

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
~

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
VIRGINIA GAS AND OIL BOARD

MARCH 15, 2005

APPEARANCES:

- MASON BRENT - OIL & GAS REPRESENTATIVE
- BILL HARRIS - PUBLIC MEMBER
- PEGGY BARBAR - PUBLIC MEMBER
- BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN
- DONALD RATLIFF - COAL REPRESENTATIVE

- SHARON PIGEON - COUNSEL FOR THE BOARD FROM THE OFFICE OF THE ATTORNEY GENERAL

- BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
~

1	<u>INDEX</u>		
2	<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
3	1)	VGOB-94-1024-0475-01	U-19 3
4	2, 4-5)	VGOB-05-0315-1412	AY-122 18
5		VGOB-05-0315-1414	AZ-122
6		VGOB-05-0315-1415	AZ-123
7	3)	VGOB-05-0315-1413	AY-140 Cont.
8	6)	VGOB-93-0216-0325-03	MODIFICATION OF 32
9			FIELD RULES
10	7)	VGOB-05-0315-1416	VC-536743 44
11	8)	VGOB-05-0315-1417	V-536753 54
12	9)	VGOB-05-0315-1418	25414 60
13	10)	VGOB-05-0315-1419	25155 WITHDRAWN
14	11)	VGOB-05-0315-1420	25404 68
15	12)	VGOB-04-1214-1374-01	HRVAE #2 99
16	13)	VGOB-05-0315-1421	PKM-23 Cont.
17	14)	VGOB-05-0315-1422	PKL-23 104
18	15)	VGOB-05-0315-1423	PKL-25 116
19	16)	VGOB-05-0315-1424	PKK-25 126
20	17)	VGOB-05-0315-1425	PKK-17 134
21	18)	VGOB-05-0315-1426	PKK-18 Cont.
22	**Approve minutes from last hearing		142
23	***Agenda attached		
24			

1 BENNY WAMPLER: Okay, we'll call the meeting to
2 order. Good Morning, my name is Benny Wampler. I'm Deputy
3 Director for the Virginia Department of Mines, Minerals and
4 Energy and Chairman of the Gas and Oil Board. I'll ask the
5 Board members, starting with Mr. Brent, to introduce
6 themselves.

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

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

11 SHARON PIGEON: I'm Sharon Pigeon. I'm with the
12 office of the Attorney General.

13 PEGGY BARBAR: I'm Peggy Barbar, a public member
14 from Tazewell County.

15 DONALD RATLIFF: Donnie Ratliff representing the
16 coal industry from Wise County.

17 BOB WILSON: I'm Bob Wilson. I'm the Director of
18 the Division of Gas and Oil, and principal executive to the
19 Staff of the Board.

20 BENNY WAMPLER: Thank you. The first item of
21 today's agenda is a petition from prevailing plaintiffs for
22 disbursement of funds escrowed on their behalf for unit U-19.
23 This is docket number 94-1024-0475-01. This was continued
24

1 from February. We'd ask the parties that wish to address the
2 Board in this matter to come forward at this time.

3 BOB WILSON: Mr. Chairman.

4 BENNY WAMPLER: Mr. Wilson.

5 BOB WILSON: I'd like to remind the Board and the
6 members who weren't here the last time that this item was
7 carried forward because we lacked an accounting on this
8 particular unit. The Board had requested that we get the
9 operator to appear and place testimony on the record.
10 That's...that's why we carried it forward to today and why
11 Mr. Ratliff is here.

12 BENNY WAMPLER: Thank you.

13 WYATT RATLIFF: Mr. Wampler, how are you?

14 BENNY WAMPLER: Good morning. Fine, how are you?

15 WYATT RATLIFF: Fine, thank you.

16 BENNY WAMPLER: We'll get you to get sworn in, if
17 you will, please.

18 (Wyatt Ratliff is duly sworn.)

19 BENNY WAMPLER: The record will show there are no
20 others. We'll ask you to present to the Board the accounting
21 for this well if you will, please.

22 WYATT RATLIFF: I'd like to first say to the Board
23 and the people, I'm just a little bit hard of hearing and I

24

--

1 would sure appreciate it, Mr. Wampler, if you'd repeat it one
2 time just a little bit louder.

3 BENNY WAMPLER: I sure will. We'd just ask you to
4 present the accounting for this well to the Board---

5 WYATT RATLIFF: Yes.

6 BENNY WAMPLER: ---for the purpose of disbursement
7 of funds.

8 WYATT RATLIFF: Yes. I think what the Board is
9 asking me to do is going all the way back from day one up
10 until the well quit producing any gas whatsoever. The total
11 amount of money received by Ratliff Gas Company for all that
12 time was a total of \$7,785. According to my calculation, the
13 total amount that was to be put in escrow was 12 1/2% of
14 that. 12 1/2% of that figure is \$973.13, less the amount of
15 severance tax which was paid, and that amount was \$159.60.
16 That leaves a balance...total money owned into the escrow
17 account of \$813.53.

18 What I did back when I could place it into the bank
19 there in Grundy, later it was transferred that I had to bring
20 it over to Abingdon to a bank, and I was putting money and I
21 come over to Abingdon to deposit about three months of
22 income. The total amount of money that the well was
23 producing and making, the 12 1/2% of it was about \$4 a month,

24

--

1 approximately. I went in there with a check to pay three
2 months and the lady at the bank said, "Mr. Ratliff," she
3 said, "you know that the escrow bank charges a \$10 service
4 fee for each time we process a check that's brought in." I
5 said, "No, I didn't know that." I said, "Well, it's only
6 about \$4 a month and I have to pay \$10 a month to bring this
7 in." I thought to be honest with the people in our unit over
8 there, what I would do after that...now, wait a minute, I had
9 already paid, and I don't have the records with me, \$400 or
10 \$500. I lost those records, I'm sorry. But the Board has
11 some information as to what actually that is. I decided that
12 the small amount of money, instead of giving it to the bank
13 for recording fees, I would put it in my safe. I've still
14 got it. I've got a check here today to pay out every penny
15 that I owe with no charges taken out each month for what it
16 is. I think that the shareholders of that unit will get that
17 way every penny of money coming to them without other people
18 taking out the fees and then they would get nothing. I'm not
19 sure that that goes along with the rules and regulations of
20 the State of Virginia, but I thought it was a good idea.

21 BENNY WAMPLER: Mr. Wilson, do you have any
22 questions?

23 BOB WILSON: No, sir. I would point out that this
24

1 well is no longer producing. There will be no additional
2 moneys going into this, as I understand it, because---

3 WYATT RATLIFF: That's right.

4 BOB WILSON: ---Mr. Ratliff has taken the first
5 steps toward having this well converted for use as a water
6 well, which is allowed under Virginia law and regulation.
7 So, if those plans proceed, and unless somebody in the future
8 drills another well here, there would be no more revenues
9 from this particular unit.

10 WYATT RATLIFF: That's right.

11 BENNY WAMPLER: How much is the check that you're
12 presenting to Mr. Wilson today?

13 WYATT RATLIFF: I have to take the figures that Mr.
14 Wilson gives me and the balance owed, that's what the check
15 will be.

16 BENNY WAMPLER: Okay.

17 WYATT RATLIFF: From the total amount that was owed
18 is \$813.53.

19 BOB WILSON: Mr. Chairman, I think from all
20 standpoints, it would be preferable to have this money sent
21 to the escrow agent and deposited into the account rather
22 than having us actually handle the check and that---

23 WYATT RATLIFF: That's what I would like to do. I

24

--

1 would like to make the check out to the escrow agent, and I
2 do not know the name of them, and whatever the amount is---

3 BOB WILSON: I can furnish you---

4 WYATT RATLIFF: ---and I would like to seal it and
5 put it in an envelope and give it to the Board here today and
6 you can see that it's dropped in the mail to them and then
7 we'll go from there, whatever, if that's a good idea.

8 BOB WILSON: I would, again, suggest from an
9 administrative standpoint that the Board determine if, in
10 fact, this, what Mr. Ratliff has proposed is acceptable, and
11 then Mr. Ratliff and I can get together and match the amount
12 that is currently in the escrow account with what total you
13 derive here, and I will furnish him with all the address and
14 the names to send this directly to the escrow agent.

15 WYATT RATLIFF: I will be glad to do that.

16 BOB WILSON: Once it's deposited, then we can
17 proceed with the disbursement.

18 BENNY WAMPLER: Disbursement. And there would be
19 nothing else going in?

20 BOB WILSON: Yes, sir, that's right.

21 BENNY WAMPLER: Do you have anything further?

22 WYATT RATLIFF: Yes. The two units in the back of
23 my home that I have an interest, I would like to...maybe I

24

--

1 just need to talk with Mr. Wilson about it because they have
2 mined...not mined, but pumped hundred of thousands of cubic
3 feet of gas off of that land. I've never heard from them in
4 six, seven or eight years. I just wondered if there was
5 anything in escrow for those funds also. That's unit U-18
6 and V-19. But I can bring that to your office, Mr. Wilson,
7 and you can guide me on that.

8 BOB WILSON: Yes, sir.

9 WYATT RATLIFF: All right.

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

12 BILL HARRIS: Mr. Chairman.

13 BENNY WAMPLER: Mr. Harris.

14 BILL HARRIS: Hi, Mr. Ratliff, the original amount
15 you stated, the \$7,785, I think you said was the total.
16 How...how did you arrive at that? Could you tell us again
17 how you arrived at that figure?

18 WYATT RATLIFF: Yes, the total amount of mcf gas
19 that went through the meter is that exact same figure. I was
20 able to talk the company in to coming in and paying me one
21 dollar per thousand cubic in mcf. For ever cubic...for ever
22 thousand cubic feet that went through was one dollar.

23 So...and I have all the records here of every month that I

24

--

1 read the meter and I went back and totaled everything from
2 day one and this is exactly all the annual reports that went
3 into the Oil and Gas Board. They all tallied out the same
4 figure. The amount of mcf that was produced was sold for a
5 dollar per mcf. Therefore, that figure is the same thing I
6 would have taken in from the well.

7 BILL HARRIS: Now, I'm...I'm not sure if I'm asking
8 you or the other members of the Board, is that a reasonable
9 amount? I mean, I don't know...I don't have a good reference
10 for that.

11 BENNY WAMPLER: We need to ask Mr. Wilson that, if
12 he has a reference to that.

13 BOB WILSON: Historically, that would be cheaper
14 than well, or less than wellhead prices for the time that was
15 being produced. However, Mr. Ratliff's situation was
16 somewhat unique in that he was selling gas to a local
17 provider, I believe in that case Virginia Gas Company, that
18 had corporation commission clearance to provide gas to local
19 customers. So, he was not selling into the open market---.

20 BILL HARRIS: Yeah, okay.

21 BOB WILSON: ---as most operators would. He was
22 selling under this private contractual situation that he had
23 with Virginia Gas Company, I believe.

24

--

1 WYATT RATLIFF: I'd like to go one step further.
2 When this gas started producing and I was able to get
3 educated enough to know how to put it in the lines and
4 control it, I have a mobile home park there that has about
5 twenty-two mobile homes in it. What I was doing, I first
6 gave this people the gas and that was illegal. I was
7 notified later, you can't give it away. It was getting close
8 to time for winter and I would have had to put in new
9 furnaces and everything. Virginia Gas come and told me that
10 they was a public utility and they would take it over, but it
11 was such a small amount of money being produced or made, that
12 they would do it. I said if you will do it, just give me a
13 dollar a 1000 cubic foot because you're not going to make no
14 money no way, and they didn't, and it was just something to
15 help the people out. That's the reason for this low figure.

16 BENNY WAMPLER: Bob, do you have the dates, or Mr.
17 Ratliff, do you have the dates that the well initially
18 started producing and stop producing?

19 BOB WILSON: I don't have that.

20 BENNY WAMPLER: Do you have the date the well---?

21 WYATT RATLIFF: Let's go back a little further than
22 that, in 1972, I think it was, a gentleman walked into my
23 milk office, I was retailing milk in Buchanan County, and
24

1 said, "Mr. Ratliff, I have got to put a hole in the ground
2 right in front of your house." He said, "Our mine is closing
3 down." This was the headman of Island Creek/Beatrice Mine.
4 He said, "We have got to bleed that gas out because the mines
5 is closing, Beatrice Mines, we can't operate it." He said,
6 "I'm going to put the well right there." That was a 100 foot
7 across the road in front of my home. I said, "No, put it
8 somewhere else. I've got other land." He said, "No, it has
9 got to go right there." I said, "Well, you don't have no
10 rights to do this, you know that?" He said, "Yes, sir, we
11 do. We have all the rights, Mr. Ratliff, and that's where
12 it's going to go."

13

14 I'd like to tell the Board the whole story, but to
15 make everything brief, they went ahead and they set a churn
16 drill up. One of those things that runs and churns day and
17 night twenty-four hours a day. They went down several feet
18 and gas was coming out so strong, there's no way you can
19 believe it, just a shallow well just getting started. All of
20 a sudden I was out there one evening and an attorney come by
21 and said, "Mr. Ratliff, what are they doing in front of your
22 home?" I said, "They're drilling a bleeder hole to let the
23 gas out." He said, "You know, they don't have no right to be

24

--

1 on your property." What the man had done, he come to me and
2 asked me, he said, "This is the Paris H. Ratliff tract of
3 land?" I said, "Yes, that was my grandpaw. My father got it
4 from him." He said, "Okay, we do have the rights." But he
5 didn't go far enough. The Paris H. tract of land that he had
6 went to the Courthouse and studied was a 111 acres one mile
7 up the hollow. When the coal was bought in the 1890s, Paris
8 H. Ratliff sold them all the rights. But Bendigo Ratliff,
9 Paris' father, still owned this. We're talking about in
10 1890. Okay, they come to Bendigo to buy the coal and the gas
11 and he would not sell the gas, but he did sell Harold and
12 Tiller the right to get the coal off. But what had happened
13 in 1871...no, about 1871, the Buchanan County Courthouse
14 burned down. It burned his deeds up. He didn't have nothing
15 to show he owned this property. Harold and Tiller said we'll
16 take...take...you just write us a deed for it anyway and
17 we'll take it. Okay, Bendigo did. Later on Paris, being the
18 baby of the family, inherited that tract of land too. But
19 had Island Creek checked the records on that, they could have
20 seen there was no rights given to them. Had they had went
21 one step further, in the year of 1903, Howard and Tiller, the
22 two people that had bought several tracts from Buchanan
23 County, Tract 56, the one I'm on, later at a bank sale here

24

--

1 in Abingdon, all of that was put up for sale, Howard and
2 Tiller's property. Landon R. Wyatt, who bought all of these
3 tracts in Buchanan County, all around me, Landon R., Jr. now,
4 his father, at the sale who was an employee of the bank, said
5 I'll take them everyone but Tract 56. I don't want nothing
6 to do with that one. Tract 56 is the one I'm on. He never
7 did buy it, he never did own it because Bendigo Ratliff
8 didn't have a clear deed for it. Later on in the year of
9 1893, the Court in Buchanan County set up a deed for my
10 grandfather to have for his property, after the deed was made
11 that he sold. Since that day, Island Creek come in and they
12 took all of our coal and stole it. Landon R. Wyatt claimed
13 that he owned it. His father never did buy it. This is all
14 on record. You can check everything I'm saying. The gas and
15 everything was not even sold to start with, and the land
16 owners own it. As of today, that Tract 56 just have...and
17 we're talking about 159 acres of land, that the citizen...the
18 people living on that property own everything. It was never
19 sold.

20 BENNY WAMPLER: When did the well stop producing?

21 WYATT RATLIFF: In 1972 they was drilling the well.

22 I'm sorry, I got off on this other thing. I thought the
23 Board might need to know that. Anyway they bled it. They

24

--

1 bled it until Beatrice mined all the way through there and
2 got all the coal out of that area. The attorney that came by
3 to see me, I need a drink of water, I'm drying up, notified
4 them and they just pulled out. At that time, they pulled out
5 and just left it because...thank you, sir, I appreciate that.

6 What I done then, I went to the Bluefield Gas
7 Company and I got them to teach me all about controlling the
8 gas and how to regulate it, how to make it safe to put in
9 homes and what I done was piped it down into my mobile home
10 park in a safe manner and was using it until...and
11 several...the homes around me also, they run their lines to
12 their home and they was using it. I never did charge anybody
13 anything for it. I just loved my neighbors so much I give
14 them everything I could. About 1993, the gentleman from the
15 State Corporation Commission of Virginia by the name of Jim
16 Hodingare walked into my living room and said, "Mr. Ratliff,
17 you know you're violating the law." I said, "What am I
18 doing?" He said, "You're a public utility distributing gas
19 into this community." I said, "No, sir, I'm not. I give
20 people gas if they want it. I don't do anything more than
21 that." He said, "I'm warning you right now. You have thirty
22 days to get everyone of these homes off of this gas well or
23 we will fine you \$22,000 per day for every day that one is

24

--

1 still on there when I come back in thirty days." I said,
2 "Well, Mr. Hodingare, I will go over and close the valve. I
3 can do it. These people like me and they'll manage someway
4 or another." He said, "No you won't." He said, "You will
5 buy new furnaces." At that time when he said that, there was
6 79 homes in our community using gas from that well. He said,
7 "You will buy new furnaces, new heating systems for everyone
8 of those homes. You've got thirty days time to do it in."
9 That put a lot of pressure on me, a tremendous amount. I
10 done everything I could to comply with the law. On the 31st
11 day after he had told me that, I was completing the last one.
12 I felt extreme pain in my chest. The stress that it caused
13 me for that period of time, ssh, I had a major heart attack
14 while trying to fixing that last trailer. That was in 1994.
15 I was rushed to Kingsport with open heart surgery and I came
16 through it. But the gentleman called me while I was lying on
17 the bed in the hospital and said, "Mr. Ratliff, I want to
18 thank you. I have checked the whole system out. Everything
19 was done according to law." He called me on my hospital bed.
20 You all have to forgive me. But after that time, about
21 twenty mobile homes that I have in my trailer park, Virginia
22 Gas come to me and said they would take over. I gave it to
23 them for a dollar gallon...mcf. I don't mean to be

24

--

1 emotional, but it still bothers me.

2 BENNY WAMPLER: What was the last day that the well
3 produced?

4 WYATT RATLIFF: Wait just a minute. Let me get the
5 right sheet here. I'm glad you changed the subject. I was
6 breaking up. Severance tax. I've got one more folder, let
7 me find it. 2004, it didn't produce anything. In
8 2003...I've got it on my notes here somewhere, let me locate
9 it. On December the 31st, reporting for the month of
10 December of 2003, it produced 3 mcf, which is nothing.
11 3...according to the meter, 3 was what it used. The same
12 meter reading on a monthly basis throughout the month
13 of...throughout the year of 2004, zero, nothing else.

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

16 DONALD RATLIFF: Mr. Chairman, for the record,---.

17 BENNY WAMPLER: Mr. Ratliff.

18 DONALD RATLIFF: ---Wyatt and I are not related,
19 and I want that on the record. But I certainly appreciate
20 him and his family for traveling over here and sharing this
21 information with us. He's quite a historian. I don't know
22 that I could remember all the dates that he has come up with.
23 But I certainly appreciate the effort that he has put in

24

--

1 today.

2 BENNY WAMPLER: Thank you, Mr. Ratliff. Other
3 questions or comments from members of the Board?

4 (No audible response.)

5 BENNY WAMPLER: Mr. Wilson, anything further?

6 BOB WILSON: No, sir.

7 BENNY WAMPLER: Is there a motion of the Board then
8 to move to accept this?

9 DONALD RATLIFF: So moved, Mr. Chairman.

10 BENNY WAMPLER: Motion to accept the representation
11 that he has made and the amount of money that's owed.

12 DONALD RATLIFF: I'll make that motion, Mr.
13 Chairman.

14 BILL HARRIS: I'll second.

15 PEGGY BARBAR: I'll second.

16 BENNY WAMPLER: Motion is second. Any further
17 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.)

24

--

1 BENNY WAMPLER: You have approval. Thank you very
2 much.

3 WYATT RATLIFF: Thank you all.

4 BENNY WAMPLER: I appreciate it.

5 WYATT RATLIFF: Mr. Wilson, I'll be in touch with
6 you.

7 BOB WILSON: Yes, sir.

8 BENNY WAMPLER: The next item on the agenda is a
9 petition from CNX Gas Company, LLC for pooling of a coalbed
10 methane unit AY-122. This is docket number VGOB-05-0315-
11 1412. We'd ask the parties that wish to address the Board in
12 this matter to come forward at this time.

13 MARK SWARTZ: Mark Swartz and Les Arrington.

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

16 MARK SWARTZ: Mr. Chairman, I would request that
17 perhaps you consider...the Board consider calling items, I
18 think, four and five, AZ-122 and AZ-123, and combining that.
19 I'm skipping AY-140 because we have identified the unknown
20 owner and we're redoing the notice and we'll be back next
21 month with regard to him. So, I'd like to continue that one.

22 BENNY WAMPLER: Okay, we'll go ahead and call
23 those. Docket number VGOB-05-0315-1414 and VGOB-05-0315-

24

--

1 1415. We'd ask the parties that wish to address the Board in
2 these matters to come forward at this time.

3 MARK SWARTZ: Mark Swartz and Les Arrington on
4 those as well, Your Honor.

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

7 (Leslie K. Arrington is duly sworn.)

8

9

10

LESLIE K. ARRINGTON

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

13

DIRECT EXAMINATION

14 QUESTIONS BY MR. SWARTZ:

15 Q. Les, you need to state your name for us,
16 please.

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 were you responsible for and did you
23 prepare the applications and notices in these three cases or

24

--

1 were they prepared under your direction?

2 A. Under my direction.

3 Q. And the...all three of these units that
4 we're going to be talking about in this combined hearing are
5 Middle Ridge units, correct?

6 A. Yes, they are.

7 Q. And the proposal is that there be one frac
8 well in each of the units?

9 A. Yes.

10 Q. And in each case, the frac well that's
11 proposed is located in the window of the drilling unit?

12 A. Yes, it is.

13 Q. And all three of these units, I believe, are
14 58.74 acres?

15 A. Yes.

16 Q. They're the standard size?

17 A. Yes, they are.

18 Q. Okay. Who's the applicant?

19 A. CNX Gas Company.

20 Q. Is CNX Gas Company a Virginia General
21 Partnership?

22 A. Yes.

23 Q. Is it a wholly owned indirect subsidiary of
24

1 Consol Energy, Inc.?

2 A. Yes, it is.

3 Q. Is it authorized to do business in the
4 Commonwealth?

5 A. Yes, it is.

6 Q. And in each of the three applications, who
7 is it that the applicant is requesting be the Board's
8 designated operator if the pooling orders are entered?

9 A. CNX Gas.

10 Q. Has CNX Gas registered with the Department
11 of Mines, Minerals and Energy?

12 A. Yes, it has.

13 Q. And does it have a blanket bond on file as
14 is required by law?

15 A. Yes, it does.

16 Q. Okay. In each instance, have you identified
17 the people that you're seeking to pool in both the notice of
18 hearing and Exhibit B-3?

19 A. Yes, it has.

20 Q. What did you do to let these people know
21 that there was going to be a hearing today?

22 A. For AY-122 and AZ-122 and AZ-123, they were
23 all mailed by certified mail, return receipt requested on

24

--

1 February the 11th, 2005. We published in the Bluefield Daily
2 Telegraph for AY-122 on February the 17th, 2005; AZ-122
3 February the 19th, 2005; and AZ-123 February the 21st, 2005.

4 Q. Have you filed your proofs of publication
5 and your certificates with regard to mailing concerning these
6 three units with Mr. Wilson today?

7 A. Yes, we have.

8 Q. Do you wish to add any people as
9 respondents?

10 A. No.

11 Q. Do you wish to dismiss anybody?

12 A. No.

13 Q. What are the lease terms that you have been
14 offering to the folks that you have been able to reach
15 agreements with in these three units?

16 A. Our standard CBM lease is a dollar per acre
17 per year with a five year paid up term with a one-eighth
18 royalty.

19 Q. And are you recommending to the Board that
20 those be the lease terms for folks who might be deemed to
21 have been leased?

22 A. Yes, we are.

23 Q. And the proposal...the development proposal
24

1 is for frac wells?

2 A. Yes, it is.

3 Q. One per unit?

4 A. Yes.

5 Q. Okay. In...in...starting with AY-122, let's
6 take a look at some of the specifics here. What interest
7 have you been able to obtain in AY-122 and what are you
8 seeking to pool?

9 A. In AY-122, we have 100% of the coal owner's
10 claim to CBM leased; 97.1910% of the oil and gas owner's
11 claim to coalbed methane leased. We're seeking to pool
12 2.8090 of the oil and gas owner's claim to coalbed methane.

13 Q. Okay. And the only...only respondent here
14 is VDOT, right?

15 A. Yes.

16 Q. Okay. Do you have a well estimate?

17 A. Yes, we do. \$228,296.22 to a depth of 2,520
18 feet. Permit number is 6522.

19 Q. Is there an escrow requirement here?

20 A. Yes, it is.

21 Q. The escrow for conflicts would be 1-D, 3-C
22 and 4-B, is that correct?

23 A. That's correct.

24

--

1 Q. And then there's a title issue, sort of an
2 either/or issue in all three of these tracts as well?

3 A. It is.

4 Q. Which would be another reason for escrow?

5 A. Yes.

6 Q. And then you've got some split agreements, I
7 take it?

8 A. Yes.

9 Q. And so you filed an Exhibit EE?

10 A. Yes, we have.

11 Q. And the tracts subject to the split
12 agreements are 1-A, 1-B, 1-C, 1-E, 3-A, 3-B and 4-A, is that
13 correct?

14 A. That's correct.

15 Q. And are you requesting that in any order
16 that the Board might enter, the operator be allowed to pay
17 the folks who have split agreements directly rather than
18 escrowing their funds in accordance with their 50/50 split
19 agreements?

20 A. That's correct.

21 Q. Turning to---?

22 BENNY WAMPLER: Before we leave that, let me ask
23 just one question.

24

--

1 MARK SWARTZ: Sure.

2 BENNY WAMPLER: On the Harold D. Richardson, you
3 have the note...the footnote there, "Request this royalty to
4 be paid to Betty Jo throughout her lifetime."

5 MARK SWARTZ: Right.

6 LESLIE K. ARRINGTON: Yes.

7 BENNY WAMPLER: I assume you've got---.

8 LESLIE K. ARRINGTON: Yes.

9 BENNY WAMPLER: ---legal documents to back that up.

10 LESLIE K. ARRINGTON: We do. Yes, sir.

11 BENNY WAMPLER: Go ahead.

12 Q. Turning to AZ-122, okay. What is...what
13 interest have you been able...has the applicant been able to
14 acquire and what is it that you're seeking to pool here?

15 A. We have leased 100% of the coal owner's
16 claim to coalbed methane; 88.7471% of the oil and gas owner's
17 claim to coalbed methane. We're seeking to pool 11.2529% of
18 the oil and gas owner's claim to coalbed methane.

19 Q. Is there a well estimate?

20 A. Yes. \$224,086.82 to a depth of 2,497 feet.
21 Permit number is 6464.

22 Q. The Exhibit C that was filed with the
23 application, I think, did not have a depth, okay.

24

--

1 A. Okay.

2 Q. And should that exhibit reflect the 2497?

3 A. Yes, it should.

4 Q. Okay. And this well has not been drilled as
5 yet?

6 A. No.

7 Q. Okay. Is there an escrow requirement?

8 A. Yes, it is.

9 Q. Okay. And is the escrow requirement that
10 there be...I have a slightly different lineup than you do
11 here. Let's kind of work through Exhibit E together. There
12 is an Exhibit E, correct?

13 A. Yes, it is.

14 Q. And from that Exhibit E, there's an escrow
15 requirement for conflicts in Tract 1-C?

16 A. Uh-huh.

17 Q. For conflicts in 1-D?

18 A. Okay.

19 Q. And in addition, there's an unknown address
20 in 1-D, which is another reason to escrow?

21 A. Yes.

22 Q. Then there's a conflict in 1-G, correct?

23 A. Yes.

24

1 Q. And a conflict in 1-I, correct?
2 A. Yes.
3 Q. And an address unknown in Y?
4 A. Yes.
5 Q. And then a title issue sort of an either/or
6 issue on the oil and gas side?
7 A. 1-I, uh-huh.
8 Q. With regard to 2-B, there's an escrow due to
9 a title conflict and there's also a title issue between...on
10 the oil and gas side in 2-B, is that correct?
11 A. Yes.
12 Q. Okay. And are those all of the reasons for
13 escrow?
14 A. Yes, uh-huh.
15 BENNY WAMPLER: Before you leave that, you had 1-H
16 on your sheet and I don't recall you saying a 1-H.
17 LESLIE K. ARRINGTON: I think he missed it.
18 MARK SWARTZ: I'm sorry, I-H. You're right.
19 LESLIE K. ARRINGTON: 1-H.
20 MARK SWARTZ: Correct.
21 Q. And the reason for escrowing 1-H would be
22 just a conflict?
23 A. A conflict, yes, it is.
24

1 BENNY WAMPLER: Also, on your sheet...anyway just
2 for clarification, if the Board's using this sheet, you have
3 to reverse the 123 and 122 here. Go ahead.

4 MARK SWARTZ: That's why...why I was doing it
5 manually.

6 BENNY WAMPLER: I understand.

7 Q. Is...there's an Exhibit EE, correct?

8 A. Yes, it is.

9 Q. Okay. And that's an indication that some of
10 the conflicting claimants have entered into split agreements?

11 A. Yes, they have.

12 Q. And are all of those split agreements 50/50
13 agreements?

14 A. Yes.

15 Q. And they're in writing?

16 A. Yes, they are.

17 Q. And they pertain to tracts 1-A, 1-B, 1-C, 1-
18 E, 1-F, 2-A, 2-C and 3, is that correct?

19 A. That's correct.

20 Q. And are you requesting that if the Board
21 were to pool unit AZ-122, that its order allow the operator
22 to pay the folks who have split agreement directly rather
23 than escrowing their funds consistent with the terms of their
24

1 agreements?

2 A. Yes, we are.

3 Q. Turning to---?

4 MASON BRENT: Before we leave that, may I ask one
5 question?

6 MARK SWARTZ: Sure.

7 MASON BRENT: Shouldn't...shouldn't Tract 1-C be on
8 your Exhibit B-3?

9 LESLIE K. ARRINGTON: What tract number?

10 MASON BRENT: 1-C.

11 LESLIE K. ARRINGTON: No.

12 MASON BRENT: No?

13 LESLIE K. ARRINGTON: It's all leased.

14 MASON BRENT: It is all leased?

15 LESLIE K. ARRINGTON: Yes, it is.

16 MASON BRENT: Okay. Okay, thank you.

17 Q. Moving on to AZ-123. What interest have you
18 acquired and what interest are you seeking to pool in AZ-123?

19 A. We have 100% of the coal owner's claim to
20 coalbed methane leased; 99.4277% of the oil and gas owner's
21 claim to coalbed methane leased. We're seeking to pool
22 0.5723% of the oil and gas owner's claim to coalbed methane.

23 Q. Okay. Is there a well estimate?

24

--

1 A. Yes. \$232,233.22 to a depth of 2,656 feet.
2 Permit number is 6465.
3 Q. And that well is not drilled yet?
4 A. No.
5 Q. Is there an escrow requirement here?
6 A. Yes.
7 Q. Okay. Looking at Exhibit E to sort of work
8 through that. Exhibit E shows an escrow requirement with
9 regard to Tract 1-A for conflicts?
10 A. Uh-huh.
11 Q. Is that a yes?
12 A. Yes.
13 Q. Okay. With regard to 1-B, there's an escrow
14 for conflicts and there's also an address unknown
15 requirement?
16 A. That's correct. Uh-huh.
17 Q. With regard to 1-E, we have an escrow
18 requirement because of conflicts, correct?
19 A. Yes.
20 Q. And 1-E, we also have page three of three
21 has a number of addresses unknown?
22 A. Yes, we do.
23 Q. Are you still continuing to try and locate
24

1 those people?

2 A. Yes, we will.

3 Q. With regard to Tract...I'm sorry, is that
4 with regard to escrow?

5 A. That's it, yes.

6 Q. Okay. Now, there's an Exhibit EE?

7 A. Yes, it is.

8 Q. And that indicates that there's some folks
9 that have split agreements?

10 A. Correct.

11 Q. And those split agreements pertain to folks
12 in Tracts 1-A, 1-C, 1-D, 1-E, correct?

13 A. Yes.

14 Q. And are you requesting that the Board allow
15 the operator to pay the people listed on Exhibit EE directly
16 rather than escrowing their funds in accordance with their
17 split agreements?

18 A. Yes, we are.

19 Q. Okay, with regard to these three units, AY-
20 122, AZ-122, and AZ-123, is it your opinion that the
21 development plan that's disclosed by the applications and
22 exhibits, which is to drill one frac well in each unit in the
23 drilling window, is a reasonable method to develop the

24

--

1 coalbed methane in and under these three units?

2 A. Yes, it is.

3 Q. And is it also your opinion that if you take
4 the leasing efforts and acquisition efforts that the
5 applicant has engaged in and combine that with pooling
6 orders, pooling the folks identified in the notices as
7 respondents in Exhibit B-3, that the combination of leases
8 and a pooling order would protect the correlative rights of
9 all owners and claimants?

10 A. Yes, it will.

11 MARK SWARTZ: That's all I have, Mr. Chairman.

12 BENNY WAMPLER: Questions from members of the
13 Board?

14 (No audible response.)

15 BENNY WAMPLER: Is there a motion?

16 (No audible response.)

17 DONALD RATLIFF: Motion to approve, Mr. Chairman?

18 MASON BRENT: Second.

19 BENNY WAMPLER: Motion is seconded. Any further
20 discussion?

21 (No audible response.)

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

24

--

1 (All members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval. Then we'll go
5 back to number three, a petition from CNX Gas Company, LLC
6 for pooling of coalbed methane unit AY-140, docket number
7 VGOB-05-0315-1413. We'd ask the parties that wish to address
8 the Board in this matter to come forward at this time.

9 MARK SWARTZ: Mark Swartz and Les Arrington.

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

12 MARK SWARTZ: Mr. Chairman, we had an unknown owner
13 here who we have since identified and we would like to
14 continue this to notify that person and we'll be back next
15 month with your approval.

16 BENNY WAMPLER: It will be continued. Thank you.
17 The next item on the agenda is a petition from CNX Gas
18 Company, LLC for a modification of Oakwood I Field Rules to
19 allow for drilling of additional frac wells of each of the
20 186 designated units that are within the boundary described
21 by units F-39 to F-54. This is docket number VGOB-93-0216-
22 0325-03. We'd ask the parties that wish to address the Board
23 in this matter to come forward at this time.

24

--

1 MARK SWARTZ: Mark Swartz and Les Arrington.

2 DONALD R. JOHNSON: Donald R. Johnson for
3 Pocahontas Mining, Limited Liability Company.

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

6 MARK SWARTZ: Mr. Chairman, we have been here, I
7 think this is the third time now---

8 LESLIE K. ARRINGTON: Yes.

9 MARK SWARTZ: ---to extend an area in which we have
10 asked the Board to allow us to do infield drilling in the
11 Oakwood Field. The area that we're here on today in the
12 application, is shaded just a grey color in the application.
13 In the map that you've received today, it's the light green
14 units. You know, what Les has done here is to add that
15 shaded area and he's essentially giving you the same map that
16 we used the last time we were here when Rick Toothman was
17 here and testified with regard to data and so forth. I'd
18 like to just take a brief little bit of testimony from Les.
19 But essentially I think this is a topic that you're pretty
20 familiar with. We're essentially relying on the data that we
21 presented before and, obviously, have put on this map to
22 extend this opportunity to do some infield drilling.

23

24

--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Yes.

Q. You need to state your name.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas.

Q. Okay. And what is it that you're requesting of the Board today?

A. We're seeking to drill additional wells within the units shown in green on the exhibit where we do not have, I'll call it, an existing mine plan for the Pocahontas Number Three seam. We...due to some of the success we've had in the past in drilling inside the mine plan, we're requesting to be able to drill additional wells outside of the mine plan within the area in green.

Q. Okay. Is the yellow area the area that we were first here on sort of an experimental basis to do some infield drilling?

A. Yes, it was.

1 Q. And do the Board allow you to do infield
2 drilling in the yellow?

3 A. Yes, they did.

4 Q. And then, subsequently, were we back here to
5 do additional infield drilling and to get permission to do
6 that with regard to the blue area?

7 A. That's correct.

8 Q. Okay. And now we're asking essentially the
9 same relief for the green?

10 A. We are.

11 Q. Are these...is the green area, with a couple
12 minor exceptions, essentially to the east of the existing
13 mine?

14 A. Yes, it is.

15 MARK SWARTZ: That's all I have, Mr. Chairman.

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

18 DONALD RATLIFF: Mr. Chairman.

19 BENNY WAMPLER: Mr. Ratliff.

20 DONALD RATLIFF: What's...what's the closest mine
21 to the east or to the west?

22 LESLIE K. ARRINGTON: Buchanan Number One.

23 MARK SWARTZ: The light grey is the Buchanan Number
24

1 One.

2 LESLIE K. ARRINGTON: Yes.

3 DONALD RATLIFF: Mr. Chairman, the...the---.

4 BENNY WAMPLER: Mr. Ratliff.

5 DONALD RATLIFF: Since this is not a certified map,
6 and has no names on it as far as being true and accurate, do
7 we accept Les' testimony...testimony under oath that the
8 additional drilling that's beside of these wells it's
9 produced...the gas that wouldn't have...that we wouldn't have
10 got had we not done this, that this is true and accurate,
11 your testimony of that, I assume?

12 LESLIE K. ARRINGTON: Yes.

13 DONALD RATLIFF: And you would expect the same
14 excess gas from the green shaded areas as you've got in all
15 the others?

16 LESLIE K. ARRINGTON: We hope.

17 BENNY WAMPLER: Has it been your experience that as
18 you're draining the water off of the second well, that it's
19 actually improving the production of the original well, as
20 well as the second well?

21 LESLIE K. ARRINGTON: We have experienced increased
22 production in the first well.

23 BENNY WAMPLER: How many wells do you anticipate
24

--

1 putting in these units?

2 LESLIE K. ARRINGTON: Somewhere in the
3 neighborhood, for instance in the blue area that's shown, I
4 had approximately fifty wells...additional wells. So, in
5 that green, I have not gone through and actually done the
6 number, but I would estimate seventy-five to a hundred.

7 BENNY WAMPLER: How many additional wells in each
8 unit?

9 MARK SWARTZ: I think we're limited to one, if I'm
10 not mistaken.

11 BENNY WAMPLER: Yeah, I want to hear him say it.

12 LESLIE K. ARRINGTON: Yeah, again...you know, at
13 times---

14 BENNY WAMPLER: Since he doesn't have a mine plan.

15 MARK SWARTZ: Yeah.

16 LESLIE K. ARRINGTON: At times you could possibly
17 get two additional wells, but it's a struggle to get them
18 spaced correctly to get more than one.

19 BENNY WAMPLER: But you're requesting one
20 additional well---

21 LESLIE K. ARRINGTON: Yes, we are.

22 BENNY WAMPLER: ---in each unit?

23 LESLIE K. ARRINGTON: Uh-huh.

24

--

1 adding additional wells?

2 A. Are you speaking to acreage or distance?

3 Q. Distance...distance.

4 A. The minimum I'll go down to is probably 800
5 feet. I may get a little...that...that will be a stretch,
6 800 feet.

7 Q. So...so...so what you would want to do for
8 what you're saying is space no...no less than 800 feet from
9 existing wells that are already in the units?

10 A. Well, that's my goal is 800 feet, no less
11 than that.

12 Q. Okay. And it looks like to me from
13 the...from the drafting of the application, to me the
14 language is not clear as to how many wells that you would be
15 drilling within in any unit. That the option is there to
16 drill more than one additional well, in other words, existing
17 two wells. I have trouble...I have trouble reading that
18 provision and understanding it. That's item number four in
19 your notice of proposed provision and order sought. It was
20 very confusing to me as to what that meant and what your
21 rights are within...within that proposal.

22 BENNY WAMPLER: That's why I clarified one
23 additional well.

24

--

1 DONALD R. JOHNSON: I think, you know...I think
2 that that needs to be restated because it's very unclear. I
3 don't want to be test...making a statement at this time. But
4 I'm through questioning---

5 BENNY WAMPLER: Well, just understand he's on
6 record saying and asking the Board to approve one
7 additional...up to one additional well in each of these units
8 in this...in this, we'll call it the green area.

9 DONALD R. JOHNSON: Right. I think, Mr. Wampler,
10 that this language is very...very unclear. The first time I
11 read it, I came up with that conclusion that it was one
12 additional well. I also came up with the conclusion that it
13 would not be...that the wells wouldn't be any closer than 600
14 feet apart. Then after reading it, I'm reading it again a
15 second time, which I think I was told in law school to read
16 to the bottom and that kind of stuff. But when I read...read
17 that again, it was very unclear as to what...what their
18 rights. I just think it needs to be restated so that...so
19 that it's understood as to how many wells can be drilled
20 within a unit and what the spacing ought to be between wells.

21 BOB WILSON: Mr. Chairman.

22 BENNY WAMPLER: Mr. Wilson.

23 BOB WILSON: We have addressed this in the other

24

--

1 two areas that have been filed for additional wells. As a
2 matter of a fact, we brought this exact question up last
3 time. I think what was pointed out then was that this was
4 original language that was put in their first application.
5 The order reflected something quite differently, although the
6 applications haven't been changed. We would need to
7 clarify...the Board would need to clarify several things in
8 this. Number one, that they are in fact applying for one
9 additional well per unit. If we match this to the previous
10 orders that have been approved, there would be a 600 foot
11 minimum spacing that would survive, even with the additional
12 well; and also, this would only apply, again, if we match it
13 to what has previously been done, to wells drilled within the
14 existing drilling window in these 80 acre units. Any well in
15 the original order, any well that was drilled outside the
16 drilling window required the operator to come back before the
17 Board and address correlative rights issues with adjoining
18 units.

19 MARK SWARTZ: Right.

20 DONALD R. JOHNSON: That makes sense to me.

21 BENNY WAMPLER: Mr. Arrington, do you agree with
22 those clarifications?

23 LESLIE K. ARRINGTON: Yes, sir, we do.

24

--

1 DONALD R. JOHNSON: I want to tell the Board,
2 clearly my client is in favor of this proposal. I'm not here
3 attempting to keep it from happening. But I think you just
4 need clarification as to what's being approved and the
5 spacing requirements. Clearly, my client is very pleased to
6 have the...to have this additional gas produced and have
7 these additional wells drilled.

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

10 BILL HARRIS: Mr. Chairman, not to beat this issue
11 to death.

12 BENNY WAMPLER: Mr. Harris.

13 BILL HARRIS: But in paragraph four, we were
14 discussing earlier, and I guess we were talking about
15 changing the language or at least modifying the language.
16 But it talks "maybe drilled", but in that second part of that
17 first sentence it says, "That the second well drilled in each
18 of the said units..." Now, does that not imply one more
19 well?

20 BENNY WAMPLER: Well, I mean, he's on record
21 though...the key thing is what the Board approves. He just
22 accepted, if you heard Mr. Wilson clarifying---

23 BILL HARRIS: That we would...okay.

24

--

1 BENNY WAMPLER: ---he accepted that clarification.
2 BILL HARRIS: Okay.
3 BENNY WAMPLER: And that's what we would reflect in
4 the final order.
5 BILL HARRIS: Okay, yeah.
6 BENNY WAMPLER: If that helps. I'm not trying to
7 put you off on your question.
8 BILL HARRIS: Yeah, he does. No, I just...I guess
9 I was...like I said, not to beat that issue to death,
10 because, you know, these others need not be more than.
11 BENNY WAMPLER: Right.
12 BILL HARRIS: You know, that language was a little
13 indefinite. So, yeah, thank you.
14 BENNY WAMPLER: Any other questions from members of
15 the Board?
16 MARK SWARTZ: Just to---.
17 BENNY WAMPLER: Mr. Swartz.
18 MARK SWARTZ: One of you all had asked a question
19 about the effect the second well on the existing wells, and
20 Les gave you an answer. But I think to illustrate that for
21 you, that it is somewhat unpredictable. If you'll look at
22 the...at the data, which is the purple area infield study,
23 when those infield wells were drilled, you'll see that they
24

1 came on at a higher production level than the original well,
2 which is a good thing, and that they also...it looks like
3 they dragged the production, or at least that's the theory,
4 of the existing wells up pretty considerable, which is also a
5 good thing. If you look at the orange area infield study,
6 which is right above that, you'll see that the original wells
7 in grey were declining. It looks like, you know, the sort of
8 decline that we would expect from a declined curve. The
9 orange wells came on and pulled them up somewhat, which is
10 not as traumatic as in the purple. But then when you look at
11 the other two, and I'm just going to ignore the orange down
12 there. I'm not sure that means anything. But if you look at
13 the green area infield study, it...you know, it's pretty hard
14 to discern any influence. So, it's not, I think as Les tried
15 to suggest, you know, there's considerable evidence that it's
16 beneficial in those respects, but it's not predictable in
17 each and every area. I just wanted to make sure that you
18 understood the data. It generally supports that, but, you
19 know, it's not a guarantee.

20 BENNY WAMPLER: Yeah...no. I was the one that
21 asked the question. All I was getting at is rather than the
22 geology and all the other things, it appears that the more
23 water you take off, the more production you're going to get.

24

--

1 I was just making that point. That's apparent in---.

2 MARK SWARTZ: It's water and pressure both.

3 BENNY WAMPLER: Right.

4 MARK SWARTZ: But certainly water is a huge impact.

5 BENNY WAMPLER: Right.

6 MASON BRENT: Yeah, get that water in there.

7 BENNY WAMPLER: Right. Other questions or
8 comments?

9 (No audible response.)

10 BENNY WAMPLER: Do you have anything further?

11 MARK SWARTZ: No, Your Honor.

12 DONALD R. JOHNSON: I thank the Board and thank you
13 for the opportunity to appear here. Thank you.

14 BENNY WAMPLER: Thank you.

15 DONALD R. JOHNSON: Thank you.

16 BENNY WAMPLER: Is there a motion?

17 DONALD RATLIFF: I move to approve, Mr. Chairman.

18 BENNY WAMPLER: Motion to approve.

19 MASON BRENT: Second.

20 BENNY WAMPLER: Any further discussion?

21 (No audible response.)

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

24

--

1 (All members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval.

5 MARK SWARTZ: Thank you all.

6 BENNY WAMPLER: Thank you. We'll take a five
7 minute break, the item on the agenda will be Equitable
8 Production Company, while they get set up.

9 (Break.)

10 BENNY WAMPLER: Okay, we'll call the meeting to
11 order. The next item on the agenda is a petition from
12 Equitable Production Company for pooling of a coalbed methane
13 unit VC-536743, docket number VGOB-05-0315-1416. We'd ask
14 the parties that wish to address the Board in this matter to
15 come forward at this time.

16 JIM KISER: Mr. Chairman and members of the Board,
17 Jim Kiser and Don Hall on behalf of Equitable Production
18 Company.

19 (Don Hall is duly sworn.)

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

22 JIM KISER: Mr. Chairman, before we start, we did
23 hand out a revised exhibit package, including Exhibit B and

24

--

1 B-3. The only changes, which are highlighted for you, are
2 address changes. None of the leased and unleased percentages
3 have changed. We were able to pick up some correct addresses
4 on some of the folks in Tract 4, I think.

5

6

DON HALL

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

9

DIRECT EXAMINATION

10 QUESTIONS BY MR. KISER:

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

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

15 Q. Do your responsibilities include the land
16 involved in the unit for this well and in the surrounding
17 area?

18 A. They do.

19 Q. Are you familiar with Equitable's
20 application seeking a pooling order to pool any unleased
21 interest in the unit for well number VC-536743 dated February
22 the 11th, 2005?

23 A. Yes.

24

--

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

3 A. We do.

4 Q. Now, prior to filing the application, were
5 efforts made to contact each of the respondents that have an
6 interest in the unit and an attempt made to work out a
7 voluntary agreement regarding the development of the unit?

8 A. Yes.

9 Q. What is the interest at this time of
10 Equitable that's under lease in the gas estate?

11 A. We have 89.88% of the gas estate leased.

12 Q. And the interest under lease in the coal
13 estate?

14 A. It's the same.

15 Q. 89.88%?

16 A. That's correct.

17 Q. Are all unleased parties set out in revised
18 Exhibit B-3?

19 A. Yes.

20 Q. So, the percentage of both the...we,
21 obviously, don't have any conflicting claims here?

22 A. No.

23 Q. So, the percentage of the ownership in both
24

1 the gas estate and the coal estate that remains unleased at
2 this time is 10.12?

3 A. That's correct.

4 Q. Okay. And we don't have any unknown
5 respondents in this unit?

6 A. No.

7 Q. In your professional opinion, was due
8 diligence exercised to locate each of the respondents named--
9 -?

10 A. Yes.

11 Q. ---herein in both revised Exhibit B and B-3?

12 A. Yes.

13 Q. Are the addresses set out in revised Exhibit
14 B to the application the last known addresses for the
15 respondents?

16 A. They are.

17 Q. Are you requesting this Board to force pool
18 all unleased interest as listed at Revised Exhibit B-3?

19 A. Yes.

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

23 A. Yes.

24

--

1 Q. Could you advised the Board as to what those
2 are?

3 A. We pay a five dollar bonus on a five year
4 term with a one-eighth royalty.

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

9 A. They do.

10 Q. Now as to the respondents who have not
11 voluntarily agreed to lease, do you recommend that...who are
12 listed in revised Exhibit B-3, do you agree that they should
13 be allowed the following statutory options with respect to
14 their ownership interest within the unit: 1) participation;
15 2) a cash bonus of five dollars per net mineral acre, plus
16 one-eighth of eight-eighths royalty; or 3) in lieu of a cash
17 bonus of one-eighth of eight-eighths royalty, a share in the
18 operation of the well on a carried basis as a carried
19 operator under the following conditions: Such carried
20 operator shall be entitled to the share of production from
21 the tracts pooled accruing to his interest exclusive of any
22 royalty or overriding royalty reserved in any leases or
23 assignments thereof or agreements relating thereto of such

24

--

1 tracts but only after the proceeds applicable to his share
2 equal, A) 300% of his share of such cost for a leased tract;
3 or B) 200% of the share of such costs applicable to the
4 interest of an unleased tract?

5 A. Yes.

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

11 A. Yes.

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

15 A. Yes.

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

20 A. Yes.

21 Q. Should the unleased respondents be given 30
22 days from the date that they receive the recorded Board order
23 to file their elections?

24

--

1 A. Yes.

2 Q. And if the unleased respondent elects to
3 participate, should they be given 45 days to pay the
4 applicant for their proportionate share well costs?

5 A. They should.

6 Q. Does the applicant expect any party electing
7 to participate to pay in advance that party's share of
8 completed well costs?

9 A. Yes.

10 Q. Should the applicant be allowed 120 days
11 following the recordation date of the Board order and
12 thereafter annually on that date until production is achieved
13 to pay or tender any cash bonus or delay rentals becoming due
14 under any force pooling order?

15 A. Yes.

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

24

--

1 A. Yes.

2 Q. Do you recommend that the order provide that
3 where a respondent elects to participate but defaults in
4 regard to payment of well costs, than any cash sum becoming
5 payable to that respondent be paid by the applicant within 60
6 days after the last date on which such respondent could have
7 have paid or made arrangements for the payment of the well
8 costs?

9 A. Yes.

10 Q. Okay. We do not have any conflicting claims
11 between the gas estate and the coal estate in this unit. We
12 do not have any unknown or unlocateable interest owners. So,
13 in this particular case, the Board does not need to establish
14 an escrow account, is that correct?

15 A. That's correct.

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

18 A. Equitable Production Company.

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

21 A. 2013 feet.

22 Q. Estimated reserves for the unit?

23 A. 250 million cubic feet.

24

--

1 Q. Are you familiar with the well costs for
2 this well?

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. Was this AFE prepared by an engineering
8 department knowledgeable in the preparation of AFEs and
9 knowledgeable in regard to well costs in this particular
10 area?

11 A. Yes.

12 Q. In your opinion, does the AFE represent a
13 reasonable estimate of the costs?

14 A. It does.

15 Q. Would you state both the dry hole costs and
16 the completed well costs?

17 A. Dry hole cost is \$99,983, and completed well
18 cost is \$271,416.

19 Q. Do these costs anticipate a multiple
20 completion?

21 A. They do.

22 Q. Does your AFE include a reasonable charge
23 for supervision?

24

--

1 A. Yes.

2 Q. And in your professional opinion, would the
3 granting of this application be in the best interest for
4 conservation, the prevention of waste and the protection of
5 correlative rights?

6 A. Yes.

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

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

11 DONALD RATLIFF: Mr. Chairman.

12 BENNY WAMPLER: Mr. Ratliff.

13 DONALD RATLIFF: What's the status of the permit?

14 DON HALL: It has been issued. It was issued March
15 the 7th.

16 DONALD RATLIFF: Okay.

17 BENNY WAMPLER: Other questions?

18 (No audible response.)

19 BENNY WAMPLER: Do you have anything further?

20 JIM KISER: Mr. Chairman, we'd ask that the
21 application be approved as submitted with the revised Exhibit
22 B and B-3.

23 DONALD RATLIFF: Move to approve, Mr. Chairman.

24

--

1 PEGGY BARBAR: I'll second.

2 BENNY WAMPLER: Motion is second. Any further
3 discussion?

4 BILL HARRIS: Mr. Chairman, let me just---.

5 BENNY WAMPLER: Mr. Harris.

6 BILL HARRIS: ---ask a question. This AFE I
7 noticed...you gave us the depth. But I don't see it listed
8 on the AFE. Is that not normally what we try to do?

9 DON HALL: Look under the first line item.

10 BILL HARRIS: On the first page of the AFE?

11 DON HALL: Uh-huh. In the notes.

12 BILL HARRIS: Contract footage where it says Jack?

13 DON HALL: Yeah.

14 BILL HARRIS: Okay. I was...I guess I was looking
15 above where had well type and...okay.

16 DON HALL: Yeah. Right.

17 BILL HARRIS: Fine, thank you. That's all, Mr.
18 Chairman.

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

21 (All members signify by saying yes.)

22 BENNY WAMPLER: Opposed, say no.

23 (No audible response.)

24

1 BENNY WAMPLER: You have approval. The next item
2 on the agenda is a petition from Equitable Production Company
3 for a well location exception for proposed well V-536753,
4 docket number VGOB-05-0315-1417. We'd ask the parties that
5 wish to address the Board in this matter to come forward at
6 this time.

7 JIM KISER: Again, Mr. Chairman and Board members,
8 it will be Jim Kiser and Don Hall on behalf of Equitable
9 Production Company. Mr. Hall is passing out an exhibit to
10 show you why we're seeking this exception.

11 (Don Hall passes out an exhibit.)

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

14 DON HALL

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. KISER:

17 Q. Mr. Hall, if you could again state your
18 name, who you're employed by and in what capacity.

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

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

23 A. Yes.

24

--

1 Q. And have all...are you familiar with the
2 application we filed seeking a location exception for this
3 well?

4 A. Yes.

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

8 A. They have.

9 Q. Could you indicate for the Board the
10 ownership of the oil and gas underlying the unit for well
11 number VC-536753?

12 A. Greater-Wise owns a 100%.

13 Q. And does Equitable have the right to operate
14 the reciprocal wells, those being the wells that we're
15 seeking an exception from?

16 A. We do.

17 Q. And are there any correlative rights issues?

18 A. No.

19 Q. All right, now, in conjunction with the
20 exhibit that you just passed out to the Board, could you
21 explain for them why we're seeking this exception?

22 A. The well that we're...subject well is
23 highlighted in...colored in red on this exhibit. The wells

24

--

1 surrounding it that are colored in green, the circles...the
2 radiuses or circles that you see around those wells represent
3 2500 foot distance from each well. The two wells that we're
4 seeking an exception from is 2760 and 13321, which are
5 basically north and south of the 6753. Those wells are both
6 less than 2500 feet from the well we're seeking an exception
7 for. The wells to the...generally to the east and west are
8 greater than 2500 feet. But they were put on there to
9 represent the fact that as you see where they all overlap
10 there's really no legal...no place 2500 feet from all...any
11 of these wells that we could put the location. So there's
12 really no legal location in the area that we're proposed to
13 drill this well.

14 JIM KISER: We'll take any questions before we go
15 on.

16 BENNY WAMPLER: Questions from members of the
17 Board.

18 BILL HARRIS: Mr. Chairman.

19 BENNY WAMPLER: Mr. Harris.

20 BILL HARRIS: Does Equitable own those other or
21 have the drilling rights of those other two wells?

22 DON HALL: For the two that we're seeking the
23 exception from, yes, we do.

24

--

1 BILL HARRIS: Okay.

2 DON HALL: The one to the east we also do. The one
3 to west, which is greater than 2500 feet---

4 BILL HARRIS: BL-1?

5 DON HALL: ---BL-1 that belongs to Dominion. But
6 we're greater than 2500 feet from anyone.

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

9 (No audible response.)

10 BENNY WAMPLER: Do you have anything further?

11 JIM KISER: Yes, Mr. Chairman.

12 Q. Mr. Hall, in the event this location
13 exception were not granted, would you project the estimated
14 loss of reserves resulting in waste?

15 A. About 300 million cubic feet.

16 Q. And the total depth of the proposed well
17 under the plan of development?

18 A. 5256 feet.

19 Q. Is the applicant requesting that the
20 location exception cover conventional gas reserves to include
21 the designated formations from the surface to the total depth
22 drilled?

23 A. We are.

24

--

1 Q. Has this permit been applied for?

2 A. Yes.

3 Q. And in your opinion, would the granting of
4 this location exception be in the best interest of preventing
5 waste, protecting correlative rights and maximizing...in
6 particular, maximizing the recovery of the gas reserves
7 underlying the unit for VC-536753?

8 A. It would.

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

11 BENNY WAMPLER: Questions from members of the Board
12 on this last testimony.

13 (No audible response.)

14 BENNY WAMPLER: Do you have anything further?

15 (No audible response.)

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

18 BENNY WAMPLER: Is there a motion?

19 DONALD RATLIFF: So moved, Mr. Chairman.

20 BENNY WAMPLER: Motion for approval. Is there a
21 second?

22 PEGGY BARBAR: I second.

23 BENNY WAMPLER: Motion is second. Any further
24

--

1 discussion?

2 (No audible response.)

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

5 (All members signify by saying yes.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval. Thank you.

9 DON HALL: Thank you.

10 JIM KISER: Mr. Chairman, before we move on to the
11 CNR portion of the docket, I do have one housekeeping matter
12 for Equitable that Mr. Wilson asked me to bring before the
13 Board. Last month we pooled a...we had a hearing for force
14 pooling on well number VC-536062, which was VGOB docket
15 number 05-0215-1404. We had one interest owner within the
16 unit that at that time was unleased. Since the time of the
17 hearing, we have obtained a lease from her. So now we have a
18 voluntary unit and I would like to submit an affidavit to the
19 Board to that effect so that we clean up the docket, you
20 know, that you don't have to issue any kind of Board order or
21 anything on that.

22 BENNY WAMPLER: Okay, thank you. I had asked them
23 just to bring this back. The order hadn't been issued. Then

24

--

1 before a week had passed they had already taken care of the
2 matter. So we have this for the record.

3 JIM KISER: I think it was actually---.

4 BENNY WAMPLER: That's okay. I don't see that we
5 need to vote on it persay. But just to make the Board aware
6 of it.

7 BOB WILSON: Basically, rescind the pre...the
8 approval.

9 BENNY WAMPLER: Right.

10 JIM KISER: I think the lease actually came in that
11 afternoon.

12 BENNY WAMPLER: The next item on the agenda is a
13 petition from Columbia Natural Resources, LLC for a well
14 location exception for proposed well 25414, docket number
15 VGOB-05-0315-1418. We'd ask the parties that wish to address
16 the Board in this matter to come forward at this time.

17 JIM KISER: Mr. Chairman and members of the Board,
18 Jim Kiser on behalf of Columbia Natural Resources. Our
19 witness in this matter will be Mr. Robert Keenon. We'd ask
20 that he be sworn at this time.

21 (Robert Keenon is duly sworn.)

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

24

--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

ROBERT L. KEENON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

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

A. Robert L. Keenon. I'm employed by Columbia Natural Resources, LLC as a Senior Engineer in the engineering department.

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

A. They do.

Q. And are you familiar with the application that we filed seeking a location exception for this well?

A. Yes.

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

A. Yes.

Q. Could you indicate for the Board the ownership of the oil and gas interest underlying the unit for well number 25414?

1 A. Buchanan Energy Company has 100% of the
2 ownership of the oil and gas.

3 Q. Okay, and we're actually seeking an
4 exception from just one well?

5 A. That's correct.

6 Q. In this case, which is CNR well 24918?

7 A. Correct.

8 Q. So, CNR has the right to operate that well?

9 A. Yes.

10 Q. Are there any correlative rights issues?

11 A. No.

12 Q. This, again, is an additional well that's on
13 a 2,000 acre Buchanan Energy tract, is that correct?

14 A. Yes, it is.

15 Q. It's Tract No. 96?

16 A. Right.

17 Q. And we were before the Board, I guess, last
18 month with several of these applications. Could you explain
19 for them why we're back here again seeking this location
20 exception?

21 A. This location has been preapproved by the
22 coal interest in the area. It's...also fits into the
23 topography of the area as far as suitable site. In addition,

24

--

1 to appease the mineral interest owner, Buchanan Energy
2 Company who has both the oil and gas and the coal interest,
3 they have asked us in certain areas to tighten the spacing,
4 if at all possible, to maximize the extraction of the natural
5 resources.

6 Q. Okay, so, in large part, the same reason and
7 logic that we used on our location exception on this Buchanan
8 Energy tract last month?

9 A. Correct.

10 Q. And did you...in the event this location
11 exception were not granted, would you project the estimated
12 loss of reserves resulting in waste?

13 A. 400 million standard cubic feet.

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

16 A. 4,990 feet.

17 Q. And are we requesting that this location
18 exception cover conventional gas reserves to include
19 designated formations from the surface to the total depth
20 drilled?

21 A. Yes.

22 Q. And this permit has been applied for?

23 A. Yes.

24

--

1 Q. And in your opinion, would the granting of
2 this location exception be in the best interest of preventing
3 waste, protecting correlative rights and maximizing the
4 recovery of the gas reserves underlying the unit for well
5 number 25414?

6 A. Yes.

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

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

11 BILL HARRIS: Mr. Chairman.

12 BENNY WAMPLER: Mr. Harris.

13 BILL HARRIS: I just have a question about this
14 circle. I know that this is a reference in terms of spacing.
15 But I notice this overlaps into West Virginia. This is
16 just, I guess, for my information. What do we do in...maybe
17 I should ask Mr. Wilson or someone. What do we do---?

18 JIM KISER: Yeah, I apologize for that...not
19 bringing that up. We cut the...a statewide spacing unit is
20 normally 112 point, is it 67...69 acres.

21 ROBERT L. KEENON: 69.

22 JIM KISER: This one, if you'll notice, is a
23 109.84. So we cut the unit off at the West Virginia
24

1 stateline as you'll see up there in the northeast corner.

2 ROBERT L. KEENON: If you would have completed this
3 circle, it would just have been---

4 BILL HARRIS: Yeah, but is the circle just a
5 circle, I guess that's my question, or is it...I mean, if the
6 circle is for spacing, but isn't there a proposal...I'm not
7 sure what---

8 JIM KISER: I'm not following you.

9 BILL HARRIS: The actual extraction of gas.

10 BENNY WAMPLER: You're trying to see what area---

11 BOB WILSON: Occurs---

12 BENNY WAMPLER: ---it actually drains, does it
13 drain further than this?

14 BILL HARRIS: Is it going to drain...I mean, assume
15 that the circles were there because of a drainage pattern.

16 BENNY WAMPLER: It's a presumption of the drainage
17 is what it is.

18 BILL HARRIS: Yeah. But do we not---?

19 BENNY WAMPLER: Are you saying are we draining West
20 Virginia's gas?

21 BILL HARRIS: Yeah, do we have any obligation to
22 the folks across the line?

23 JIM KISER: No, you don't any---

24

--

1 ROBERT L. KEENON: You have no obligation.

2 JIM KISER: There's no jurisdiction...no, there's
3 no jurisdiction. I think at least this client would probably
4 take the position this 112 is too big.

5 BILL HARRIS: Okay. You know, I didn't know what
6 legal obligation we had there. So, that's...I guess that was
7 my question.

8 BOB WILSON: Mr. Chairman.

9 BENNY WAMPLER: Mr. Wilson.

10 BOB WILSON: In the past, we have discussed this
11 problem with the Attorney General's office and we were
12 advised that we had absolutely no jurisdiction or control
13 once it reached the stateline. Our laws don't apply. So, we
14 merely end everything at that point. The same for
15 permitting. The same for pooling. We have no jurisdiction.

16 BILL HARRIS: Okay. I was just curious. Thank
17 you.

18 JIM KISER: In this particular case, the acreage
19 across the stateline would also be Buchanan Energy.

20 BILL HARRIS: Uh-huh, okay. Okay. Thank you.

21 BENNY WAMPLER: Other questions?

22 (No audible response.)

23 BENNY WAMPLER: Do you have anything further?
24
25

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

3 BENNY WAMPLER: Is there a motion?

4 DONALD RATLIFF: I move to approve as presented,
5 Mr. Chairman.

6 PEGGY BARBAR: Second.

7 BILL HARRIS: Second.

8 BENNY WAMPLER: Motion is 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 Columbia Natural Resources
18 for creation and pooling of conventional gas unit 25155,
19 docket number VGOB-05-0315-1419. We'd ask the parties that
20 wish to address the Board in this matter to come forward at
21 this time.

22 JIM KISER: Mr. Chairman, again, Jim Kiser and I
23 guess in this case I'll use Ms. Greene, Lynette Greene, on
24

1 behalf of Columbia Natural Resources. We'll have her sworn
2 in because she's going to have to testify in the next one.
3 But we're going to be able to withdraw this petition. It's
4 now a voluntary unit.

5 (Lynette Greene is duly sworn.)

6

7

LYNETTE GREENE

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

10

DIRECT EXAMINATION

11 QUESTIONS BY MR. KISER:

12 Q. Ms. Greene, if you'd state your name for the
13 Board, who you're employed by and in what capacity?

14 A. My name is Lynette Greene. I'm Senior Land
15 Representative for Columbia Natural Resources.

16 Q. And we'll cut to the chase, in this
17 particular unit, the only unleased interest that we was going
18 to have to pool is in Tract 2, which is a Plum Creek tract
19 that is the oil and gas lessee and that tract is Equitable
20 Production Company, is that true?

21 A. That's correct.

22 Q. And it represents 7.38% of the unit?

23 A. Correct.

24

--

1 Q. And it would be your testimony that as of, I
2 guess yesterday afternoon, your office received a signed
3 agreement from Equitable to voluntarily participate in this
4 unit?

5 A. That is correct.

6 JIM KISER: And as such, Mr. Chairman, we would
7 withdraw our application. It will be our position that it's
8 now a voluntary unit.

9 BENNY WAMPLER: We'd accept the withdrawal. The
10 next item on the agenda is a petition from Columbia Natural
11 Resources, LLC for creation and pooling of a conventional gas
12 unit 25404, docket number VGOB-05-0315-1420. We'd ask the
13 parties that wish to address the Board in this matter to come
14 forward at this time.

15 JIM KISER: Again, Mr. Chairman and Board members,
16 Jim Kiser, Lynette Greene and Robert Keenon on behalf of CNR.

17 BENNY WAMPLER: Sir, we'd just ask you to state
18 your name, please.

19 TONY McCLANAHAN: Tony McClanahan, (inaudible)
20 Estate.

21 BOB WILSON: Mr. Chairman.

22 BENNY WAMPLER: Mr. Wilson.

23 BOB WILSON: We had received some correspondence
24
25

1 and objection to and opposition to this pooling request,
2 which I'll pass out to the Board now. This first letter that
3 I'm passing a copy here came from the Elswick Family
4 Partnership, James Clevinger, Agent. We had similar letters
5 from Ms. Eloise McClanahan Keen, Ms. Peggy S. Mullins, Mr.
6 Timothy McClanahan, Mr. Tony Hess McClanahan. These letters
7 were...a copy was faxed to Mr. Kiser. We also received
8 communication from Mr. Denny A. Dotson, a copy of which I'll
9 also pass out to the Board. These letters contain
10 the...copies contain the letter received from the objecting
11 parties and the reply that was sent to them.

12 (Board members reviews the letters.)

13 BENNY WAMPLER: You probably have heard how we do
14 this. They'll present their case and then we'll give you an
15 opportunity to ask questions or make any statements you want
16 to, okay?

17 TONY McCLANAHAN: Okay.

18 BENNY WAMPLER: I'll put them on first.

19 TONY McCLANAHAN: Thank you.

20 JIM KISER: Okay, Mr. Chairman, before I start---.

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

23 JIM KISER: Okay, before I start with Ms. Greene's
24
25

1 testimony. Addressing the Dotson objection, Denny Dotson, we
2 did have a mistake on our original Exhibit B that showed him
3 as being leased when he was actually unleased. We corrected
4 that and provide him a new notice and revised exhibits
5 showing it correctly as being unleased. So, it probably at
6 least takes care of the first part of his objection. Ms.
7 Greene will address her efforts with James Clevinger, who she
8 has spoken with that represents himself as being an agent for
9 the Elswick Family Partnership, who is part of the letters
10 that were sent, with Tony McClanahan's objection.

11

12

LYNETTE GREENE

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

15

DIRECT EXAMINATION

16 QUESTIONS BY MR. KISER:

17 Q. Ms. Greene, if you'd again...if you'd
18 state...again, state your name, who you're employed by and in
19 what capacity?

20 A. My name is Lynette Greene and I'm a senior
21 land representative with Columbia Natural Resources.

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

24

25

1 A. Yes.

2 Q. And you're familiar with CNR's application
3 seeking to establish a drilling unit and pool any unleased
4 interest for CNR well number 25404, which was dated February
5 the 11th, 2005?

6 A. Yes.

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

9 A. Yes.

10 Q. And does the proposed unit as depicted at
11 Exhibit A, that being the plat to the application, include
12 all acreage within a 1250 foot radius of the proposed well?

13 A. Yes, it does.

14 Q. And prior to the filing of the application,
15 were efforts made to contact each of the oil and gas interest
16 owners within the unit and an attempt made to work out a
17 voluntary agreement with each of them?

18 A. Yes.

19 Q. Okay. The interest under lease to CNR
20 within the unit at this time?

21 A. It's 81.202%.

22 Q. And you're familiar with the ownership of
23 drilling rights of parties other than CNR underlying this

24

--

1 unit?

2 A. Yes.

3 Q. And what percentage is released at this
4 time?

5 A. 18.797.

6 Q. Now, subsequent to the filing of the
7 application, have you attempted to...have you continued to
8 attempt to reach a voluntary agreement with the released
9 respondents that are listed in B-3?

10 A. Yes.

11 Q. And so are all the released parties set out
12 in Exhibit B-3?

13 A. Yes.

14 Q. Now, amazingly enough this, however many
15 page exhibit it is, I don't think we've located every single
16 person, We don't have any unknown or unlocateable interest
17 owners, is that correct?

18 A. That's correct.

19 Q. So, in your professional opinion, was due
20 diligence exercised to located each of the respondents named
21 herein?

22 A. Yes.

23 Q. And are the addresses, to your best
24

--

1 knowledge as set out in Exhibit B to the application, the
2 last known addresses for the respondents?

3 A. Yes.

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

6 A. Yes.

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

10 A. Yes, I am.

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

13 A. A five dollar bonus for a five year term at
14 a one-eighth royalty.

15 Q. And did you gain your familiarity by
16 acquiring oil and gas leases and other agreements involving
17 the transfer of drilling rights---?

18 A. Yes.

19 Q. ---in the unit involved here and in the
20 surrounding area?

21 A. Yes.

22 Q. And in your professional opinion, do the
23 terms you've testified to represent the fair market value of
24

1 and fair and reasonable compensation to be paid for drilling
2 rights within this unit?

3 A. Yes.

4 Q. Now, based on your testimony as to the
5 respondents who remain unleased and listed at Exhibit B-3, do
6 you agree that they be afforded the following statutory
7 options with respect to their ownership interest within the
8 unit: 1) participation; 2) a cash bonus of five dollars per
9 net mineral acre, plus one-eighth of eight-eighths royalty;
10 or 3) in lieu of a cash bonus of one-eighth of eight-eighths
11 royalty a share in the operation of the well on a carried
12 basis as a carried operator under the following conditions:
13 Such carried operator shall be entitled to the share of
14 production from the tracts pooled accruing to his interest
15 exclusive of any royalty or overriding royalty reserved in
16 any leases or assignments thereof or agreements relating
17 thereto of such tracts but only after the proceeds applicable
18 to his share equal, A) 300% of the share of such costs
19 applicable to the interest of the carried operator of a
20 leased tract or portion thereof; or B) 200% of the share of
21 such costs applicable to the interest of the carried operator
22 of an unleased tract or portion thereof?

23 A. Yes.

24

--

1 Q. Do you recommend that the order provide that
2 elections by respondents be in writing and sent to the
3 applicant at Columbia Natural Resources, LLC, 900
4 Pennsylvania Avenue, Charleston, West Virginia 25302,
5 Attention: Lee Robinson?

6 A. Yes.

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

10 A. Yes.

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

15 A. Yes.

16 Q. Should unleased respondents be given thirty
17 days from the date that they received the recorded Board
18 order to file their written elections?

19 A. Yes.

20 Q. If an unleased respondent elects to
21 participate, should they be given forty-five days to pay the
22 applicant for respondents proportionate share of well costs?

23 A. Yes.

24

--

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

4 A. Yes.

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

10 A. Yes.

11 Q. Do you recommend that the order provide that
12 if a respondent elects to participate but fails to pay their
13 proportionate share of well costs, then respondents election
14 to participate should be treated as having been withdrawn and
15 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 well costs, any cash sum becoming
20 payable to that respondent be paid by the applicant within 60
21 days after the last date on which such respondent could have
22 paid their costs?

23 A. Yes.

24

--

1 Q. Do you recommend that the pooling order
2 provide that if a respondent refuses to accept any payment
3 due, including any payment due under said order, or any
4 payment of royalty or cash bonus...wait a minute, that's the
5 escrow question. We don't need an escrow account do we? We
6 don't have any---?

7 A. No...no.

8 Q. ---unknown or unlocateable parties?

9 A. No.

10 JIM KISER: Okay, that's all my questions for Ms.
11 Greene except for the fact if you'll...apparently, Mr. Wilson
12 got a group of letters objecting under this same objection.
13 The one that he sent me was...instead of sending me all of
14 them, he sent me one. The one that he sent me was from James
15 Clevinger, agent for the Elswick Family Partnership, and all
16 these interests, I believe, are in...unleased interest in
17 Tract 8 within the unit. I'd like to ask Ms. Greene if since
18 the time that we've received this objection letter, has she
19 had a chance to talk with Mr. Clevinger and what the results
20 of that talk have been.

21 LYNETTE GREENE: I spoke with Mr. Clevinger on the
22 9th. Anyway, his main concern was he was concerned with
23 surface activity on that tract. He had been approached in
24

1 the past several times by, not a Columbia employee, but a
2 contractor representing Columbia and he wanted to speak with
3 a Columbia employee. He understands the process of force
4 pooling. He knew we were going to go ahead and continue this
5 today. But he's trying to contact some of the family
6 members. He was going to call me back and schedule a meeting
7 that we could talk with him next week.

8 JIM KISER: When you say continue, you mean go
9 forward?

10 LYNETTE GREENE: Go forward, yes.

11 BENNY WAMPLER: Questions from members of the Board
12 of this witness?

13 (No audible response.)

14 BENNY WAMPLER: Are all of the people that...well,
15 I guess I should ask you. Are all of the people that you
16 listed as objecting listed as unleased owners here? Was
17 there anybody different?

18 TONY McCLANAHAN: No, there's one that ain't
19 listed.

20 BENNY WAMPLER: Who's that?

21 TONY McCLANAHAN: That's my mother, Eloise S.
22 Keene.

23 BENNY WAMPLER: Okay, have you got that?

24

--

1 TONY McCLANAHAN: She holds an interest in it too.
2 It's common knowledge at the courthouse. If they diligently
3 had searched, they would have found it.

4 BENNY WAMPLER: So your mother has an interest here
5 different than your interest---?

6 TONY McCLANAHAN: Yes.

7 BENNY WAMPLER: ---is that correct? What's her
8 full name?

9 TONY McCLANAHAN: Eloise S. Keene.

10 BENNY WAMPLER: Spell the last name.

11 TONY McCLANAHAN: K-E-E-N-E.

12 BENNY WAMPLER: Okay. Some of them spell it
13 differently is the reason I asked you to do that.

14 BOB WILSON: Mr. Chairman, that was one of the
15 individuals that we received a letter from.

16 TONY McCLANAHAN: Yes, she's sick.

17 BOB WILSON: Ms. Eloise McClanahan Keene.

18 TONY McCLANAHAN: Yeah, she's sick today.

19 BENNY WAMPLER: Okay, were there any others? In
20 other words, what I'm trying to reconcile, did you get
21 letters of objection from anyone who's not listed here?

22 TONY McCLANAHAN: There's other heirs that's in it
23 that is not listed there that I know of.

24

--

1 BENNY WAMPLER: Okay.

2 TONY McCLANAHAN: And whether they've received any
3 letters on it or anything, I do not know.

4 BENNY WAMPLER: Okay.

5 BOB WILSON: Apparently, the others have filed
6 letters with us are listed here.

7 BENNY WAMPLER: Okay. All right, do you want to go
8 ahead and make your statement now?

9

10 TONY McCLANAHAN: Yes, sir. We was suppose...I
11 want to recognize all the Board members. We was approached
12 by Columbia Gas or their representative about leasing our
13 rights. We have probably right at 1000 acres in there. We
14 own the coal, gas and mineral on it. We don't own the coal
15 on all of it. But the tract that they're wanting to drill
16 next to and is encroaching over on is a private boundary that
17 we have like a 160 acres. We're worried about the stratus of
18 that when they frac that ground that that coal is going to be
19 unrecoverable. We have all the seams that's underground.
20 Also, the watershed on it is a valuable resource. If you go
21 and buy you a bottle of water, you pay 99 cents for it. It's
22 almost as high as gas. It's going to ruin that. The
23 roadways coming in and out of this quadrant that they

24

--

1 suppose, I have called numerous times on them, the State
2 Police, the VDOT, Air and Quality Control in Richmond, the
3 Board...the Virginia Gas Control there. I hadn't had no
4 response until this...until we approached them and they found
5 out that we was protesting this. They brought some gravels
6 up there and took a snow blade and graded the road off. I
7 travel it everyday. I have to wash my vehicle on account of
8 them just because I want to go out of the hollow. I think
9 it's unfair. This road supplies four wells besides the
10 proposed wells that they've got on the agenda. They...like I
11 say, they did put gravels down and took a snow blade and
12 knocked it off. The road was used for years trucking slate
13 up there. The road is uneven. It lefts pools of mud in the
14 ruts where the coal trucks had run. I passed a friend of
15 mine the other day...I log for a living. When we get mud on
16 the road, they call the State Police. They put us to
17 cleaning the road. We call the State Police and they refer
18 us to VDOT. VDOT refers us to Oil and Gas. It's a...it's a
19 run around situation. But Gus said that they was hard to
20 deal with on these roadways, entry points. It's just a mess
21 in the hollow right now. This road that I'm speaking of
22 services this proposed well. Also, they have adequate room
23 to drill on their property without interfering with our

24

--

1 property.

2 BENNY WAMPLER: Is this well on your property---?

3 TONY McCLANAHAN: No, sir.

4 BENNY WAMPLER: ---this proposed well?

5 TONY McCLANAHAN: It's adjoining properties.

6 BENNY WAMPLER: Uh-huh.

7 TONY McCLANAHAN: I believe it's Eagle Coal
8 Corporation.

9 BENNY WAMPLER: Okay. Okay, go ahead and call your
10 next witness.

11 JIM KISER: Can I address his concerns first?

12 BENNY WAMPLER: Yes, sir.

13 JIM KISER: First it would be our position that Mr.
14 McClanahan's objections would be objections that should be
15 made to the permit application in the permitting process.
16 That permit has not been applied for yet. Second of all, I
17 would like to ask Ms. Greene, Ms. Greene, will there be
18 any...I mean, any surface disturbance at all on Tract 8,
19 which is the tract that Mr. McClanahan and the other
20 objecting parties have an interest in?

21 LYNETTE GREENE: No...no surface activity.

22 TONY McCLANAHAN: Can I also speak again?

23 BENNY WAMPLER: Yes, sir.

24

--

1 TONY McCLANAHAN: Thank you, sir. The...when they
2 come and propose to lease this, their quadrants is set up in
3 circles here, you know. All right, they've got it marked off
4 in squares. We asked, you know, if you drill here, what's
5 these corners? Whose them belong to? Where is that gas
6 coming from? It was made to us that that was free gas for
7 them. I don't agree with that. We ought to get paid for the
8 total acreage instead of their little circle that they draw.
9 I know the Board is probably set up that way. I'm...I'm new
10 to all of this.

11 BENNY WAMPLER: Well, a lot of it is what's in the
12 State law. You're talking about...the State law sets a
13 presumed area that it would be drained.

14 TONY McCLANAHAN: Right.

15 BENNY WAMPLER: And that's...it is a circle
16 for...for conventional gas.

17 TONY McCLANAHAN: Right.

18 BENNY WAMPLER: It's not like coalbed methane where
19 we've set field rules and set those up in adjoining squares
20 for the most part. There's some deviation from that. But
21 that part is correct as to anything. I mean, what we have
22 before us today shows everything identified within this
23 circle and nothing outside.

24

--

1 JIM KISER: It may...it may---

2 BENNY WAMPLER: But it is...but it is State law.

3 JIM KISER: He may be confused by the fact that the
4 plat is done as a square. So he may be thinking that nobody
5 is being compensated for that.

6 TONY McCLANAHAN: Well, it was their projected maps
7 that they brought up there and displayed to us and they had
8 it quadranted off, you know, as proposed sites to drill
9 (inaudible).

10 BENNY WAMPLER: Yeah, if you...and that's why the
11 Board did field rules on coalbed methane, if it's what you're
12 saying, if they've got a set...where they've got a bunch
13 of...these that aren't good circles, but where it's like
14 this, then this area in here is not presumed by law...by
15 State law to be drained by this well. So, it would take
16 another well in here to do that.

17 TONY McCLANAHAN: Yeah.

18 BENNY WAMPLER: Okay. Now, I'm not representing to
19 you that it's not being drained. I don't know. But the
20 State law presumes everything within that circle and not
21 beyond that circle for normal drainage for a well of that
22 size. Okay, that's...that's---

23 TONY McCLANAHAN: Well, if you frac the ground
24

1 around that perimeter, more than likely it's going to reach
2 on out, you know, a certain percentage. That's why I say, we
3 will be losing gas that they're not paying for. That's
4 totally wrong whether you'uns recognize it or the State or
5 whoever controls that end of it. I'm not saying that you'uns
6 control it, you understand. But I'm saying it would be a
7 loss for us to sign a lease that gives us less than what we
8 own, would it not?

9 BENNY WAMPLER: Well, you know, I can't tell you
10 whether to sign the lease or not.

11 TONY McCLANAHAN: Right, I understand.

12 BENNY WAMPLER: But I can tell you that under State
13 law, what you're dealing with here and what the Board's
14 dealing with is only what this is presumed within this
15 circle.

16 TONY McCLANAHAN: Yes, sir.

17 BENNY WAMPLER: Anything outside that would be in a
18 separate Court of law or, you know, changing...getting the
19 law changed to presume something different.

20 TONY McCLANAHAN: Uh-huh.

21 BENNY WAMPLER: Do you see what I'm saying? I want
22 to make sure you understand what I'm trying to tell you.

23 Even if the Board approves this application and you'll get a
24

1 second shot, you know, to accept to lease or be deemed to
2 have leased or any of those factors that he brought, it is
3 only for this circle here.

4 TONY McCLANAHAN: Right, sir. But I'm saying the
5 circle ain't even...even right because it has never been
6 engineered.

7 BENNY WAMPLER: Well, you're saying that when
8 people frac, the gas is going to drain further out?

9 TONY McCLANAHAN: No, this property has never been
10 engineered or anything.

11 BENNY WAMPLER: Never been surveyed?

12 TONY McCLANAHAN: If they engineered it, they
13 trespassed because---

14 BENNY WAMPLER: Do you mean surveyed?

15 TONY McCLANAHAN: Yes, sir.

16 BENNY WAMPLER: Okay.

17 TONY McCLANAHAN: To prove that, what is it,
18 30...30 some acres...32 acres or 34 acres or something like
19 that?

20 BENNY WAMPLER: What the unit? I think it showed a
21 112 acres.

22 JIM KISER: It's 112.69.

23 BENNY WAMPLER: Almost 113 acres.

24

--

1 TONY McCLANAHAN: Yeah, but it encompasses what?

2 MASON BRENT: He's talking about his interest,
3 which is 34.55.

4 BENNY WAMPLER: Yeah, your interest, right.

5 TONY McCLANAHAN: 30...yeah. See that has never
6 been surveyed and they haven't had no right to come over on
7 that property to survey it. Where did they get their figures
8 from?

9 BENNY WAMPLER: Do you want to address that?

10 JIM KISER: Well, we filed a surveyed well plat.
11 They probably didn't come on your surface because they didn't
12 have to in order to do the plat. I'm sure the---

13 TONY McCLANAHAN: They'd had to got GPS stations up
14 there or---

15 JIM KISER: Yeah, we don't have the...Doug Light is
16 our surveyor. He's not here. I guess we would have had him
17 here if the objection would have called for the plat into
18 play.

19 BOB WILSON: Mr. Chairman.

20 BENNY WAMPLER: Mr. Wilson.

21 BOB WILSON: I might clear up one point. By
22 convention and regulation, the dashed lines on the plat
23 indicates that these property lines were not surveyed. They

24

--

1 were based on leased descriptions. If they were surveyed,
2 they should be represented as solid lines.

3 BENNY WAMPLER: Solid lines.

4 TONY McCLANAHAN: That's right.

5 BENNY WAMPLER: You can go ahead and call your next
6 witness.

7

8

9

10 ROBERT L. KEENON

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. KISER:

13 Q. Mr. Keenon, could you state your name for
14 the Board, who you're employed by and in what capacity?

15 A. Robert L. Keenon. I'm employed by Columbia
16 Natural Resources, LLC as a senior engineer in the
17 engineering department.

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

20 A. They do.

21 Q. And you're familiar with the proposed
22 exploration for this unit?

23 A. Yes.

24

--

1 Q. And the total depth of this well under the
2 plan of development?

3 A. 5800 feet.

4 Q. And is the applicant requesting the force
5 pooling of conventional gas reserves, not only to include the
6 designated formations, but any other formations excluding
7 coal formations which may be between those formations
8 designated from the surface to the total depth drilled?

9 A. They do.

10 Q. And what are the estimated reserves for this
11 unit?

12 A. 400 million standard cubic feet.

13 Q. Now, are you familiar with the well costs
14 for this proposed well?

15 A. Yes.

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

18 A. Yes.

19 Q. Was this AFE prepared by engineering
20 department knowledgeable in the preparation of AFEs and
21 knowledgeable in regards to well costs in this area?

22 A. Yes.

23 Q. In your opinion, does the AFE represent a
24

1 reasonable estimate of the well costs?

2 A. Yes.

3 Q. Could you state for the Board what the dry
4 hole costs and completed well costs are?

5 A. The estimated dry hole cost are \$223,441.
6 The completed well costs including well liner are \$442,561.

7 Q. And do these costs anticipate a multiple
8 completion?

9 A. Yes.

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, 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: Do you have any questions, Mr.
21 McClanahan? Do you have any further comments?

22 TONY McCLANAHAN: Just a question. On the
23 correctness of their figures on the acreage that they're

24

--

1 encroaching on us and on the maintenance of the roadways.

2 BENNY WAMPLER: The Board is only addressing the
3 application. It is correct that Mr. Wilson's office will
4 address them. He'll take what you said as a complaint and
5 they'll follow up with the roadway to ensure that that's in
6 compliance.

7 TONY McCLANAHAN: Well, I called Reed this morning
8 and talked to him. You're probably familiar with
9 Reed...Reed.

10 BOB WILSON: No, sir.

11 TONY McCLANAHAN: Reed Stanford.

12 BOB WILSON: No, sir. I don't know him. Who is he
13 with?

14 TONY McCLANAHAN: VDC or something or another like
15 that.

16 BOB WILSON: No, sir, I don't know him. I can tell
17 this, just for your information and the Board's information,
18 that the problems in that area have been addressed with
19 enforcement actions including notice of violation and closure
20 orders. So, it's...the problem is actively being addressed
21 by our respective people.

22 TONY McCLANAHAN: Well, it's not being addressed by
23 the parties here.

24

--

1 BOB WILSON: That's our responsibility to enforce
2 there.

3 TONY McCLANAHAN: Right. But as...when I come down
4 this morning, it was the same old stuff on the road, you
5 know. So, you know, if it's yours and don't lay on you'uns,
6 I understand that.

7 BENNY WAMPLER: No, that's what I---.

8 TONY McCLANAHAN: I appreciate you talking to me on
9 it too.

10 BENNY WAMPLER: Right. That's what I'm saying.
11 He'll take it as a complaint and they'll revisit it. If it's
12 a problem, they'll write them up and require them to get it
13 right.

14 TONY McCLANAHAN: Well, I appreciate that now.

15 BENNY WAMPLER: Yes, sir.

16 DONALD RATLIFF: Mr. Chairman, it sounds like you
17 may not be connecting with the right group because you're not
18 familiar with the person he's talking to.

19 BOB WILSON: He mentioned earlier Gus.

20 BENNY WAMPLER: Gus, I did hear him---.

21 TONY McCLANAHAN: Gus is---.

22 BOB WILSON: Gus Janson is our inspector there.
23 Gus has been---.

24

--

1 DONALD RATLIFF: Okay.

2 TONY McCLANAHAN: Well, I took it that this was his
3 head man. So, I don't know.

4 BOB WILSON: No, sir.

5 BENNY WAMPLER: No, somebody different.

6 TONY McCLANAHAN: I have his phone number in what
7 you call it. You can call him.

8 BENNY WAMPLER: That's somebody we're not familiar
9 with. But Mr. Wilson is the Director of the Gas and Oil
10 Division. He's Gus' boss.

11 TONY McCLANAHAN: Okay. Yeah, Gus, he said he
12 talked to someone.

13 BILL HARRIS: Mr. Chairman, just a comment about
14 the plat. One of the first thing I had difficulty with is
15 finding which tract was which because the tracts are not
16 numbered. Is there some way to ask maybe in the future that
17 we number these tracts? I see a 40 acre tract and then I'll
18 have to flip through and find out who has 40 acres. Do you
19 see what I'm saying?

20 JIM KISER: Yes, we can do that.

21 BILL HARRIS: Do you see what I'm saying? If we
22 could just have just the number that we can reference to the
23 list so when we are talking about a particular area, it would
24

1 be easier to find it. Thank you.

2 BENNY WAMPLER: I had a question...I had a question
3 about...I guess it may be spelling, but it may not be. Under
4 Tract 4, you have a Edith and I don't know how to say that,
5 is it Yuhaz or---?

6 TONY McCLANAHAN: Yuhaz.

7 LYNETTE GREENE: That's the correct spelling.

8 BENNY WAMPLER: Yuhaz.

9 TONY McCLANAHAN: Yuhaz.

10 BENNY WAMPLER: All right. When you look over
11 several pages...after Tract 4 if you turn two pages and then
12 on that third page over near the bottom of the page, third
13 from the bottom, there's Edith Y-U-A-Z who's leased.

14 LYNETTE GREENE: That's---.

15 BENNY WAMPLER: Is that Y-U-H-A-Z?

16 LYNETTE GREENE: That's correct.

17 BENNY WAMPLER: Okay.

18 LYNETTE GREENE: That's correct.

19 BILL HARRIS: Well, they're different---.

20 BENNY WAMPLER: But one is leased and one is
21 unleased.

22 LYNETTE GREENE: On different tracts.

23 BENNY WAMPLER: Okay, all right. But it is the
24

--

1 same person?

2 LYNETTE GREENE: Right, same person.

3 BILL HARRIS: Well, it had a different mailing
4 address though in those two instances.

5 LYNETTE GREENE: Different name and addresses.

6 BENNY WAMPLER: That one did. Yeah, that one did.

7 SHARON PIGEON: The box numbers.

8 BENNY WAMPLER: 493 versus 63.

9 LYNETTE GREENE: Oh, it does, yes.

10 BENNY WAMPLER: So, I didn't know if that was---.

11 LYNETTE GREENE: That is the same person.

12 BILL HARRIS: Same person.

13 BENNY WAMPLER: Same person, okay. All right.

14 TONY McCLANAHAN: Can I help with maybe some of
15 this?

16 BENNY WAMPLER: Yes, sir.

17 TONY McCLANAHAN: The McClanahan tract, which is
18 the James Milton Estate, there's several tracts in this next
19 two where they're opposing this. They combined it all in
20 one. But there's several tracts in that quadrant. They've
21 not got separated out. It's divided up---.

22 BENNY WAMPLER: Okay.

23 TONY McCLANAHAN: ---in several tracts. I'd like
24

1 to mention that.

2 DONALD RATLIFF: Mr. Chairman, and which tract is
3 your mother in?

4 TONY McCLANAHAN: In the same tract that mine is,
5 which would be the---

6 BENNY WAMPLER: Tract 8?

7 TONY McCLANAHAN: ---I believe it's this 290. I'm
8 like him, I couldn't---

9 BENNY WAMPLER: Couldn't tell either.

10 TONY McCLANAHAN: ---really cipher where they're
11 at. But I believe it's this 290 acre tract that they're
12 calling.

13 BENNY WAMPLER: Yeah, I was going to go back and
14 ask them to address your mother here.

15 JIM KISER: We did the title and we don't show her
16 having any ownership interest. If you've got some
17 documentations or instruments showing that, she does need to
18 show them to me.

19 TONY McCLANAHAN: Well, that ain't my job to
20 furnish you with the information. It is provided in the
21 courthouse. You know---

22 BENNY WAMPLER: But you're sure she does have title
23 to the land?

24

--

1 TONY McCLANAHAN: Oh, I know she does.

2 JIM KISER: Well, our title doesn't show her as
3 having.

4 TONY McCLANAHAN: I've lived there all my life.

5 JIM KISER: That's one of his objections. That's
6 his burden.

7 TONY McCLANAHAN: It's not my objection. It's her
8 objection.

9 JIM KISER: Well, if that's hers, then it is their
10 burden. She's not here.

11 TONY McCLANAHAN: She's sick, going into the
12 hospital tomorrow or the next day. She had tests run
13 yesterday.

14 BENNY WAMPLER: Well, I differ with you when you
15 say, it's clearly his burden or her burden. You've got a due
16 diligence burden.

17 JIM KISER: And we're saying we met it.

18 BENNY WAMPLER: And it has been challenged. And
19 you're saying when it's being challenged, it's their burden?

20 JIM KISER: Right.

21 BENNY WAMPLER: And you have testimony here on
22 record of saying that his mother owns that. Don't you think
23 that just calls to question as something that you would at

24

--

1 least try to revisit and reconcile.

2 JIM KISER: Yeah, we'll be glad to look it. But, I
3 mean, to...I'm not saying we won't look at it.

4 BENNY WAMPLER: Okay.

5 TONY McCLANAHAN: I have her phone number if you'd
6 like to call her and verify what I say.

7 BENNY WAMPLER: Do you have anything further, Mr.
8 Kiser?

9 JIM KISER: I don't think so. Just that we ask
10 that the application be approved as submitted.

11 BENNY WAMPLER: Do you have anything further, Mr.
12 McClanahan?

13 TONY McCLANAHAN: No, I guess that about covers it.

14 BENNY WAMPLER: Mr. Wilson.

15 BOB WILSON: Mr. Chairman, were there revised
16 exhibits to be presented with this? The---.

17 JIM KISER: The revised exhibit was sent in
18 relation to error on the Denny Dotson tract---.

19 BOB WILSON: Oh, you guys...I guess they got in
20 your files and didn't get in mine then. Okay, okay.

21 JIM KISER: Okay. Yeah, they were sent---.

22 DONALD RATLIFF: That's what this---.

23 BOB WILSON: Okay, thank you.

24

--

1 JIM KISER: ---quite some time ago. But it was to
2 address the mistake we made on whether or not Mr. Dotson was
3 leased or unleased.

4 BOB WILSON: Yeah. We---.

5 SHARON PIGEON: We have a Myrtle Keen without an e
6 on the end of it. Is that the right spelling?

7 TONY McCLANAHAN: Um, now I don't know on Myrtle
8 now.

9 SHARON PIGEON: Okay.

10 DONALD RATLIFF: That's a different person?

11 TONY McCLANAHAN: Yes.

12 SHARON PIGEON: Yeah, I know it's a different
13 person. But I thought he might know.

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

16 BOB WILSON: No, sir.

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

19 (No audible response.)

20 BENNY WAMPLER: Is there a motion?

21 DONALD RATLIFF: Before we make a motion, Mr.
22 Chairman, let me ask a question. If we approve this and they
23 find that there are additional owners, we're not

24

--

1 sealing...we're not blocking them out, right?

2 BENNY WAMPLER: No.

3 JIM KISER: No.

4 BENNY WAMPLER: No, you'll never block them out.

5 JIM KISER: We'd come back and repool it.

6 BENNY WAMPLER: The burden they have in law is 25%
7 leased and they've got 70---

8 JIM KISER: 81.

9 BENNY WAMPLER: 81%.

10 LYNETTE GREENE: 81.

11 BENNY WAMPLER: So they've met the burden of law to
12 be able to pool.

13 TONY McCLANAHAN: But them actually ain't correct,
14 if I may interject, because all the heirs is not on there.
15 They can't correct their figures and say they're correct if
16 all the heirs was not on there, can they?

17 JIM KISER: Well, we would still---

18 BOB WILSON: Well---

19 JIM KISER: ---easily meet the 25% burden because
20 this represents a less...about maybe a third of the unit if
21 the entire tract was unleased, which it's not. What we'll be
22 glad to do is represent to the Board on the record, that we
23 will talk with Mr. McClanahan and work with him and then

24

--

1 either my abstractors or CNR's (inaudible) people will go
2 back into the courthouse and try to determine who's correct
3 on whether or not we've got everybody and if it turns out
4 that Mr. McClanahan is correct, then we'll come back before
5 you and repool this well.

6 BENNY WAMPLER: Does that make sense to you, Mr.
7 McClanahan?

8 DONALD RATLIFF: I move to approve the application,
9 Mr. Chairman.

10 BENNY WAMPLER: Is there a second?

11 MASON BRENT: I second.

12 BENNY WAMPLER: Motion is 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. Just understand
21 Mr. Wilson will work with you on the road and, you know,
22 we'll stay with it until we get it right.

23 TONY McCLANAHAN: Okay, thank you.

24

--

1 (Jim Kiser confers with Tony McClanahan.)

2 BENNY WAMPLER: The next item on the agenda is a
3 petition from Hard Rock Exploration, Inc. for repooling of
4 conventional gas unit HRVAE #2, docket number VGOB-04-1214-
5 1374-01. We'd ask the parties that wish to address the Board
6 in this matter to come forward at this time.

7 JIM KISER: Mr. Chairman and Board members, Jim
8 Kiser and Jim Talkington on behalf of Hard Rock Exploration.
9 We'd ask that Mr. Talkington be sworn at this time.

10 (Jim Talkington is duly sworn.)

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

13 JIM KISER: Here's an example, I guess, of what Mr.
14 McClanahan is talking about. If he turns out to be right,
15 we'll be glad to, obviously, do that instance too. This was
16 a well that we had before the Board on the December docket
17 for force pooling and some subsequent due diligence and title
18 work has led us back here to repool it as to Tract #10 only,
19 which involves the Carolyn Cole heirs. They had subsequent
20 title work that Mr. Talkington has done. If you'll take a
21 look at the exhibit on that tract, hopefully, it's somewhat
22 clear to you what...what we're doing here. A single asterisk
23 means that the undivided interest in that tract has been

24

--

1 leased...was actually leased to Virginia Gas and then through
2 Appalachian Energy's purchase is now under lease to
3 Appalachian Energy. The double asterisk interest, which are
4 just two, are undivided interest that are under lease to CNX.
5 Then the Thurman Cooper and Iris Cooper interest is actually
6 unleased to anyone, Hard Rock, Appalachian Energy or CNX.
7 Mr. Talkington is working with Mr. Cooper to obtain a
8 voluntary lease on that now. So, it clears up a tract that
9 wasn't as clear in December.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

JIM TALKINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. I'll ask Mr. Talkington to state his name, who he's employed by and in what capacity?

A. My name is Jim Talkington.

JIM KISER: We didn't swear him, did we?

A. Yes, we did.

COURT REPORTER: Yes, we did.

JIM KISER: We did, okay.

A. Landman for Hard Rock Exploration.

Q. And, Mr. Talkington, have you been working with both my office and on your own to attempt to straighten out the undivided ownership within this Tract 10?

A. Yes, sir, I have.

Q. And we've come to the conclusion that we've represented in this repooling on our Exhibit B as to what...what those undivided interest are and who they're leased to or who they're not leased to?

A. That's correct.

Q. And you have been attempting and are

1 attempting to obtain a voluntary lease from Thurman Cooper?

2 A. Yes, I have.

3 JIM KISER: Okay. That's really all I have, Mr.
4 Chairman. That's the only change we're making from the
5 December application.

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

8 (No audible response.)

9 BENNY WAMPLER: Is there a motion?

10 DONALD RATLIFF: I move to approve as presented.
11 Mr. Chairman?

12 BILL HARRIS: Second.

13 PEGGY BARBAR: Second.

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

16 (No audible response.)

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

19 (All members signify by saying yes.)

20 BENNY WAMPLER: Opposed, say no.

21 (No audible response.)

22 BENNY WAMPLER: You have approval. Thank you very
23 much.

24

--

1 BOB WILSON: Mr. Chairman.

2 BENNY WAMPLER: Mr. Wilson.

3 BOB WILSON: I'd like to ask the Board's okay to
4 issue one order based on today's transaction rather than the
5 original approval.

6 BENNY WAMPLER: That makes sense. Okay, you've got
7 that approval.

8 BOB WILSON: Thank you.

9 BENNY WAMPLER: Thank you.

10 SHARON PIGEON: Just make sure you note that in the
11 testimony.

12 BENNY WAMPLER: The next item on the agenda is a
13 petition from EOG Resources, Inc. for pooling of a
14 conventional gas unit PKM-23, docket number VGOB-05-0315-
15 1421. We'd ask the parties that wish to address the Board in
16 this matter to come forward at this time.

17 (Board confers among themselves.)

18 TIM SCOTT: Good morning.

19 BENNY WAMPLER: Good morning. Go ahead and
20 identify yourself for the record.

21 TIM SCOTT: I'm Tim Scott, Counsel for EOG
22 Resources, Inc., Peter Bacon and Mike McCowan, also from EOG.
23 The first item on the docket is item 1421 and during our
24

1 title examination, we located an interest in Norfolk Southern
2 Railway Company. So we'd ask that this matter be passed
3 until the April hearing so that we can notify Norfolk
4 Southern.

5 BENNY WAMPLER: Mr. Kiser, do you want to go ahead
6 and identify yourself for the record? Are you here
7 officially?

8 TIM SCOTT: We've got one...he's going to be on
9 another one with me.

10 BENNY WAMPLER: But, I mean, so we can---

11 JIM KISER: Okay, Jim Kiser on behalf of Equitable
12 Resources...Equitable Production Company.

13 BENNY WAMPLER: I'd also like just to go to number
14 eighteen since we got a letter on eighteen.

15 TIM SCOTT: Yes, I want to go to that one too, Mr.
16 Chairman.

17 BENNY WAMPLER: Continue that one as well?

18 TIM SCOTT: What we did...Mr. Kiser represents
19 Equitable, of course, and we've...are...have made some
20 overtures to reach an agreement for participation and we'd
21 like to continue that until April---

22 BENNY WAMPLER: Okay.

23 TIM SCOTT: ---so that we can continue the dialogue
24

1 between...between the parties, okay?

2 BENNY WAMPLER: I'll just dispense with that, yes,
3 sir. I said eighteen. That's docket number VGOB-05-0315-
4 1426. That's continued until next month. The next item on
5 the agenda is a petition from EOG Resources, Inc. for pooling
6 of a conventional gas unit PKL-23, docket number VGOB-05-
7 0315-1422. We'd ask the parties that wish to address the
8 Board in this matter to come forward at this time.

9 TIM SCOTT: Tim Scott for EOG, Peter Bacon for EOG
10 and Mike McCowan for EOG. And these gentlemen have not
11 testified before, so I did make copies of their resumes for
12 the Board.

13 BENNY WAMPLER: Good.

14 TIM SCOTT: I didn't make enough though.

15 BENNY WAMPLER: And you're going to tell us who EOG
16 is too, right?

17 TIM SCOTT: Yes, sir.

18 (Tim Scott passes out the resumes.)

19 TIM SCOTT: I'll get these gentlemen sworn and they
20 can identify themselves and give you a little information
21 about their company.

22 (Peter Bacon and Michael McCowan are duly sworn.)

23 TIM SCOTT: Would you identify yourself, Mr. Bacon?

24

--

1 PETER BACON: My name is Peter Bacon.

2 TIM SCOTT: And by whom are you employed?

3 PETER BACON: EOG Resources, Inc.

4 TIM SCOTT: And would you give us a little bit of
5 history about EOG, as well as your professional background?

6 PETER BACON: Well, I am the land manager for EOG's
7 Pittsburgh division. EOG Resources is a Houston based
8 company with a market capitalization of approximately...
9 depends on any day, but between eight and ten billion
10 dollars. We have offices in Houston, Oklahoma City, Corpus
11 Christi, Denver, Midland, Calgary and an office in
12 England...in London and Trinidad and Tobago. We are
13 predominantly natural gas producers and have a very large
14 footprint in North American gas including Canada and as well
15 as interest in the North Sea and Trinidad and Tobago. The
16 Pittsburgh division office has...is located in Canonsburg,
17 Pennsylvania and it has been open for a little over four
18 years now.

19 TIM SCOTT: Could you tell us a little bit about
20 your background, please?

21 MICHAEL McCOWAN: Well, I've been in the oil and
22 gas business for a little over twenty-five years. I've been
23 a land manager for several fortune 500 companies over the

24

--

1 last ten or twelve years. I've worked pretty much every
2 producing hydrocarbon basin west of the Mississippi including
3 Alaska and offshore Gulf coast and offshore California and
4 offshore Alaska. But my position out here with EOG, I've
5 only been with them for a year and it has always been
6 Canonsburg and this the first time I've ever worked anything
7 east of the Mississippi. So, this is all new to me.

8 TIM SCOTT: Any questions from any members of the
9 Board for Mr. Bacon---?

10 DONALD RATLIFF: Where is your office located?

11 PETER BACON: The Pittsburgh office is located in
12 Canonsburg, Pennsylvania, but EOG Resources Corporate
13 headquarters is in Houston.

14 BENNY WAMPLER: Does EOG stand for anything---?

15 BILL HARRIS: Yeah.

16 BENNY WAMPLER: ---or is it just...is that how
17 you're known and traded?

18 PETER BACON: EOG stands for Energy, Opportunity
19 and Growth.

20 BENNY WAMPLER: Okay, you may proceed.

21 TIM SCOTT: Mr. McCowan, if you'd give a little
22 history about your background in the industry, please.

23 MICHAEL McCOWAN: My name is Michael McCowan. I'm
24
25

1 operations manager for EOG Resources. I've got a B. S.
2 Degree in Civil Engineering. I'm a registered, professional
3 petroleum engineer in West...in West Virginia and Ohio. I've
4 got twenty-nine years of experience in the industry. The
5 vast majority of that is in the Appalachian Basin with
6 Pennsoil and Bevin. I've been with EOG for about year now.
7 I'm responsible for the company's drilling and production
8 efforts throughout Appalachian Basin.

9 TIM SCOTT: Any questions for Mr. McCowan?

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

12 (No audible response.)

13 TIM SCOTT: Okay, we'll proceed with---.

14 BENNY WAMPLER: You may proceed.

15 TIM SCOTT: ---our application.

16 BENNY WAMPLER: Uh-huh.

17

18 PETER BACON

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

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SCOTT:

23 Q. Mr. Bacon, you indicated you are with EOG

24

--

1 Resources, Inc. Again, just for the record, give us your job
2 description.

3 A. I'm the land manager for the Pittsburgh
4 Division (inaudible).

5 Q. Does that include the area that's the
6 subject of this application?

7 A. Yes, it does.

8 Q. Okay. Are you familiar with EOGs
9 application for Plum Creek well number 4-05?

10 A. Yes, I am.

11 Q. Is this unit located within the Pilgrim's
12 Knob Gas Field?

13 A. Yes, it is.

14 Q. And the unit designation is what?

15 A. 180 acres.

16 Q. It's a 180 acre unit. Does EOG have
17 drilling rights in this unit?

18 A. Yes, it does.

19 Q. And are there...what's the percentage of the
20 unit does EOG have under lease?

21 A. 89.56%.

22 Q. Are there any respondents listed as unleased
23 on Exhibit B-2 that should be dismissed from this

24

--

1 application?

2 A. No.

3 Q. Now, the...obviously, the applicant and
4 pooling applications are required to notify the parties
5 listed on Exhibit B, and how is that done?

6 A. By certified mail return---.

7 Q. Was---?

8 A. ---receipt requested.

9 Q. Okay. Was notice perfected by any other
10 means?

11 A. Yes, it was published in the Bristol Herald
12 Courier on February the 18th of '05.

13 Q. Okay. Have proofs of mailing and Affidavit
14 for publication been provided to the Board?

15 A. Yes, they have.

16 Q. Okay. Are there any unknown owners of this
17 unit?

18 A. No, there are not.

19 Q. Okay. Are the last known addresses of the
20 parties listed on Exhibit B to the pooling application?

21 A. Yes, they are.

22 Q. Is EOG authorized to conduct business in
23 Virginia?

24

--

1 A. Yes, they are.

2 Q. And you have a blanket bond on file with the
3 Department of Mines, Minerals and Energy?

4 A. Yes, we do.

5 Q. Mr. Bacon, are you ongoing or making ongoing
6 efforts to reach voluntary agreements with the parties listed
7 on Exhibit B-2?

8 A. Yes, we are.

9 Q. If you were to reach an agreement with these
10 parties, what would be the terms that would be offer to these
11 persons?

12 A. For?

13 Q. For the lease.

14 A. For an unleased interest?

15 Q. Yes, yes, yes, sir.

16 A. Five dollars per acre bonus for a five year
17 term and a one-half royalty.

18 Q. Okay. Do you believe this represents a fair
19 and reasonable value for a lease in this area?

20 A. Yes, I do.

21 Q. What percentage of the oil and gas estate
22 are you seeking to pool?

23 A. Approximately 10.44%.

24

--

1 Q. Okay. Is there an escrow requirement for
2 this unit?

3 A. No.

4 Q. Are you requesting the Board to pool the
5 parties listed on Exhibit B-2 with whom you've not reached a
6 voluntary agreement?

7 A. Yes, we are.

8 Q. Are you requesting that EOG be named
9 operator for this unit?

10 A. Yes, we are.

11 TIM SCOTT: That's all the questions I have for Mr.
12 Bacon.

13 BENNY WAMPLER: You left off the mailing address.

14 TIM SCOTT: Pardon?

15 BENNY WAMPLER: With what mailing address.

16 Q. Okay. What would be the mailing address for
17 EOG, please?

18 A. It would be South Point...it would be EOG
19 Resources, Inc., South Point Plaza One, 400 South Point
20 Boulevard, Ste. 300, Canonsburg, Pennsylvania, and I believe
21 it's 15317.

22 BENNY WAMPLER: Thank you. Questions from members
23 of the Board of this witness?

24

--

1 (No audible response.)

2 BENNY WAMPLER: Call your next witness.

3

4 MICHAEL McCOWAN

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

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. SCOTT:

9 Q. Mr. McCowan, I'd like for you to again tell
10 us what your position is with EOG Resources?

11 A. I'm the operations manager for EOG
12 Resources. I'm responsible for drilling and production in
13 this area.

14 Q. In this particular area?

15 A. Yes.

16 Q. Okay. And you are familiar with the
17 application before the Board?

18 A. Yes.

19 Q. Are you familiar with the total depth of the
20 proposed well?

21 A. Yes. Estimated 5970 feet.

22 Q. Are you requesting the Board to force pool
23 oil and gas reserves to the designated formations and

24

--

1 everything in between, but excluding coal?

2 A. Yes.

3 Q. What are the estimated reserves of this
4 unit?

5 A. 300 million cubic feet.

6 Q. And are you familiar with the well costs for
7 this proposed well?

8 A. Yes.

9 Q. Did you participate in preparing the AFE,
10 which has been submitted to the Board?

11 A. Yes, I prepared the AFE.

12 Q. Okay, what is...what is the estimated dry
13 hole costs?

14 A. Dry hole estimates \$231,500.

15 Q. And what's the estimated completed well
16 costs?

17 A. \$369,700.

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

20 A. Yes, it does.

21 Q. In your opinion, would the granting of this
22 application be in the best interest of conversation,
23 prevention of waste, and protection of correlative rights?
24

1 A. Yes.

2 TIM SCOTT: That's all the questions I have for Mr.
3 McCowan.

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

6 BILL HARRIS: Mr. Chairman.

7 BENNY WAMPLER: Mr. Harris.

8 BILL HARRIS: Yeah. I have the AFE. I don't see a
9 signature on it. Normally, we get these signed.

10 PETER BACON: We would be happy to provide you with
11 a signed copy and, again, this may be a regional nuance, but
12 in other parts of the country, an AFE is simply an estimate
13 or a unit cost estimate, and some countries sign them and
14 some don't. We'd be happy in the future, including these, to
15 provide you with signed copies and make sure that we do so in
16 the future.

17 BENNY WAMPLER: Is the original signed?

18 BOB WILSON: No, sir.

19 BENNY WAMPLER: Yeah, we do require them to be
20 signed.

21 PETER BACON: Okay.

22 DONALD RATLIFF: Mr. Chairman, just a small
23 technicality, but the dry hole cost on the AFE is

24

--

1 30...231,300 and he testified 500.

2 BENNY WAMPLER: He said it was 500.

3 MICHAEL McCOWAN: Yeah, I apologize.

4 TIM SCOTT: Is that correct, Mr. McCowan,---?

5 MICHAEL McCOWAN: Yes.

6 TIM SCOTT: ---233,300...231,300?

7 MICHAEL McCOWAN: Yes.

8 TIM SCOTT: Okay.

9 BENNY WAMPLER: Any other comments?

10 DONALD RATLIFF: And the permits are applied for
11 or---?

12 PETER BACON: The permit has been applied for.

13 BENNY WAMPLER: Do you have anything further, Mr.
14 Scott?

15 TIM SCOTT: That's all I have. I'd just ask that
16 the Board approve the application as submitted.

17 BENNY WAMPLER: Is there a motion?

18 DONALD RATLIFF: It was quick. I'm not sure we got
19 all the information. But I'll...I move for the approval, Mr.
20 Chairman.

21 BENNY WAMPLER: I have a motion to approve.

22 DONALD RATLIFF: I don't know what we're missing.

23 PEGGY BARBAR: I'll second.
24
--

1 BENNY WAMPLER: Motion to approve and second. Is
2 there any further discussions?

3 (No audible response.)

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

6 (All members signify by saying yes.)

7 BENNY WAMPLER: Opposed, say no.

8 (No audible response.)

9 BENNY WAMPLER: One thing he didn't testify to, but
10 was in the law...and some others do put that into the record,
11 is what the requires as far as people...election options and
12 different things like that.

13 TIM SCOTT: Well, Mr. Chairman, you know, I know
14 that's...I know that there are other...other testimony to
15 that effect, but I think it's sort of duplicative, inasmuch
16 as that's what's required anyway. If the Board would like
17 that in the future, I'd be glad to. But it's statutory. So,
18 I would just be reading out of the statute.

19 BENNY WAMPLER: Ones that do it, do it because
20 they...they choose to put that in the record. It is required
21 by law. I was just pointing out that that's a part of
22 what...why you got through---

23 TIM SCOTT: Right.

24

--

1 BENNY WAMPLER: ---it quickly.

2 TIM SCOTT: Right. Yes, sir.

3 BENNY WAMPLER: The next item on the agenda is a
4 petition from EOG Resources, Inc. for pooling of a
5 conventional gas unit PKL-25, docket number VGOB-05-0315-
6 1423. We'd ask the parties that wish to address the Board in
7 this matter to come forward at this time.

8 TIM SCOTT: Tim Scott for EOG, Skip, or Peter,
9 Bacon for EOG and Mike McCowan for EOG. Gentlemen, you
10 are...remember you're still under oath.

11 BENNY WAMPLER: The record will show there are no
12 others. You may proceed. It sounds like you've got a
13 nickname there already.

14 PETER BACON: I do.

15 TIM SCOTT: I've written it all over all of my
16 documents. So, it's a little hard for me not to say it.

17

18 PETER BACON

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SCOTT:

21 Q. Again, would you state your name for the
22 record?

23 A. Peter Bacon.

24

--

1 Q. And by whom are you employed?
2 A. EOG Resources, Inc.
3 Q. And what is your job description, Mr. Bacon?
4 A. Land manager for the Pittsburgh division.
5 Q. And would that...your responsibilities
6 include this particular unit that's...that's a part of this
7 application?
8 A. Yes, it does.
9 Q. Okay. And is this particular unit located
10 in the Pilgrim's Knob Field?
11 A. Yes, it is.
12 Q. And what is the acreage that this unit
13 contains?
14 A. 180 acres.
15 Q. In this particular unit, does EOG have
16 drilling rights and what would that percentage be?
17 A. Yes, we do have drilling rights. In this
18 unit, we have approximately 90.05%.
19 Q. Okay. Are there any respondents listed on
20 Exhibit B-2 that should be dismissed from this application?
21 A. No.
22 Q. And I've asked this question before and I'll
23 ask you on each of these, Mr. Bacon, are ongoing efforts
24

1 being made to reach a voluntary agreement with those parties
2 listed on Exhibit B-2?

3 A. Yes, there are.

4 Q. Okay. How was noticed provided to the
5 respondents in the application?

6 A. Certified mail, return receipt requested and
7 published in the Bristol Herald Courier on February the 18th.

8 Q. 2005?

9 A. 2005, I'm sorry.

10 Q. Okay. Are there any unknown owners in this
11 unit?

12 A. No, there are not.

13 Q. Have proofs of publication and certified
14 mailings been provided to the Board?

15 A. Yes, they have.

16 Q. Again, I'll ask you if EOG is authorized to
17 conduct business in the Commonwealth?

18 A. Yes, it is.

19 Q. And you have a blanket bond on file---?

20 A. Yes, we do.

21 Q. ---with the department? In the event you
22 are able to reach a voluntary agreement with the parties
23 listed on Exhibit B-2, what would the terms be...the lease
24

1 terms be for that...for that voluntary agreement?

2 A. Five dollar per acre bonus for a five year
3 term and a one-eighth royalty.

4 Q. And does this represent fair and reasonable
5 compensation to be paid for a lease in this area?

6 A. Yes, it does.

7 Q. What percentage of the oil and gas estate
8 are you seeking to pool?

9 A. 9.95%.

10 Q. Okay. Is there an escrow requirement for
11 this particular unit?

12 A. No.

13 Q. Are you requesting the Board to pool the
14 unleased parties or the parties listed on Exhibit B with whom
15 you've not reached a voluntary agreement?

16 A. Yes, we are.

17 Q. And are you requesting that the...that EOG
18 be named the operator for this unit and what would that
19 address be?

20 A. Yes, we are requesting to be the operator,
21 South Point Plaza One, 400 South Point Boulevard, Suite 300,
22 Canonsburg, Pennsylvania 15317.

23 TIM SCOTT: That's all the questions I have for Mr.

24

--

1 Bacon.

2 BENNY WAMPLER: Questions from members of the
3 Board?

4 BILL HARRIS: Mr. Chairman, here I go again.

5 BENNY WAMPLER: Mr. Harris.

6 BILL HARRIS: This is actually more informational
7 and I'm not sure if you all are the right folks to ask. But
8 I notice that most of the applicants---

9 TIM SCOTT: Mr. Harris, I am...I am the right
10 person. So you can ask me.

11 BILL HARRIS: Well, I notice most of the folks
12 who...most of the companies that...that filed the notice of
13 hearing do it in the Bluefield Daily Telegraph. And I
14 noticed you all have chosen the Bristol Herald Courier. Is
15 there any requirement that we use a certain paper or is it---
16 .

17 BENNY WAMPLER: General circulation...I believe the
18 law and regs say general circulation in the area and both of
19 those have general circulation in the area.

20 BILL HARRIS: Okay, that's what I was saying. I
21 wasn't sure who---

22 BENNY WAMPLER: They couldn't use some...they
23 couldn't use some weekly that didn't have a---

24

--

1 BILL HARRIS: Yes.

2 BENNY WAMPLER: ---good population or what have
3 you.

4 BILL HARRIS: So either of those would be
5 acceptable?

6 BOB WILSON: Mr. Chairman.

7 BENNY WAMPLER: Mr. Wilson.

8 BOB WILSON: For your information, our public
9 information office regularly does...checks on the newspapers
10 to see where there's a circulation areas are because our laws
11 do state that they have to be advertised within these areas
12 of general circulation. So, that's something that we keep up
13 with quite a bit. The...one of the reasons for publishing in
14 the Bluefield rather than in the Bristol, it can save you a
15 heck of a lot money.

16 BILL HARRIS: Oh, well...okay, okay, well, thank
17 you then. That's...that's what I was saying, I wasn't sure
18 who to ask.

19 TIM SCOTT: I'd like to go off the record for just
20 a minute about tract identification. Can we do that?

21 BILL HARRIS: Well, that was a question I had also.

22 BENNY WAMPLER: We don't...we don't need to be off
23 the record, but you can ask me anything you want.

24

--

1 TIM SCOTT: Okay. What...what...what we have done
2 in the past, and I guess...Mr. Harris had asked it for, was a
3 tract identification exhibit.

4 BENNY WAMPLER: Right.

5 TIM SCOTT: Of course, now we're loaded with
6 exhibits, you know, and I just---

7 BENNY WAMPLER: He's not asking for a separate
8 exhibit.

9 BILL HARRIS: No.

10 BENNY WAMPLER: He's asking that---

11 TIM SCOTT: Just that to be---

12 BENNY WAMPLER: ---on your plat---

13 BILL HARRIS: On your well location plat. You
14 know, when you start your exhibits, you have Tract 1 and
15 Tract 2. All I'm asking is that they are referenced Tract 1
16 and Tract 2 on the plat. That way---

17 TIM SCOTT: Got it. Okay. Anything to make it
18 easier for you all, that will be great. We'll do that.

19 BILL HARRIS: Yes, yes, yeah, thanks.

20 TIM SCOTT: We can certainly do that. It's hard to
21 have a play bill when you've got fifteen or twenty different
22 things floating around.

23 BILL HARRIS: I understand.

24

--

1 TIM SCOTT: So...but we'll do that for you.

2 BILL HARRIS: No further questions.

3 TIM SCOTT: Okay.

4 BENNY WAMPLER: You may continue.

5

6 MICHAEL McCOWAN

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. SCOTT:

9 Q. Mr. McCowan, again, state your name and your
10 occupation and by whom you are employed.

11 A. I'm Michael McCowan, operations manager for
12 EOG Resources in the Pittsburgh division. I'm responsible
13 for drilling and production operations.

14 Q. Okay. Are you familiar with EOG's
15 application, which is the subject of this hearing?

16 A. Yes.

17 Q. Are you familiar with the total depth of
18 this proposed well?

19 A. Yes. It's estimated at 5970 feet deep.

20 Q. Okay. Are you requesting pooling of oil and
21 gas reserves to include the designated formations, but those
22 formations between the surface and the total depth drilled
23 excluding coal?

24

--

1 A. Yes.

2 Q. What are the estimated reserves of this
3 particular unit?

4 A. 300 million cubic feet.

5 Q. And are you familiar with the well costs for
6 this well?

7 A. Yes.

8 Q. What would be estimated dry hole costs?

9 A. \$231,300.

10 Q. And the estimated completed costs?

11 A. \$369,700.

12 Q. Did you participate in the preparation of
13 the AFE, which has been submitted to the Board?

14 A. Yes, I prepared it.

15 Q. Okay. Does this AFE include a reasonable
16 charge for supervision?

17 A. Yes.

18 Q. And does the AFE represent the reasonable
19 costs for the drilling completion of this well, in your
20 opinion?

21 A. Yes, I believe so, yes.

22 Q. And in your opinion, would the granting of
23 this application prevent waste, protect correlative rights
24

1 and be in the best interest of conservation?

2 A. Yes.

3 TIM SCOTT: Those are my questions for Mr. McCowan.

4 BENNY WAMPLER: Mr. Wilson, you have the originals
5 of all of these AFEs, don't you---?

6 TIM SCOTT: We'll sign those before leave.

7 BENNY WAMPLER: ---with you...with you here today?

8 BOB WILSON: Yes, sir.

9 BENNY WAMPLER: Then you can sign those while
10 you're here. Questions from members of the Board?

11 MASON BRENT: I just, Mr. Chairman, have a small
12 question on Exhibit B-2.

13 BENNY WAMPLER: Mr. Brent.

14 MASON BRENT: Is that the correct address for
15 Carter Oil and Gas?

16 TIM SCOTT: Actually, we...we renoticed Carter Oil
17 and Gas. We obtained that address from a lease from C. L.
18 Ritter. We sent that back when it was 901 East Bird Street.

19 MASON BRENT: Okay.

20 TIM SCOTT: We renoticed them and that is included
21 in our mailing. So, yes, sir, that is an incorrect address.

22 MASON BRENT: I knew there was no East Street in
23 zip code 23215.

24

--

1 TIM SCOTT: Right, right. But we sent that back as
2 soon as it was...

3 BENNY WAMPLER: Good catch.

4 MASON BRENT: I'm sorry?

5 BENNY WAMPLER: Good catch.

6 BOB WILSON: Mr. Chairman, we have records of that
7 in the notice here. I was just checking as a matter of a
8 fact.

9 BENNY WAMPLER: Okay. Any other questions?

10 (No audible response.)

11 BENNY WAMPLER: Do you have anything further?

12 TIM SCOTT: No, sir. Just ask that the application
13 be approved.

14 BENNY WAMPLER: Is there a motion?

15 BILL HARRIS: Move for approval of the application.

16 PEGGY BARBAR: Second.

17 BENNY WAMPLER: Motion is second. Any further
18 discussions?

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

--

1 (No audible response.)

2 BENNY WAMPLER: You have approval. The next item
3 on the agenda is a petition from EOG Resources, Inc. for
4 pooling of a conventional gas unit PKK-25, docket number
5 VGOB-05-0315-1424. We'd ask the parties that wish to address
6 the Board in this matter to come forward at this time.

7 TIM SCOTT: Mr. Chairman, Tim Scott, Peter Bacon
8 and Mike McCowan for EOG Resources.

9 (Tim Scott passes out revised exhibits.)

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

12 TIM SCOTT: We just provided the Board with a
13 revised Exhibit A and a revised Exhibit B-1. No other
14 exhibits have changed. The reason for that is the lines with
15 regard to the properties that were already under lease to EOG
16 were changed, but no other...no other matters on these were
17 changed, and we'll have testimony to that effect.

18

19 PETER BACON

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. SCOTT:

22 Q. Mr. Bacon, would you state your name,
23 please?

24

--

1 A. Peter Bacon.

2 Q. And by whom are you employed?

3 A. EOG Resources, Inc.

4 Q. And what is your job description?

5 A. Land manager of the Pittsburgh division.

6 Q. And as a land manager, does your job
7 description include leasing and pooling in this particular
8 area---?

9 A. Yes, it does.

10 Q. ---where this well...unit is located? And
11 are you familiar with EOG's application for well BB...Big
12 Vein well 9-05?

13 A. Yes, I am.

14 Q. And is this unit located within the
15 Pilgrim's Knob Gas Field?

16 A. Yes, it is.

17 Q. Does it also contain a 180 acres?

18 A. Yes, it does.

19 Q. Does EOG have drilling rights in this unit
20 and what would that percentage be?

21 A. Yes. We do have rights, approximately
22 71.99%.

23 Q. Are there any parties or respondents who
24

1 should be dismissed from this application at this time?

2 A. No, there are not.

3 Q. Mr. Bacon, as you just heard me say, we
4 provided the Board with a revised Exhibit B-1 and revised
5 Exhibit A, which depicts the plat or depicts the acreage,
6 which is the subject of this pooling application. Were there
7 any additional notices requires as a result of this...these
8 revisions to this B-1 and Exhibit A?

9 A. No, there weren't.

10 Q. Okay. Exhibit B-2 remains the same, is that
11 correct?

12 A. Correct.

13 Q. How as notice provided to the respondents
14 listed on Exhibit B-2?

15 A. Certified mail, return receipt requested.

16 Q. Was notice effected by any other means?

17 A. Yes, by notice in the Bristol Courier Herald
18 on February the 18th, '05.

19 Q. Are there any unknown owners in this unit?

20 A. No.

21 Q. And the last addresses are listed on Exhibit
22 B-2 are the addresses that you know about, is that correct?

23 A. Yes.

24

--

1 Q. Okay. Have you filed proofs of publications
2 and certified mail receipts with the Board?

3 A. Yes, we have.

4 Q. And, excuse me, is EOG authorized to conduct
5 business in the Commonwealth?

6 A. Yes, we are.

7 Q. And you have a blanket bond on file with the
8 department?

9 A. Yes, we do.

10 Q. Have you engaged in ongoing attempts to
11 reach voluntary agreements with the parties listed on Exhibit
12 B-2?

13 A. Yes, we have.

14 Q. And if you were to reach an agreement with
15 these parties, what would be the terms that would be offered
16 under a lease?

17 A. Five dollars per acre bonus for a five year
18 term with a one-eighth royalty.

19 Q. Do you consider this to be fair and
20 reasonable compensation for an oil and gas lease in this
21 area?

22 A. Yes, we do.

23 Q. And what percentage of the oil and gas
24

1 estate are you seeking to pool?

2 A. 28.00%.

3 Q. Okay. With regard to this unit, is there an
4 escrow requirement?

5 A. No, there is not.

6 Q. Are you requesting the Board to pool the
7 interest of the parties that are depicted on Exhibit B-2 to
8 the application?

9 A. Yes, we are.

10 Q. And are you requesting that EOG be named
11 operator for this unit?

12 A. Yes, we are.

13 Q. And what would be the address where notices
14 would be---?

15 A. EOG Resources, Inc., South Point Plaza One,
16 400 South Point Boulevard, Suite 300, Canonsburg,
17 Pennsylvania 15317.

18 TIM SCOTT: That's all the questions I have for Mr.
19 Bacon.

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

22 (No audible response.)

23 BENNY WAMPLER: Call your next witness.

24

--

1 TIM SCOTT: Okay.

2

3 MICHAEL McCOWAN

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SCOTT:

6 Q. Mr. McCowan, would you state your name,
7 please?

8 A. Michael McCowan.

9 Q. And by whom are you employed?

10 A. EOG Resources, Inc.

11 Q. In what capacity?

12 A. I'm the operations manager for the
13 Pittsburgh Division.

14 Q. And are you familiar with the application...
15 this application pending before the Board?

16 A. Yes.

17 Q. Are you familiar with the total depth of
18 this proposed well?

19 A. Yes, it's estimated at 5970 feet deep.

20 Q. Okay. Are you requesting the force pooling
21 of oil and gas reserves from the surface to the total depth,
22 excluding coal?

23 A. Yes.

24

--

1 Q. Okay. What are the estimated reserves of
2 this particular unit?
3 A. 300 million cubic feet.
4 Q. And are you familiar with the well costs for
5 this proposed well?
6 A. Yes.
7 Q. What would be the estimated dry hole costs?
8 A. \$231,300.
9 Q. And what is the estimated completed well
10 costs?
11 A. \$369,700.
12 Q. Do you consider this to be a reasonable
13 cost---?
14 A. Yeah.
15 Q. ---for the development and drilling of this
16 well?
17 A. Yes.
18 Q. Has an AFE been submitted to the Board?
19 A. Yes, it has.
20 Q. And who prepared the AFE?
21 A. I did.
22 Q. Does this AFE include a reasonable charge
23 for supervision?
24

1 A. It does.

2 Q. And would the granting of this application
3 be in the best interest of conservation, prevention of waste
4 and protection of correlative rights?

5 A. Yes.

6 TIM SCOTT: That's all the questions I have for Mr.
7 McCowan.

8 BENNY WAMPLER: Questions from the Board of this
9 witness?

10 (No audible response.)

11 BENNY WAMPLER: Do you have anything further?

12 (No audible response.)

13 TIM SCOTT: No, sir.

14 BENNY WAMPLER: Is there a motion?

15 DONALD RATLIFF: I move to approve as presented,
16 Mr. Chairman.

17 MASON BRENT: Second.

18 BENNY WAMPLER: Motion is 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 EOG Resources, Inc. for
5 pooling of a conventional gas unit PKK-17, docket number
6 VGOB-05-0315-1425. We'd ask the parties that wish to address
7 the Board in this matter to come forward at this time.

8 TIM SCOTT: Mr. Chairman, Tim Scott, Peter Bacon
9 and Mike McCowan for EOG Resources.

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

12

13 PETER BACON

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. SCOTT:

16 Q. Okay, Mr. Bacon, I'd again ask you to state
17 your name, your occupation and by whom you're employed?

18 A. Peter Bacon, EOG Resources, Inc. I'm land
19 manager of the Pittsburgh division.

20 Q. And does your job description include this
21 particular area in which this unit is located?

22 A. Yes, it does.

23 Q. Okay. Is this unit located within the
24

25

1 Pilgrim's Knob Gas Field?

2 A. Yes, it is.

3 Q. Does it contain a 180 acres?

4 A. Yes, it does.

5 Q. Does EOG have drilling rights in this unit?

6 A. Yes, we do.

7 Q. And what is the percentage of unit does EOG
8 have under lease?

9 A. 37.62%.

10 Q. Are there any parties or respondent or who
11 should be dismissed from this particular application?

12 A. No, there is not.

13 Q. Have notices been provided to the
14 respondents listed on Exhibit B-2 of this hearing?

15 A. Yes.

16 Q. And how...how was that done?

17 A. By certified mail, return receipt requested.

18 Q. How else was notice effected?

19 A. By...by publication in the Bristol Herald
20 Courier on February the 18th, '05.

21 TIM SCOTT: One of the things that the Board will
22 notice on this particular application is that we had listed
23 an Exhibit, I believe, B-3, which is...the reason for that is

24

--

1 we...during our due diligence, we located a gentleman who
2 was...did not appear to be under lease except that his name
3 was spelled wrong in about three different places. So after
4 one of EOG's land personnel started doing a grantee search in
5 the records in Buchanan County, they found the gentleman's
6 name correctly spelled and we determined that he was under
7 lease at that point. So, we sent...we corrected the notice.
8 So, that's the reason we have a B-3, which we would not
9 ordinarily have, okay.

10 Q. Is that a correct statement, Mr. Bacon?

11 A. Yes, it is.

12 Q. Okay. Again I'll ask you, are there any
13 unknown owners in this unit?

14 A. No, there are not.

15 Q. Have you filed proofs of publication and
16 mail certifications with regard to this particular unit?

17 A. Yes, we have.

18 Q. Is EOG authorized to conduct business in
19 Virginia?

20 A. Yes, we are.

21 Q. And you have a blanket bond on file with the
22 Department of Mines, Minerals and Energy?

23 A. Yes, we do.

24

--

1 Q. Okay. Are you...in ongoing...are you
2 conducting and contacting these unleased parties or B-2
3 parties to see if you can reach a voluntary agreement with
4 them?

5 A. Yes, we are.

6 Q. If you were able to reach an agreement with
7 these parties listed on B-2, what would be the terms of such
8 an oil and gas lease?

9 A. Five dollar per acre bonus for a five term
10 and a one-eighth royalty.

11 Q. Do you consider these terms to be fair and
12 reasonable compensation for an oil and gas lease in the area
13 of this unit?

14 A. Yes, we do.

15 Q. What percentage of the oil and gas estate
16 are you then seeking to pool?

17 A. 62.38%.

18 Q. Is there an escrow requirement for this
19 particular unit?

20 A. No.

21 Q. And are you asking the Board to pool the
22 parties listed on Exhibit B-2 to the application?

23 A. Yes, we are.

24

--

1 Q. Are you requesting that EOG be named
2 operator for this particular unit?

3 A. Yes, we are.

4 Q. And what address would be used?

5 A. EOG Resources, Inc., South Point Plaza One,
6 400 South Point Boulevard, Suite 300, Canonsburg,
7 Pennsylvania 15317.

8 TIM SCOTT: That's all the questions I have for Mr.
9 Bacon.

10 BENNY WAMPLER: Just a side note, I had a B...blank
11 B-3 in every one of my applications.

12 TIM SCOTT: You did?

13 BENNY WAMPLER: Yes.

14 TIM SCOTT: Okay, I'm sorry.

15 BENNY WAMPLER: That's okay.

16 TIM SCOTT: I thought we had put those in there.

17 BENNY WAMPLER: Anyway, that's not a problem.

18 TIM SCOTT: Okay.

19 BENNY WAMPLER: I just wanted to point it out to
20 you. Questions of this witness from members of the Board?

21 (No audible response.)

22 BENNY WAMPLER: Call your next witness.

23 TIM SCOTT: Okay.

24

--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MICHAEL McCOWAN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. McCowan, would you state your name, occupation and with whom you're employed?

A. Michael McCowan, operation's manager for EOG Resources, Inc.

Q. And are you familiar with EOGs application for this unit?

A. Yes, I am.

Q. And what aspects are you familiar? Did you prepare the AFE?

A. I did.

Q. Okay. And what is the total targeted depth for this proposed well?

A. It's estimated at 5970 feet deep.

Q. Are you asking the Board to pool oil and gas reserves to include not only the designated formations, but any other formations which may be between those formations designated from the surface to the total depth drilled, excluding coal?

A. Yes.

1 Q. And what are the estimated reserves for this
2 particular unit?

3 A. 300 million cubic feet.

4 Q. Are you familiar with the well costs for
5 this proposed well?

6 A. Yes.

7 Q. And what would be dry hole cost estimated?

8 A. Estimated at \$231,300.

9 Q. And what would be the total or what would be
10 the estimated completed well costs?

11 A. \$369,700.

12 Q. You indicated just a moment ago that you
13 prepared the AFE for this particular unit, is that correct?

14 A. Yes.

15 Q. Do you consider the costs depicted on that
16 AFE to be reasonable costs for the development of this
17 particular unit?

18 A. Yes, I do.

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

21 A. Yes.

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

1 protection of correlative rights and the prevention of waste?

2 A. Yes.

3 TIM SCOTT: Those are my questions for Mr. McCowan.

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

6 (No audible response.)

7 BENNY WAMPLER: Do you have anything further?

8 TIM SCOTT: No, sir.

9 BENNY WAMPLER: Is there a motion?

10 DONALD RATLIFF: I move to approve as presented.

11 BENNY WAMPLER: Motion to approve. Is there a
12 second?

13 BILL HARRIS: Second.

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

16 (No audible response.)

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

19 (All members signify by saying yes.)

20 BENNY WAMPLER: Opposed, say no.

21 (No audible response.)

22 BENNY WAMPLER: You have approval. Welcome to
23 Virginia.

24

--

1 PETER BACON: Thank you. Thank you.

2 MICHAEL McCOWAN: It's good to be here.

3 PETER BACON: Let me say this is our...obviously,
4 our first rodeo here and we will endeavor to do things the
5 way you prefer to do them the future. This was our first
6 time and we learn quickly.

7 BENNY WAMPLER: Well, you've...you didn't have a
8 bunch of people in here upset with you. So, as a landman,
9 that's what we want...that's what we want you to do, is work
10 with the people.

11 PETER BACON: That's going to be a part...a high
12 threshold with me and Tim, I'm sure.

13 MICHAEL McCOWAN: There's an advantage to being
14 last.

15 BENNY WAMPLER: I have one other...one other item
16 on the agenda, and that is for the Board to review and
17 approve the minutes of the last hearing, February the 15th
18 hearing. You received copies of those. Is there any edits?
19 If not---

20 MASON BRENT: Mr. Chairman, I reviewed the minutes
21 and I would move that we approve them as distributed.

22 BILL HARRIS: Second.

23 BENNY WAMPLER: Motion to approve and second. Any
24

1 further discussion?

2 (No audible response.)

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

5 (All members signify by saying yes.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval. Mr. Wilson, do
9 you have anything further?

10 BOB WILSON: No, sir.

11 BENNY WAMPLER: Thank you very much.

12

13

14

15

16 STATE OF VIRGINIA,

17 COUNTY OF BUCHANAN, to-wit:

18 I, Sonya Michelle Brown, Court Reporter and Notary
19 Public for the State of Virginia, do hereby certify that the
20 foregoing hearing was recorded by me on a tape recording
21 machine and later transcribed under my supervision.

22 Given under my hand and seal on this the 11th day
23 of April, 2005.

24

--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

NOTARY PUBLIC

My commission expires: August 31, 2009.