KEN MITCHELL: Motion for approval.

7 BILL HARRIS: Second.

8 BENNY WAMPLER: Motion and second. Any further
9 discussion?

10 (No audible response.)

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

13 (All members signify by saying yes.)

14 BENNY WAMPLER: Opposed, say no.

15 (No audible response.)

16 BENNY WAMPLER: You have approval. The next item
17 on the agenda is a petition from Equitable Production Company
18 for pooling of a conventional gas unit V-535428, docket
19 number VGOB-03-0916-1197. We'd ask the parties that wish to
20 address the Board in this matter to come forward at this
21 time.

22 JIM KISER: Mr. Chairman, Mr. Kiser and Mr. Hall
23 again pooling of the same well that we just got the exception
24

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1 on. Sharon, just as a matter of clarification for us. In
2 the past we...since we'll be drafting the order, you know,
3 for you to review and sign. In the past, when we've had this
4 situation, we've gone ahead and included both the location
5 exception and the force pooling in the same order. Is that
6 okay to continue to do that?

7 BOB WILSON: Not if we have it under two different
8 docket numbers.

9 SHARON PIGEON: Yeah, we have two different docket
10 numbers.

11 BENNY WAMPLER: You could have combined it in the
12 application.

13 JIM KISER: I should have combined them, yeah.
14 That's all right. That's no big deal.

15 BOB WILSON: That would possibly cause problems
16 too, in the use of our forms. So---.

17 BENNY WAMPLER: Yeah.

18 JIM KISER: I actually think it's a little
19 confusing, yeah, because of the forms. It will be easy.
20 It's no big deal.

21 BENNY WAMPLER: Okay.

22 JIM KISER: All right.

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DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Hall, are you familiar with the application that we filed seeking the establishment of a drilling unit and pooling any unleased interest for EPC well number V-535428---

A. Yes.

Q. ---which was dated August the 15th, 2003?

A. Yes.

Q. And does Equitable own drilling rights in the unit here?

A. Yes.

Q. And prior to filing the application, were efforts made to obtain a voluntary lease agreement with all the parties involved?

A. Yes.

Q. Okay. And what is the interest of Equitable within the unit?

A. We have 99.26% leased.

Q. And the unleased percentage?

1 A. .74%.

2 Q. 0.74%?

3 A. Yes.

4 Q. Are all the unleased parties set out in
5 Exhibit B to the...Exhibit B-3 to the application?

6 A. They are.

7 Q. And they are the Stella Long Harris heirs
8 being Ellen Davis and Sam Shannon?

9 A. That's correct.

10 Q. We don't have any unknown or unlocateable
11 parties for this particular unit?

12 A. No.

13 Q. Okay. In your professional opinion, was due
14 diligence exercised to locate each of the respondents named
15 herein?

16 A. Yes.

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

20 A. Yes.

21 Q. Are you requesting this Board to force pool
22 all unleased interest as listed at Exhibit B-3?

23 A. Yes.

24

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

4 A. Yes.

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

7 A. A five dollar bonus, five year term and a
8 one-eighth royalty.

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

13 A. They do.

14 JIM KISER: Mr. Chairman, at this time, we'd again
15 ask that all the testimony regarding elections from docket
16 number 03-0916-1193 be incorporated.

17 BENNY WAMPLER: That will be incorporated.

18 Q. Mr. Hall, we do not need...the Board does
19 not need to establish an escrow account for this unit?

20 A. That's correct.

21 Q. And who should be named the operator under
22 any order?

23 A. Equitable Production Company.

24

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1 Q. And the total depth of the proposed well?

2 A. 5119 feet.

3 Q. And is the applicant requesting the force
4 pooling of conventional gas reserves not only to include the
5 designated formations, but any other formations excluding
6 coal formations which may be between those formations
7 designated from the surface to the total depth drilled?

8 A. Yes.

9 Q. And what are the estimated reserves for this
10 unit?

11 A. 400 million cubic feet.

12 Q. And has an AFE been reviewed, signed and
13 submitted to the Board?

14 A. Yes.

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

17 A. It does.

18 Q. Could you state what those dry hole cost and
19 completed well cost are?

20 A. The dry hole cost is \$177,094 and the
21 completed well cost is \$314,995.

22 Q. Do these costs anticipate a multiple
23 completion?

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1 A. They do.

2 Q. Does your AFE include a reasonable charge
3 for supervision?

4 A. Yes.

5 Q. In your professional opinion, would the
6 granting of this application be in the best interest of
7 conservation, the prevention of waste, and the protection of
8 correlative rights?

9 A. It would.

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

12 BENNY WAMPLER: Questions from members of the
13 Board?

14 KEN MITCHELL: One quick comment or whatever. Item
15 eighteen and item nineteen both have 5,119 feet depths. I
16 was just surprised that---

17 JIM KISER: It's the same well.

18 DON HALL: The same well.

19 BILL HARRIS: It's the same well.

20 KEN MITCHELL: Same well, okay.

21 JIM KISER: Yeah. We're getting an exception and a
22 force pooling.

23 KEN MITCHELL: Okay, okay. That's why we
24
~

1 incorporated. Okay.

2 BENNY WAMPLER: Yeah, on the one they asked for a
3 location exception and on this one it's for a pooling. Other
4 questions?

5 (No audible response.)

6 BENNY WAMPLER: Do you have anything further?

7 JIM KISER: Mr. Chairman, we'd ask that the
8 application be approved as submitted.

9 BENNY WAMPLER: Is there a motion?

10 KEN MITCHELL: Motion to approve.

11 BILL HARRIS: Second.

12 BENNY WAMPLER: Motion and second. Any further
13 discussion?

14 (No audible response.)

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

17 (All members signify by saying yes.)

18 BENNY WAMPLER: Opposed, say no.

19 (No audible response.)

20 BENNY WAMPLER: You have approval. Thank you. For
21 the Board's information, number one and number nine on your
22 agenda are continued until next time. I would also ask you
23 just to recall that you received the minutes for the August
24

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1 the 19th meeting and ask you if you have any edits to that.
2 Otherwise, I would entertain a motion for approval.

3 MASON BRENT: Move that we approve, Mr. Chairman.

4 KEN MITCHELL: Second.

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

7 (No audible response.)

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

10 (All members signify by saying yes.)

11 BENNY WAMPLER: Opposed, say no.

12 (No audible response.)

13 BENNY WAMPLER: You have approval. Bob, do you
14 have anything?

15 BOB WILSON: I do. I have a couple of items that
16 we need to address briefly. We have a couple of problems
17 simply with the escrow, some disbursements that we need to
18 correct. On unit N-46, there was an order for disbursal
19 which was executed on January the 2nd of 2002...well,
20 actually it was on October the 3rd of 2001 when the order was
21 executed. The disbursement took place in January of '02.
22 However, the order specified that the account should be
23 closed. Subsequent to that, the checks continued to flow in
24

1 from the operator and continued to be deposited. We've
2 recently found out that there's money in that account that
3 should not have gone there at all. So, we need to go back
4 and revisit that and disburse that money that's in there
5 under the same agreement that was ordered earlier and this
6 time, make sure that the account gets closed. I'm not sure
7 of the best way to address this. I would suspect that we
8 need to issue an order at this time. Sharon, I don't know if
9 you have any thoughts on that or not. But I would think we
10 would need to issue another order to disburse those funds
11 that have accumulated and then---.

12 SHARON PIGEON: Order them to follow our previous
13 order perhaps?

14 BOB WILSON: Yeah.

15 BENNY WAMPLER: You know, I guess to me it seem if
16 we've got an order out there on date certain closing the
17 account, that the bank ought to just...it's a bank error.
18 The bank ought to just disburse...just pay it out.

19 MASON BRENT: Exactly.

20 BENNY WAMPLER: We don't need an order, I don't
21 think. If we've got an order on record---

22 MASON BRENT: It's an enforcement issue.

23 BENNY WAMPLER: It's an enforcement issue to follow
24

1 through.

2 BOB WILSON: Okay.

3 BENNY WAMPLER: So, I would think you would just
4 order them, if you will, by letter---

5 BOB WILSON: Sure.

6 BENNY WAMPLER: ---and ask something from them in
7 response that they've done it would take care of it.

8 BOB WILSON: Sure. Okay, we can do that. That's
9 fine. The other one is, again, one that was we had an order
10 requiring disbursement that was issued at the same time.
11 Again, this was executed October the 3rd, 2001. This was for
12 unit O-40. That particular unit for some reason or another
13 was never disbursed at all. This disbursement didn't happen.
14 We've...you know, we've checked back in our records trying
15 to figure out exactly what went wrong on that. I mean,
16 everything was mailed to everybody. The only thing I can
17 find in both of these orders, they both contained errors in
18 the original order. Then another order was issued correcting
19 those errors.

20 SHARON PIGEON: Scribbler's error.

21 BOB WILSON: Scribbler's error correction. And I'm
22 not sure but maybe when we sent those orders out, it confused
23 the situation.

24

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1 BENNY WAMPLER: It could have.

2 BOB WILSON: But that's the only common thread I
3 can find. At any rate, this one was not disbursed at all.
4 That should have been found and followed up. But that was
5 two years ago. Now, do we do the same thing on that and just
6 enforce that original order?

7 BENNY WAMPLER: Enforce...enforce the corrected
8 order---.

9 BOB WILSON: Okay.

10 BENNY WAMPLER: ---by letter to the bank asking for
11 a response that they've done that.

12 BOB WILSON: Okay.

13 SHARON PIGEON: What was the date?

14 MASON BRENT: Back on the first one, is the
15 operating still sending checks to the bank?

16 BOB WILSON: Yes.

17 MASON BRENT: So, someone needs to notify the
18 operator to send checks correctly to the---.

19 BENNY WAMPLER: Yeah. Be copied, right.

20 BOB WILSON: Yeah. We've taken care of that part.

21 MASON BRENT: Okay.

22 BOB WILSON: And that's not...that's not the first
23 time that's happened. But in the past, the account had been
24

1 closed and the check was returned. The bank would always
2 call us and say we're still getting checks on this and we'd
3 just tell to send them back.

4 MASON BRENT: Yeah.

5 BOB WILSON: But this one, like I said, I think
6 maybe we caused some confusion when we sent up those
7 corrected orders.

8 BENNY WAMPLER: That usually happens, yeah.

9 BOB WILSON: It all fell through the crack. And,
10 again, I'd...the one that wasn't paid out at all, there
11 should have been some follow up on that. I should have done
12 that. It didn't get paid. I just needed the Board's
13 direction as to know how to proceed.

14 BENNY WAMPLER: Well, I would...I would say, you
15 know, just in open discussion here, it would be my view that
16 anything that Mr. Wilson finds like this, he can correct by
17 letter to the bank and ask the bank for follow up
18 verification, which is essentially like you said enforcing
19 the Board's order.

20 MASON BRENT: Right.

21 BENNY WAMPLER: Okay. Is everybody in agreement
22 with that?

23 BOB WILSON: That's fine. That's fine. That's all

24

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1 I have.

2 SHARON PIGEON: Bob, could you give me the date on
3 that 0-40 orders?

4 BOB WILSON: They were both executed on---.

5 SHARON PIGEON: 1/2/02?

6 BOB WILSON: ---October the 3rd, 2001.

7 BENNY WAMPLER: That was the original.

8 BOB WILSON: Yes. That was the original order.

9 BENNY WAMPLER: And the correction?

10 BOB WILSON: And the corrections were issued on
11 January the 14th, 2002.

12 SHARON PIGEON: Thank you.

13 BOB WILSON: Certainly.

14 BENNY WAMPLER: Thank you very much. That ends the
15 hearing.

16

17 STATE OF VIRGINIA,

18 COUNTY OF BUCHANAN, to-wit:

19 I, Patricia G. Church, Court Reporter and Notary
20 Public for the State of Virginia, do hereby certify that the
21 foregoing hearing was recorded by me on a tape recording
22 machine and later transcribed by me personally.

23 Given under my hand and seal on this the 8th day of
24

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1 October, 2003.

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NOTARY PUBLIC

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4 My commission expires: August 31, 2007.

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